Determinants of Bank Selection by Customers: An Empirical Analysis in Addis Ababa

Research Thesis Submitted to the Department of Marketing Management in Partial Fulfillment of the Requirement for the Degree of Master of Arts in Marketing Management

By: TewabeMihret (ID No: 0082/02)

May 2016

Addis Ababa, Ethiopia

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Approved by board of examiners

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DECLARATION

I declare that the thesis entitled "***Determinants of Bank Selection by Customers: an Empirical Analysis in Addis Ababa***" is my original work and has not been presented in Addis Ababa University or any other University, and that all sources of material used for the project have been duly acknowledged.

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(TewabeMihret)

LETTER OF CERTIFICATION

This is to certify that ***TewabeMihret*** carried out his project entitled ***""Determinants of Bank Selection by Customers: an Empirical Analysis in Addis Ababa***" under my supervision. This work is original in nature and it is suitable for submission for the award of master degree in marketing management.

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(The research advisor)

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Last but not least I would like to express my heartfelt love to my wife, and family members for their support and encouragement.

Abstract

The general objective of this paper was to investigate the determinants of bank selection by customer investigate their relationships with satisfaction on banking association. It also aimed at examining the association between staff competency, service efficiency, tangibles, reputation, technology, convenience and recommendation on Satisfaction on Bank Preference. The study was done in Addis Ababa in selected commercial private and public bank branches. The study used quantitative research methodology. 325 questionnaires were distributed with a response rate of 61 percent. Data was collected through self-administered questionnaire. Data was analyzed using SPSS 20. Principal component analysis with varimax orthogonal method was conducted to reduce bank selection variables into manageable factors. Eight factors were identified. These were staff competency, service efficiency, reputation, convenience, tangibles, recommendation, technology, and price/financials. The Cronbach's alpha was used to test the reliability of the factors. The results showed that all the eight factors were important determinants in the choice of commercial banks. Staff competency, which composed of courtesy, expertise and knowledge of staff, solving customers' problems and concerns, received the highest importance by the respondents, followed by service efficiency, which comprises accuracy of account information, speed of transaction processing, fast and efficient bank service, and ease of obtaining loans. Descriptive statistics was used to prioritize the 28 variables grouped under the eight factors. Among these, high interest rate paid by banks, fast service at the counter, courtesy of front line staff received more weight, while long years of experience, attractiveness of bank building, and financial stability received lowest mean scores. Inferential statistics was done using t-test and ANOVA to test impacts of demographics on bank selection factors. In most cases, no statistically significant differences were observed. Moreover a multiple linear regression analysis was conducted to answer the study's research questions and to test formulated hypothesis. Service efficiency, technology, tangibles, and convenience turned out to be positively and significantly affecting satisfaction on bank preference by customers at $p<0.1$. To address these issues, banks should emphasize on developing their human resources in terms of skill, knowledge and attitude and advance in technological innovations.More emphasis should also be given to tailor their marketing strategies based on the preference of their existing and prospective customers.

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1. Introduction

1.1. Background of the Study

Global changes forced banks and other institutions to compete with one another, at the same time appeared to expand the scope of the market, reduce cost and maximize profit through service, speed, innovation and through meeting the needs of the consumer. In order to be competitive, banks and financial institutions require conversion strategies to expand geographically and to open new markets (Bexley etal., 2012). The identification of the banking strategy in which the bank should seek for sectors in which there is a comparative advantage, and which advantages may develop that may become relative later on must be identified by the bank. The bank must expand the product mix and banking services continuously so that they may become integrated and convenient to customers, rather than relying on traditional financial services to achieve profit margins and have effective control of their costs (Bexley et al.,2012).

Deregulation and the emergence of new forms of technology have created highly competitive market conditions which have had a critical impact upon consumer behaviour. Bank providers must, therefore, attempt to better understand their customers in an attempt not only to anticipate but also to influence and determine consumer buying behavior (Beckettetal.,2000). Consumers are now more disposed to changing their buying behaviour when purchasing financial products. As a consequence, bank providers are less certain that their customers will continue to bank with them or that they will be able to rely upon the traditional banker-customer relationship to cross-sell high value, so-called ancillary products (Beckettet al.,2000).

Since the introduction of the market economy in Ethiopia, the financial sector has opened its door to private indigenous financial institutions,and there has been a relatively better conducive environment for private banks to come in to play in the economy. In this regard, the number of banks and their branch networks increased from its level in early 90s. According to the 2014/15fourth quarter report of the National Bank of Ethiopia (NBE), the number of bank branches in the country reached2,693. About 35.5percent of the total bank branches were located in Addis Ababa, reflecting the high level of concentration of branches in the capital. Of the total

bank branches, the share of private banks increased to 58.6 percent. Because of this, it is likely that the competitiveness among banks has grown stiffer, thereby affecting performance of the commercial banks in the country. Despite the growing number of new private banks entering the market, the sector is still largely dominated by the three government-owned banks in terms of capital, deposits and assets (Kapur and Abebaw 2012). Overall, the financial sector in Ethiopia, including the banking sector, is "much less developed" than its neighbors (Kapur and Abebaw 2012).

However, with ever changing needs for variety of financial services and products by customers and the push for further liberalizing the financial sector, there will be a possibility for foreign commercial banks to come in play in the country, creating more competitive environment among the indigenous commercial banks. All these changes necessitate strategic and insightful directions to offer what is valued by customers and buy their loyalty. This can be done by providing more pertinent facilities and services.

To this end, various literatures show that defining customer' banks selection criteria isimportant to banks that helps them to identify the appropriate marketing strategies needed to attract new customers and retain existing ones (see Kaynak and Kucukemiroglu, 1992 for example). Indeed, the growing competitiveness in the banking industry (Grady and Spencer, 1990), and similarity of services offered by banks (Holstius and Kaynak, 1995), has made it increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of financial services. Consequently, the issue of "how customers select banks" has been given considerable attention by researchers (for example: Anderson et al. 1976; Evans 1979; Kaynack and Yavas 1985; Kazeh and Decker 1993; Denton and Chan, 1991; Hegazi 1995; Metawa and Almossawi 1998; Omar, 2007; Kamakodi and Khan (2008); Rao, 2010, Aregebeyen, 2011).Notwithstanding to this, a review of literatures indicates that studies related to bank selection criteria have been mainly conducted in the USA, some European countries, and in very few developing countries. While, such studies have contributed enormously to the literature on bank selection, their findings may not be applicable to other countries, due to differences in cultural, economic and legal environments, suggesting a need to conduct similar studies that can help the marketing executives of banks tailor their offerings taking into account the preferences of their customers. In this regard, a limited work has been done in Ethiopia in

similar marketing issues. For example, Tizazu(2012) conducted a study on the effect of customer service quality on customer satisfaction in selected private banks and concluded that, service quality dimensions (tangibility, reliability, assurance and empathy) significantly explain 80% of the variations in customer satisfaction in private banks in Addis Ababa. The aim of this study is thus to identify the determinant factors affecting the choice of banks by customers and narrow the gap in the body of bank selection literature in the Ethiopian context.

1.2 Background of Banking Industry in Ethiopia

The history of banking in Ethiopia dates back to the turn of the century, when, in 1905, the Bank of Abyssinia was established in Addis Ababa, under the reign of Menelek II (Mauri, 2003).A new bank called Bank of Ethiopia was established in 1931. The new bank, which was the first nationally-owned bank on African continent (Belay, 1990 and Befekadu, 1995, both cited in Geda, 2006) retained management, staff and premises of the Bank of Abyssinia. Bank of Ethiopia continued to function by providing both central and commercial banking activities until 1936. The Italian invasion of 1936 brought an end to the operation of Bank of Ethiopia.

During the brief five-year Italian occupation (1936-1941) six Italian banks were actively operating in Ethiopia (Geda, 2006). During this period, Bank of Italy banknotes formed the legal tender in Ethiopia (Ncube, 2008).

Ethiopia gained its independence from Italy in 1941 with the help of British forces. Under British occupation following independence, Ethiopia was briefly a part of the East Africa Currency Board (Ncube, 2008). Barclay's Bank was operating in Ethiopia from 1941 to 1943 (Belay 1990 and Befekadu, 1995 cited in Geda, 2006).

On April 15, 1943, the *State Bank of Ethiopia* became the central bank and was active until 1963. In 1963 the bank was dissolved and central and commercial banking activities of the bank were separated. Today's National Bank of Ethiopia, the central bank, was established by Proclamation No. 206 of 1963 and began operation in January 1964. On the same year, the current Commercial Bank of Ethiopia was established to undertake commercial banking activities(Mauri, 2003).

Until the coming of the Derg regime in 1974, a number of government and private banks were established (Ncube, 2008). In 1974 the Derg regime took power. According to the regimes command economy ideology, all private banks were nationalized and reorganized under one commercial bank (Commercial Bank of Ethiopia), a national bank (National Bank of Ethiopia recreated in 1976), two specialized banks (the Agricultural and Industrial Bank – renamed recently as the Development Bank of Ethiopia; and a Housing and Saving Bank – renamed recently as the Construction and Business Bank) (Geda,1996). Thus, throughout the Derg tenure the banking sector consisted of only 3 banks (other than the central bank) which were monopolies in their respective areas of operation.

In 1991, as the Derg regime collapsed and the Ethiopian peoples' Revolutionary Democratic Front (EPRDF) took power, a mixed market economy was declared. Consequently, the banking sector was re-opened for private participation pursuant to Proclamation No.84/1994. Following the proclamation, many private banks have been established and begun operating in the country. As per the National Bank of Ethiopia, currently there are 3 governmentowned and 16local privatebanks operating in the country, Debub Global Bank being the latest to date. The current banking regulation of the country prohibitsforeign national to own banks fully or partially and to open bank branches and operate in the country.

1.3 Statement of the Problem

Exploring "How customers select banks" will help banks to identify the appropriate marketing strategies needed to attract new customers and retain existing ones (Kaynak and Kucukemiroglu, 1992). Resemblance of services offered by banks (Holstius and Kaynak, 1995) and greater than ever competition among retail banks have become more and more important. Therefore, banks should identify main factors that determine the basis upon which customers select retail banks.

The banking sector in Ethiopia has shown significant changes over time in terms of both competition and business volume. As the number of banks entering the industry is increasing, it is inevitable that customers will have various choices to do their banking business with. Because of this, every bank will strive to expand its market share to stay competitive and profitable in the market. Among others, this can be achieved by focusing on identifying customers' needs and wants and tailoring services to meet those needs.

Blankson et al., 2009 (cited in Owusu- Frimpong and Narteh, 2011) suggest that the need tounderstand the factors affecting customers' bank selection criteria is one of the most important strategic issues needed in the changing banking environment, particularly for policy makers such as senior bank managers and advertising executives. Furthermore, Owusu-Frimpong (1999) assert that a sound knowledge of the bank selection criteria of consumers is critical in formulating marketing mix strategies to attract, satisfy and retain customers especially in developing countries where banking culture is fast catching up with the people.

Although studies have been conducted to identify bank selection criteria by different segments of customers, it has not been possible to come up with selection factors that matter to customers everywhere given variety of country-specific contexts and large number of determinant factors of banks in different socio-economic contexts. Previous literatures conducted in different countries (such as Kaynak et.al, 1991, Benton and Chan, 1999, Mason and Mayor, 1974) show that there are differences among bank customers in their bank patronage behaviour when demographic and socioeconomic factors are considered. Such studies have been conducted in other countries with different cultural, social and economic background, hence demanding similar studies in Ethiopia.

In light of the above, this paper will try to investigate the determinants of banks selection by customers in Ethiopia focusing on those transacting in the city of Addis Ababa. It also tries to determine if demographic factors can affect bank selection criteria. Themain aimof this study is thus to identify the determinant factors affecting the choice of banks by customers and contribute to the body of knowledge in bank marketing.

1.4 Research Questions

1.4.1 Main Research Questions

- What are the determinants of bank preference and their impact on satisfaction on banking preference/association

1.4.2 Sub-research Questions

- What are the various determining factors affecting bank satisfaction on bank preference?
- Which of these determinants significantly and positively affects satisfaction on bank preference
- What is the relative importance of each factor to customers?
- Is there a significant difference in bank selection dimensions among customers with different demographic background?

1.5 Objectives of the Study

1.5.1 General Objective

The general objective of this study is to empirically investigate and identify the determinants of the banking selection and determine their relationships with satisfaction on bank preference/association by customers in Addis Ababa and forward recommendations so as to help bank executives make sound marketing decisions.

1.5.2 Specific Objectives

The specific objectives of this study are to:

- ✓ **Identify** the determining factors affecting the choice of a bank by customers
- ✓ **Examine** the effect of determinants of bank preference on satisfaction on banking preference/association
- ✓ **Prioritize** the bank selection factors based on their relative importance
- ✓ **Evaluate** if there is a significant difference inbank selection factors according to private and public bankusers (bank affiliation)

- ✓ **Examine** whether there is a significant difference in bank selection factors based on demographic variables: gender, age, education and income

1.6 Hypotheses

In order to investigate the relationship of bank preference determinant factors with satisfaction on bank preference/association, the following research model and related hypotheses are formulated

SP=f(SC,PR,SE,RP,TA,CO,TE,RC)

Where:

SP=Satisfaction on bank preference;

SC=Staff competency;

PR=Price;

SE=Service efficiency;

RP=Reputation;

TA=Tangibles;

CO=Convenience;

TE=Technology;

RC=Recommendation;

H1: There is a significant and positive relationship between staff competency and satisfaction on bank preference

H2: There is a significant and positive relationship between price/financials and satisfaction on bank preference

H3: There is a significant and positive relationship between service efficiency and satisfaction on bank preference

H4: There is a significant and positive relationship between reputation and satisfaction on bank preference

H5: There is a significant and positive relationship between tangibles and satisfaction on bank preference

H6: There is a significant and positive relationship between convenience and satisfaction on bank preference

H7: There is a significant and positive relationship between technology and satisfaction on bank preference

H8: There is a significant and positive relationship between recommendation and satisfaction on bank preference

Moreover, the theoretical theory and literature reviewshow that there is a difference in the selection criteria of banks based on demographic variables (for example, Boyd et al., 1994; Denton and Chan, 1999; Aregebeyn,2011). Aregebeyn (2011) studied if gender, age, education and income have significantly affect bank selection criteria. He observed significant gender differences in bank selection or preferences. No major/significant location and income differences in the factors selection/preferences were observed, though. Moreover, he pointed out educational disparity among the respondents played no significant role in the selection choice of the factors except for those of transactions alert &regular communication with customers and secured internet banking. On the other hand, Omar (2007) cited in Aregebeyn (2011) conducted gender based analysis on factors affecting retail bank selection criteria in Nigeria and showed the key characteristics in retail bank service usage between men and women differ slightly, however, there was no significant difference in the choice criteria between male and female customers.Hence the following hypotheseshave formulated to carry out similar studies.

H9: There is no significant difference on bank selection factors based on bank affiliation

H10: There is no significant difference on bank selection factors based on gender

H11: There is no significant difference on bank selection criteria based on income age

H12: There is no significant difference on bank selection criteria based on income level.

H13: There is no significant difference on bank selection criteria based on Education level

1.7 Significance of the study

Since a very little amount of research has been done in this area, this study contributes to the body of knowledge by bridging the gap in the banking literature in Ethiopia through identifying factors affecting bank selection criteria by customers.

The study will also have practical significance for policy makers of commercial banks operating in Ethiopia, for understanding the key behavioral and demographical dimensions of their customers and using these dimensions for effectively positioning their marketing strategies, defining their policies; and articulating their operating procedures to enhance customer satisfaction and ensure better service that worth the money customers pay for banks. The study will also serve as a springboard for other researchers to enquire more into this area.

1.8 Delimitation of the Study

This study focuses only on customers contacted at selected branches of private and public banks in Addis Ababa. Customers who visited a specific branch during the field visitwere the target of the study, which may make it difficult to generalize the result to the whole population. If the data were to be collected from all over the country covering many customers from all walks of life, the result would be much better. The reason to select Addis Ababa for the study is the availability of wider options ofbanks for customers in the capital city. All commercial banks in Ethiopia are headquartered and have at least one branch in the city. Therefore, customers have a discretionary power to evaluate and select their favorite bank/s. This discretion is limited to regional towns where few banks have branches. Thus, customers' choice of a bank may simply be the result of 'lack of option' rather than deliberate selection criteria.

Conceptually, the study is confined to identification and prioritization of customers' bank selection criteria using a structured questionnaire containing question items that have been used in previous similar studies; and it recommends on managerial implications of the findings, and identifying areas for further study. This is a study reflecting customers' bank choice criteria at one point in time rather than over a period of time as in longitudinal studies.

1.9 Organization of the Study

The thesis report is organized under five chapters. The first chapter introduces the paper by highlighting the banking history of Ethiopia and describing the background of the study. The statement of the problem, hypothesis statements, research questions, objectives and delimitations of the study has been described in the first introductory part of the thesis. Following the introduction, review of literatures have been thoroughly done in the second chapter, wherein the theoretical background and previous related studies are discussed. In the theoretical background part, the rationales behind why customers buy, the service purchase process has been discussed. Moreover, in this chapter pervious related literatures done by various scholars are described and analyzed. Chapter three provides detailed description of the research methodology used to carry out this thesis. In this chapter, the research design, the sampling method, sample size and methods of statistical analysis has beendescribed. Chapter four presents the analysis and discussion part of the study. Finally in Chapter five, summary of major findings, drawn conclusions, and recommendations along with areas for further studies are presented.

2 Literatures Review

In this Part of the paper, relevant theoretical backgrounds of the researchare discussed. Previous empirical studies that have been done in different countries and contexts have also been described and analysed.

2.1 Theoretical Background

2.1.2 Why do Customers buy?

Marketing people really do need to know the reasons why buyers buy. More often than not, customers do not even know the real reasons they buy (they like to think that they are rational decision makers). There is a range of conscious and unconscious reasons underlying why people buy what they buy. Some reasons are more important than others to a particular segment. Some reasons are rational, and some are emotional. The marketing professional must understand the

target market's buying behaviour before, during and after the actual purchase. In-depth research reveals some deep and unconscious reasons that demonstrate some of the complexities of buying behaviour. The time and effort spent in the buying process depend on the type of buying situation. Decision-making units affect the process. Buying models highlight some of the stages through which the buyer passes, offering a kind of checklist for marketing communications to ensure that they carry the buyer through each stage successfully. The behaviorist school differs from the cognitive school of more complex buying models. Motivation, perception, learning, values, attitudes and lifestyles all interact and influence the buying process.

Once marketing professionals are equipped with a clearer understanding of both the motives for buying and the buying process itself, a marketing communications strategy can be developed to ensure that it covers as many avenues to the mind of the buyer as resources allow. Reasons and motives range from the rational to the bizarre. Motives are, however, only one variable among many other intervening variables that integrate and influence buying behaviour. For example, beliefs and attitudes affect motives, which in turn affect the way an individual sees or perceives things (images, ads, products, shops, etc). We learn these opinions, attitudes and beliefs partly from groups (such as friends and colleagues), partly from commercial messages carefully aimed at us through advertising, sales promotion, etc, and partly from real experiences of products or services.

Customers buy goods and services to meet specific needs, and they evaluate the outcomes of their purchases based on what they expect to receive. When people feel a need, they are motivated to take action to fulfil it. In many instances, purchase of a good or service may be seen as offering the best solution to meeting a particular need. Subsequently, consumers may compare what they received against what they expected, especially if it cost them money, time, or effort that could have been devoted to obtaining an alternative solution. Expectations may even vary within different **demographic groups (e.g., between men and women, older and younger consumers, or blue- versus white-collar workers).**To make things more complicated, expectations also differ from country to country. Understanding customers' expectations and tailoring products to their needs will create satisfaction to customers (Lovelock and Wright, 2001).

Successful service firms are well informed about their customers and are selective about the prospects that they target. Underlying this focus is the concept of market segmentation, which groups both individual consumers and corporate buyers according to their expressed or implied needs, their observed or reported behavior, readiness to use technology, or other marketing-relevant variables (Lovelock and Wright, 2001).

A segment is composed of a group of current and potential customers who share common characteristics, needs, purchasing behavior, or consumption patterns. Effective segmentation should group buyers into segments in ways that result in as much similarity as possible on the relevant characteristics *within* each segment but dissimilarity on those same characteristics *between* each segment. Two broad categories of variables are useful in describing the differences between segments. The first deals with user characteristics, the second with usage behavior (Lovelock and Wright, 2001).

User characteristics may vary from one person to another, reflecting demographic characteristics (e.g., age, income, and education), geographic location, and psychographics (the attitudes, values, lifestyles, and opinions of decision makers and users). Another important variable is the specific benefits that individuals and corporate purchasers seek from consuming a particular good or service.

Usage behaviorrelates to how a product is purchased and used. Among such variables are when and where purchase and consumption take place, the quantities consumed ("heavy users" are always of particular interest to marketers), frequency and purpose of use, the occasions under which consumption takes place (sometimes referred to as "occasion segmentation"), and sensitivity to such marketing variables as advertising, pricing, speed and other service features, and availability of alternative delivery systems.

Gaining a better understanding of how customers evaluate, select, use, and occasionally abuse services should lie at the heart of strategies for designing and delivering the service product. It also has implications for choice of service processes, presentation of physical evidence, and use of marketing communications—not least for educational purposes. Several of the distinctive

characteristics of services (especially intangibility and quality control problems) result in customer evaluation procedures that differ from those involved in evaluating physical goods. Because the consumer evaluation and purchase processes for many services are complex, service managers need to understand how customers view the service offering and to explore the factors that determine customer expectations and satisfaction. Satisfaction is inextricably linked to customer loyalty and relationship commitment. Highly satisfied (delighted) customers spread positive word-of mouth. They become walking, talking advertisements for an organization whose service has pleased them, and thus lowering the cost of attracting new customers. Delighted customers are less susceptible to competitive offerings than customers who are simply satisfied or are unhappy with their current service provider(Lovelock and Wright, 2001).

2.1.3 The Purchase Process for Services

When customers decide to buy a service to meet an unfilled need, they go through what is often a complex **purchase process.** This process has three separate stages: the prepurchase stage, the service encounter stage, and the postpurchase stage, each containing two or more steps (see Figure

1). **Pre-purchase Stage**

The decision to buy and use a service is made in the**pre-purchase stage.** Individual needs and expectations are very important here because they influence what alternatives customers will consider. If the purchase is routine and relatively low risk, customers may move quickly to selecting and using a specific service provider. But when more is at stake or a service is about to be used for the first time, they may conduct an intensive information search (contrast how you approached the process of applying to college versus buying a pizza or a hamburger!). The next step is to identify potential suppliers and then weigh the benefits and risks of each option before making a final decision.

This element of perceived risk is especially relevant for services that are high in experience or credence attributes and thus difficult to evaluate prior to purchase and consumption. First-time users are especially likely to face greater uncertainty. Risk perceptions reflect customers'

judgments of the probability of a negative outcome. The worse the possible outcome and the more likely it is to occur, the higher the perception of risk.

When customers feel uncomfortable with risks, they can use a variety of methods to reduce them during the pre-purchase stage. Some of the risk-reduction strategies before deciding to purchase a service are:

- Seeking information from respected personal sources (family, friends, peers)
- Relying on a firm with a good reputation
- Looking for guarantees and warranties
- Visiting service facilities or trying aspects of the service before purchasing
- Asking knowledgeable employees about competing services
- Examining tangible cues or other physical evidence
- Using the Web to compare service offerings

Service Encounter Stage

After deciding to purchase a specific service, customers experience one or more contacts with their chosen service provider. The **service encounter stage** often begins with submitting an application, requesting a reservation, or placing an order. Contacts may take the form of personal exchanges between customers and service employees, or impersonal interactions with machines or computers. In high-contact services, such as restaurants, health care, hotels, and public transportation, customers may become actively involved in one or more service processes. Often, they experience a variety of elements during service delivery, each of which may provide clues to service quality.

Service environments include all of the tangible characteristics to which customers are exposed. The appearance of building exteriors and interiors; the nature of furnishings and equipment; the presence or absence of dirt, odor, or noise; and the appearance and behavior of other customers can all serve to shape expectations and perceptions of service quality.

Service personnel are the most important factor in most high-contact service encounters, where they have direct, face-to-face interactions with customers. But they can also affect service delivery in low-contact situations like telephone-based service delivery. Knowledgeable customers often expect employees to follow specific scripts during the service encounter; excessive deviations from these scripts can lead to dissatisfaction. Handling service encounters effectively on the part of the employee usually combines learned skills with the right type of personality.

Support services are made up of the materials and equipment plus all of the backstage processes that allow front stage employees to do their work properly. This element is critical, because many customer-contact employees can't perform their jobs well without receiving internal services from support personnel. As an old service-firm axiom goes: "If you aren't servicing the customer, you are servicing someone who is.""[1]

Other Customers When customers use people-processing or mental stimulus-processing services, they often find themselves in close proximity to other customers. Unfortunately, some of these other customers occasionally behave badly, thus detracting from the service experience. Managers need to anticipate such incidents and have contingency plans in place for how to deal with the different types of problems that might occur

Post-purchase Stage

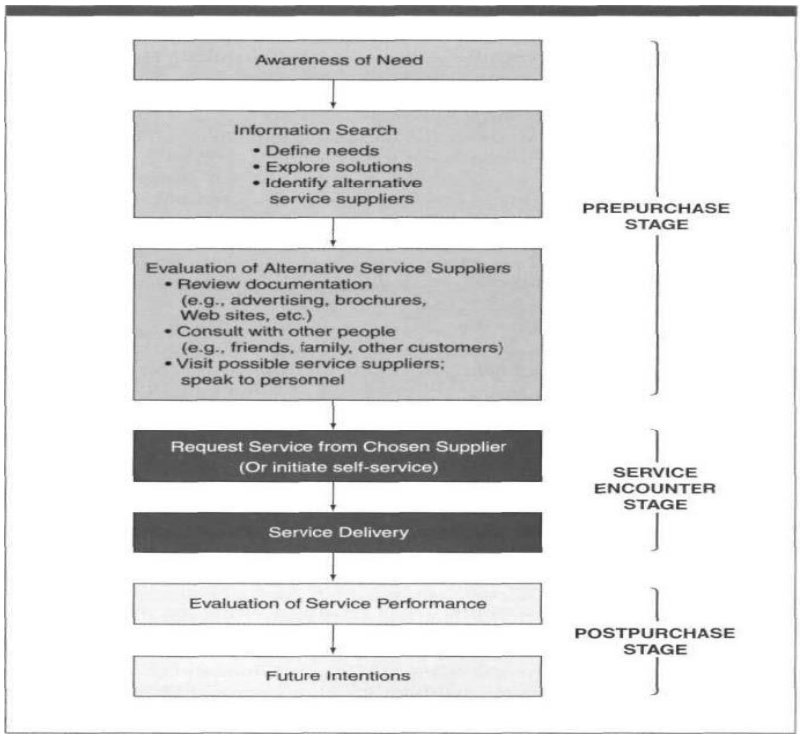
The final stage in the service purchase process where customers evaluate service quality and their satisfaction/dissatisfaction with the service outcome.

During the **post-purchase stage,** customers continue a process they began in the service encounter stage—evaluating service quality and their satisfaction/dissatisfaction with the service experience. The outcome of this process will affect their future intentions, such as whether or not to remain loyal to the provider that delivered service and whether to pass on positive or negative recommendations to family members and other associates.

Customers evaluate service quality by comparing what they expected with what they perceive they received. If their expectations are met or exceeded, they believe they have received high-quality service. If the price/quality relationship is acceptable and other situational and personal factors are positive, then these customers are likely to be satisfied. As a result, they are more likely to make repeat purchases and become loyal customers. However, if the service experience does not meet customers' expectations, they may complain about poor service quality, suffer in silence, or switch providers in the future.

In order to design a service that meets or exceeds the expectations of its customers, service providers not only need to know what customers want but also to understand the nature of their actual experiences, especially during the service encounter stage. In the high-contact service environments common to most people-processing services, customers usually arrive at a service site with certain expectations. Their subsequent behavior, however, may be shaped by the nature of the **physical environment**, **the employees they encounter**, the sequence in which different activities take place, and by the roles that they are expected to play

Figure 1 Stages of Purchase of Services adopted from Lovelock and Wright (2001), Principles of Service marketing and Management



2.1.4 Concept of Service Quality

The definition of quality may vary from person to person and from situation to situation because of the intangible nature of the service offering. Service quality is the conformance of service to the customer specifications and expectations. The quality of services therefore depends on the ability of the service to meet the expectation of the customer. Persuraman developedSERVQUAL, which is a multiple item instrument to measure service quality. SERVQUAL is founded on the view that the customer's assessment of service quality (SQ) is paramount. This assessment is conceptualized as a gap between what the customer expects by way of SQ from a class of service providers, and their evaluations of the performance of a particular service provider. SQ is presented as a multidimensional construct. In their original formulation Parasuraman et al. (1985) identified ten components of SQ:

(1) **Reliability** involves consistency of performance and dependability. It also means that the firm performs the service right first time and honors its promises. Specifically, it may involve:

• accuracy in billing;

• performing the service at the designated time.

(**2) Responsiveness** concerns the willingness or readiness of employees to provide service. It may involve:

• mailing a transaction slip immediately;

• calling the customer back quickly;

• giving prompt service (e.g. setting up appointments quickly).

(**3) Competence** means possession of the required skills and knowledge to perform the service. It involves:

• knowledge and skill of the contact personnel;

• knowledge and skill of operational support personnel;

• research capability of the organization.

(4) Access involves approachability and ease of contact. It may mean:

• the service is easily accessible by telephone;

• waiting time to receive service is not extensive;

• convenient hours of operation and convenient location of service facility.

(5) **Courtesy**: involves politeness, respect, consideration, and friendliness of contact personnel(including receptionists, telephone operators, etc.). It includes:

• consideration for the consumers property;

• clean and neat appearance of public contact personnel.

(6) Communication: means keeping customers informed in language they can understand, and listening to them. It may mean that the company has to adjust its language for different customers. It may involve:

• explaining the service itself and how much the service will cost;

• explaining the trade-offs between service and cost;

• assuring the consumer that a problem will be handled.

(7) Credibility: involves trustworthiness, believability, honesty. It involves having the customer's best interests at heart. Contributing to credibility are:

• company name and reputation;

• personal characteristics of the contact personnel;

• the degree of hard sell involved in interactions with the customer.

(8) Security: is the freedom from danger, risk, or doubt. It may involve:

• physical safety;

• financial security and confidentiality.

(9) Understanding/knowing the customer: involves making the effort to understand the customer's needs. It involves:

• learning the customer's specific requirements;

• providing individualized attention.

(10) Tangibles: include the physical evidence of the service:

• physical facilities and appearance of personnel;

• tools or equipment used to provide the service;

• physical representations of the service, such as a plastic credit card

In their 1988 work these components were collapsed into five dimensions: **reliability, assurance, tangibles, empathy, responsiveness.** Reliability, tangibles and responsiveness remained distinct, but the remaining seven components collapsed into two aggregate dimensions, assurance and empathy.

Parasuraman et al. developed a 22-item instrument with which to measure customers' expectations and perceptions (E and P) of the five RATER dimensions. Four or five numbered items are used to measure each dimension. The instrument is administered twice in different forms, first to measure expectations and second to measure perceptions.

The definitions of the five dimensions are:

Reliability: The ability to perform the promised service dependably and accurately;

Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence;

Tangibles: The appearance of physical facilities, equipment, personnel and communication materials;

Empathy: The provision of caring, individualized attention to customers;

Responsiveness: The willingness to help customers and to provide services to customers.

2.2 Reviews of Previous Studies/Empirical review

The competition in the banking industry is the result of a number of interrelated factors such as deregulation that have revolutionized the distribution of many financial services. In other words, an increased competition resulting from a decade of deregulation of the financial services organizations and their offerings as a means of attracting customers (Charles et.al, 2007)

Reviewing previous literature shows that bank selection criteria has been widely researched in different countries for different segments of bank customers. The selected studies in banking selection are explained below.

A study conducted by Kaynak and Harcar (2005) revealed banks were evaluated more positively by customers in areas such as extra services offered by the bank, image of the bank, and convenience of the bank. Devlin and Gerrard (2004) presented an analysis of trends in the relative importance of choice criteria in respect of selecting a retail bank. And pointed that the

influence of recommendations has increased significantly and is now the most important choice criterion. Other factors which have also increased in importance are the offering of incentives, having a wide product range and economic factors, such as interest rate paid and fees and charges levied. Locational factors, such as choosing a bank close to home or workplace, have decreased significantly in importance in motivating choice. Certain criteria have remained broadly constant through time, amongst them, and perhaps surprisingly, are choosing on the basis of a bank's image and reputation and expectations about level of service.

Blanksonetet al.(2009), in their cross national study of students bank selection criteria in developed and developing countries, concluded four key factors - convenience, competence, recommendation by parents, and free banking and/or no bank charges - to be consistent across the two economies. The recommendation of the study is that in the context of an open and liberalized market environment, retail bank marketing strategies should be standardized irrespective of the national development stage. It concludes that retail bank managers particularly in developing countries should learn to provide consistent and good customer care.

Hayat et.al (2011) conducted a study in four cities of Pakistan to identify the influential factors for selecting an Islamic bank. In their study 250 respondents were participated and most of the customers value product features and quality of service as major factors for making selection of Islamic banks, and give lesser importance to religious belief as influential factor in selecting an Islamic bank. On the other hand, Thabet and Almhameed (1995) revealed that the majority of business firms in Kuwait deal with commercial banks rather than Islamic or specialized banks. In their study on selection criteria by business customers in Kwait, they showed that the perceived relative importance of alarge number of services offered by Kuwaiti banks were found to be significantly different according to business customers' nationality(Kuwaiti, non-Kuwaiti, and joint business). For the business customers in Kwait, size of bank assets, efficiency of staff,help in financial emergencies, bank experience,friendliness of staff, reputation, communicationwith staff, knowledge about the firm's activities, prompt provision of services are more important.

Narteh and Frimpong (2011) conducted a study on Ghanaian MBA students to assess the students' knowledge and choice criteria in retail bank selection and found out that student customers consider image, attitude and behaviour of staff, core service delivery and technology-

related factors as the major issues that influence consumers' decision to open and maintain an account. On the other hand, Rao and Sharma (2010) revealed that reliability is a significant choice criterion among MBA students in India, which includes employee's courtesy, parking facility, loyalty programs, brand name, security system and low charges with the bank. Other factors, which have also increased in importance are the responsiveness, value added services and convenience. Assurance factors, such as speedy services, good rate of interest and zero balance account facility are also significant in importance in motivating choice of a bank. Moreover, a study conducted by Chigamba and Fatoki (2011) on bank selection criteria by a University students in South Africa showed that University Service, proximity, attractiveness, recommendations, marketing and price are important factors in determining bank selection . Studying 1000 University students aged 19-24 in Bahrain, Almossawi (2001) concluded that for Bahraini young people, the five most influential factors for bank selection were: convenient ATM locations; availability of ATM in several locations; bank's reputation; 24-hours availability of ATM services; and 5 available parking space nearby.

Aregbeyen (2011) conducted a study on identifying the determinants of bank selection by Nigerian customers. His study revealed that the safety of funds and the availability of technology based service(s) are the major reasons for customers' choice of banks. In specific terms, the identified safety of funds, quick/prompt service, minimum waiting time, good complaint handling, reputation /dependability, one stop banking, any branch banking, innovative products &services, low/reasonable service-charges, and friendly/pleasing manners of staff as the major factors in a bank selection by the sampled respondents. The number of branches, closeness to home/work place etc., transactions alert and regular communication with customers, availability of functional and secured ATMs all times, and connectivity to other bank's ATMs are also considered to be one of the important choice determinants. While all the other factors received less rating, however, this does not in any way imply that they are not important at all.

Maiyaki (2011) revealed that factors such as size of bank total asset and availability of large branch network have a great influence in customers' choice of banks. Moreover, he found out that customers show high preference for some specific banks as against others. To this end it was discovered that First Bank was the most preferred bank by customers in the Nigerian banking sector then followed by United Bank for Africa and Intercontinental Bank.

Ulengin (1998) indicated that customer in Turkey was more interested in the functional quality of financial services rather than the technical quality dimension. The study further concluded that as there were no big differences among financial products offered by banks and the quality of financial products offered by banks are much beyond expectations of the customers, delivery channels and customer relations gain importance in bank choice process as there were a lot of problems in those areas.

Mylonakis et al. (1998) concluded that the most important bank selections criteria are convenience, bank reputations, and quality of products and services, interest rates and fees, education and personnel contacts, facilities, branch environment, services and after service satisfaction. Their research on bank customers of Greece showed that bank selection criteria like location-convenience, quality of service (attention to the customer, personalized service, no queues) seen to influence the bank selection and factors like advertising did not seem to influence bank customers at all. Chen (1999) conducted a survey of 336 domestic-owned and 39 foreign owned banks in Taiwan in 1997 to identify critical success factors adopting various business strategies in the banking sector. Data was analyzed using factor analysis technique which highlighted four factors, namely the ability of the bank to manage operations, bank marketing, developing bank trademarks and financial market management.

Demographic Difference in Selection Criteria of Banks

Boyd et al. (1994) investigated the importance of bank selection criteria in terms of the age of the head of the household. They found that for the age group under 21 years, a bank's reputation plays a major role in determining their bank selection, followed by location, hours of operation, interest on savings accounts and the provision of convenient and quick services. The least important factors for this age group were found to be the friendliness of bank employees and the modern nature of their facilities.

Denton and Chan (1999), in their study to identify bank selection criteria of multiple bank users in Hong Kong, revealed that banking is widespread and is heavily influenced by such factors as risk reduction, convenience in terms of number of branches and automatic teller machines, the relative advantage of selected banks, prestige, need for credit and credit cards, and special

circumstances. With regards to demographic variables, they found out statistically significant differences in the evaluation of the relative importance of these factors on multiple banking behaviour based on sex, age, marital status, income and education discriminators.

In another study, Mason and Mayer (1974) investigated the factors used by two groups of checking account customers in USA, high income and low income, in selecting their banks. Convenient location came on the top of the list. Other factors with high rankings were: friendly personnel; favourable loan experience; advice of friends; and influence of relatives.

Boyd et al. (1994) placed importance on the marital status, married or unmarried, of the customers found that customers are different in putting more emphasis on various bank selection factors such as reputation, cost-benefit, efficiency etc. However, their report revealed that customer those are 'single', have put less prominence on reputation rather the 'married' customers. Another demographic variable, size of the household in terms of number of family members as dependents, was tested and the study found that 'heavy' households emphasis on reputation, cost-benefit and efficiency, whereas the others put more importance on convenience and cost-benefit issues. Occupation of the respondents was another demographic segmentation take into account. The report disclosed that more white-collar households are emphasizing on reputation, modern facilities, and convenience. However, the counterparts, blue-color households, put greater emphasis on core banking (availability of basic services), cost-benefit issues. Lastly, Gender of the respondents revealed interesting results. Males are putting importance on faster service, convenience; however, female gave importance to longer-term aspects relating to organizing their finances and becoming more financially secure.

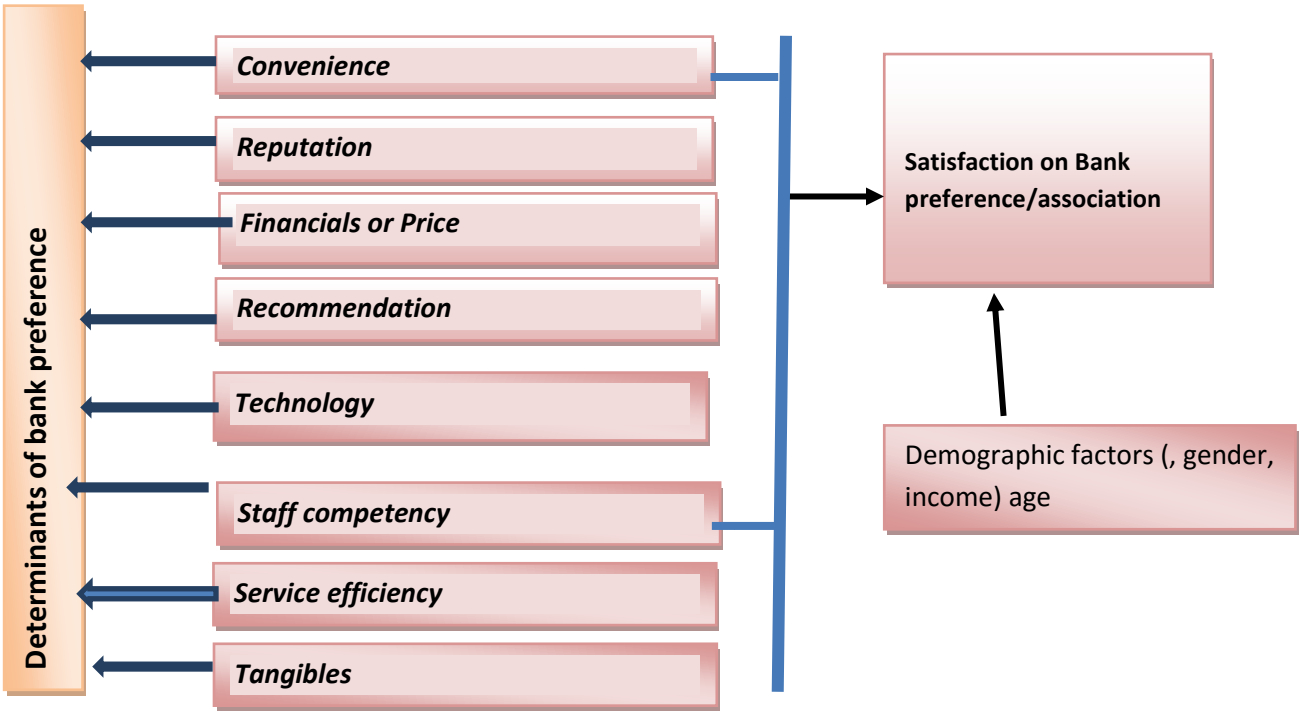
Kaynak et al. (1991) reported differences in bank selected criteria based on gender, age, education background of bank customer in Turkey. This study reported that male customer put more importance on reputation of the bank, business hours, parking facilities, availability of wide-range of services, and fast and efficient services than the female customers. The convenience (especially bank location) played important role for customer under age 40. According to educational segmentation, customers with more than primary education considered

empathy, fast and efficient services, location of the banks more important than the uneducated group.

2.3 Conceptual Framework

The conceptual frame-work with regard to the study was designed using the findings of the previous research conducted elsewhere. Figure 2 shows the framework used for the study. Banking business being a service oriented, the SERVQUAL model measuring service quality was also used as an underlying tool to move forward with the research.

Figure 2: Conceptual Framework



Source: adapted from *Blankson et al. (2009), Devlin and Gerrard (2004)* with some modifications.

3 Research Design and Methodology

3.1 Research design

The research design is cross-sectional or often called a social survey design. A cross-sectional design entails the collection of data on more than one case (usually quite a lot more than one) and at a single point in time in order to collect a body of quantitative or quantifiable data in connection with two or more variables (usually many more than two), which are then examined to detect patterns of association. A number of elements of this definition have been emphasized (Bryman and Bell, 2003).

This study will employ quantitative research methodology approach. Quantitative research involves obtaining data from a large group of respondents and is used in descriptive studies to quantify data and generalize the results from the sample to the target population (Hollensen, 2003). On the other hand, qualitative research is best suited to the types of questions which require exploration of data in depth over a not particularly large sample. As opposed to the statistical reliance of quantitative research, data from qualitative research is based on observation and words, and analysis is based on interpretation and pattern recognition rather than statistical analysis(Miles and Hubeman 1994).

The thing that characterizes quantitative research is that it is objective. The assumption is that facts exist totally independently and the researcher is a totally objective observer of situations, and has no power to influence them. The most usual instrument for producing quantitative data is the survey, most often carried out by means of a questionnaire. In quantitative methods, data are invariably analysed by some sort of statistical means, such as a t-test, a chi test, cluster analysis etc. (Miles and Hubeman 1994). Since the student researcher employed a questionnaire for a fairly large sample size to collect data, and the researcher can havethe power to influence the responses of respondents, the research methods employed for the study wasbe a quantitative one.

The study is also exploratory type of research since it tries to explore the determining factors of bank selection by customers.

3.2 Sampling and Sampling Techniques

3.2.1 Sampling Method

Sampling may be done either a **probability** or a **non-probability** basis. In **probability** sampling, each member of a given research population has an equal chance of being selected. It involves, literally, the selection of respondents at random from the sampling frame, having decided on the sample size. In non-probability sampling, the population does not have an equal chance of being selected; instead, selection happens according to some factor such as convenience, purposive and quota (Trochim, 2006). In applied social research there may be circumstances where it is not feasible, practical or theoretically sensible to do random sampling, hence non probability sampling is used.

In this study since the population is unknown and it is difficult to determine the total number of the population under study, the researcher opts to use one of the methods of non-probability sampling, which is convenience sampling. A convenience sample is one that is simply available to the researcher by virtue of its accessibility. Convenience/accidental sampling is used because the informants are present at a particular time in the bank branches that have been selected. In the field of business and management, convenience samples are very common and indeed are more prominent than are samples based on probability sampling (Brymanand Bell, 2003). Probability Sampling involves a lot of preparation so that it is frequently avoided because of the difficulty and costs involved (Bryman and Bell, 2003).

3.2.2 Population and Sampling Units

In this study, bank customers in Addis Ababa are the population of the study. The total size of the population is unknown and is difficult to estimate since bank customers take different forms in their bank usage. Some may have account in a bank, some others may only use local transfer and others services which does not necessarily require them to have any account information in a banks database in which they get service.

The sampling unit of the study is the customers who visit selected bank branches during the time when the data collection will be conducted.

3.2.3 Sample size

The size of the sample should depend on the size of the target population and the significance of the study; and there are various several approaches to determine sample size depending on various types of research designs. One can say that the sample must be of an optimum size i.e., it should neither be excessively large nor too small (Kothari, 2004). There is also a general rule that says thirty cases are sufficient for studies in which statistical analysis is to be done (Cooper and Schindler, 2006 cited in Chgamba and Fatoki, 2011).

For this research paper, the researcher employs Zikmund and Babin (2010) sampling technique by determining the sample proportion success and not success based on the experience from previous survey research response rate. Saunders, Lewis and Thornhill (2012) state that the likely response rate shall be reasonable 50% or moderately high, while Patrick, B. (2003) referring Babie (1979), the return or success rate 50% is 'adequate'; 60% response rate is 'good' and 70% rate or higher is 'very good'. Having this experience, for this research purpose confidence of successfully collect or return rate is expected to 70% and the remaining might be defected or non-response, and sample size is determined at 95% confidence level.

Having this, sample size is determined with the help of the following formula (Saunders et.al, 2007):

$$n = \frac{Z^2 PQ}{e^2}$$

Where,

- n = sample size,
- p = proportion of success
- q = proportion of fail
- z = confidence level
- e = standard error

Based on the above formula,

$$n = \frac{1.96^2 (0.70)(0.30)}{0.05^2}$$

n = 325respondents

3.2.4 Sampling distribution

Based on the information obtained from the National Bank of Ethiopia's 2014/2015 Fourth quarter annual report), there are 713private bank branches and 192 commercial bank branches in Addis Ababa. However, for convenience purpose and due to resources limitation, only the four big private banks in terms of number of branches in the city and the public Commercial Bank of Ethiopia will be selected. The samples will be selected from the head office branches (Main branches) of selected private and public banks operating in Addis Ababa. The reason for taking the head office branches is due to the fact that these branches are the first branches of respective banks, in which broader banking products and services are offered for variety of customers.

Table 3.1: ***Sample Allocation by Major Bank in Addis Ababa***

Name	No. of branches	Share from total	No. of Questionnaire to be distributed	Collected
Awash	112	0.21	69	35
Nib*	88	0.17	54	30
Abysinia	72	0.14	44	33
United	66	0.12	40	30
CBE	192	0.36	118	80
Total	530	1.00	325	208

*Data was to be collected from Dashen but due to unwillingness by the management to allow data collection from its bank branch, Nib bank was replaced.

Therefore, the sample size from each of the selected bank branches was based on the above table; i.e., 118 questionnaires were distributed or contacted in CBE branches, and the rest 207 will be taken from private banks. Notwithstanding, it is to be noted that customers may have visited different banks (become customers for more than one bank) to obtain different services, thus does not necessarily mean that they do not have knowledge about other banks. The respondents were approached as they visited a bank branch to get banking service. Otherwise, there was not any criteria to select respondents. It is generally assumed responses of customers will not be affected by the geographical location of a branch where they come to transact; hence taking a sample without considering geographical site of the banks may not adversely affect the objective of the study. However, a total of 208 questionnaires were collected and only 198 were usable for data analysis.

3.3 Instrument of Data Collection

The data collection instruments will be a specially designed structured questionnaire. The questionnaire items were derived from rigorous review of literature, and the factors used were replicated from similar studies on bank selection by Nateh and Owusu-Frimpong (2011), Gerard and Gunnigham(2001), and Almossawi(2001). Content validity of the questionnaire items was tested though discussion with experienced bank professionals to ensure that all relevant issues pertaining to service quality dimensions that potentially influence customers' bank choice are addressed in the instrument. As such some of the factors were modified to address the context of Ethiopian bank customers.

Moreover, to test the degree of understanding, regarding meaning of the questions, checks for relevance of the study and to ascertain the interest of respondents, a pilot study was conducted using a sample of 10 conveniently selected commercial bank customers. The results obtained from the pilot study indicated that most of the questions were clearly understood and some of the questions were rephrased to more understandable questions.

The questionnaire containsthree sections, where section I contains social and demographic questions. Section II asks respondents to rate the level of importance of selection determinants statements based on a five point Likert scale.To identify the items that may affect the choice of banks by customers, a modified SERVQUAL model, with the five quality dimensions of banking service, was used. In addition to this, findings of previous literature in similar studies helped formulate the questions, which were assumed to affect customers in their initial choice and continual affiliation to a bank. In this regard, 40 possible variables were identified and included in the administered questionnaire Section III will seek respondents to answer more general questions related to their bank relationship (Appendix I).

3.4 Data collection Procedure

Primary data has been collected using a structured self-administered questionnaire from customers who have bank account in a bank or who uses other services of a bank, like money transfer, foreign exchange, etc).

Data was collected through the structured questionnaire. First, permissionwas sought from bank managers of selected bank branches before the questionnaires will be administered, and then the a bank customer who visited a branch at that time was approached and asked if he/she was willing to participate in the survey. The questionnaire was administered to the respondent to fill in. Finally, the distributed questionnaireswerebe collected either from the branches or personally from the respondents.

3.5 Data Analysis

After the data were collected from field, data cleaning and verification has been done. First the data were edited to check for omissions and identify erroneous recording. Statistical package software, namely Statistical Package for Social Sciences (SPSS) windows version 20 was used for the data analysis. After data was edited and verified, coding has been carried out. In SPSS coding involves definition of variable attributes such as data type and measurement scale. During coding, assignment of numeric codes were carefully carried out to the possible responses of each question item so as to make the data convenient for data analysis.

Following coding and data entry, relevant descriptive statistics, namely frequency distribution of respondents' profile and banking relationship have been computed. Means and standard deviations were computed for the various factors affecting the selection of banks, and the compiled data are presented in the form of tables. Moreover, a multivariate data analysis, namely exploratory factor analysis with varimax method of rotation and principal component analysis method of extraction was carried out in order to identify constructs and investigate relationships among key interval-scaled questions regarding reasons for choosing a bank services from 198 respondents. Factor Analysis is a data reduction statistical technique that allows simplifying the correlational relationships between a numbers of continuous variables (Rao 2010).

Correlation and multiple regression analysis were also carried out to measure the degree and direction ofrelationship between the dependent variable and the independent variables. As such the following regression model was employed:

$$SP=b_O+b_1\ SC+b_2PR + b_3SE + b_4RP + b_5TA +b_6CO+b_7TE + b_8RC + e$$

Where:

SP=Satisfaction on bank preference;
SC=Staff competency;
PR=Price;
SE=Service efficiency;
RP=Reputation;
TA=Tangibles;
CO=Convenience;
TE=Technology;
RC=Recommendation;
e=error term

Moreover, inferential statistics, namely t-test and ANOVA have been used to test the formulated hypotheses. Basically, the t-test is used in determining if two averages or means are the same or not. On the other hand, ANOVA provides a statistical test to compare means across more than two groups. T-test have been used to test the equality of the means of bank selection dimensions based on banking affiliation (public vs. private) and gender (H9 and H10); and ANOVA has been employed to test if there is no difference among the means of selection factors based on education.T test was used to test income, and age after they were regrouped into two to facilitate data analysis and interpretation.

In the following parts of the paper, empirical findings will be discussed and compared with existing literature to analyze the results. To facilitate the analysis, a modified SERVQUAL model will be employed. Recommendations for action are provided based on the findings of the study. Finally recommendations for further research are pointed out to remedy the major limitations of this study and extend the conceptual scope.

4. RESULTS AND DISCUSSION

This part of the paper presents and discusses results obtained from administered and collected questionnaires to respondents. 325 were distributed initially and administered to respondents. However, only 208 questionnaires were collected from either directly from the respondents or from selected bank branches. Out of which, 10 of the returned questionnaires were either with many missing values or were inappropriately and wrongly reported. Therefore, 198 questionnaires were turned out to be usable, making the overall effective response rate 60.9%.

4.1 Profile of Respondents

Table 4.1 shows the background and demographic profiles of respondents covered in the study. Of the total respondents, 51.5% were males, while the remaining 48.5% were females. This more or less equal composition was attained with deliberate attempt to balance gender composition so as to make statistical analysis based on gender later in the study. When we look at the age composition of the respondents, we can see that most them lies between 26 to 35 years (36.9%), followed by those with age 36 to 45 years, which is 22.2% of the total. Those respondents aged above 55 accounts for only 10.1%.

To look at the socio economic status of the respondents, two question items were included in the questionnaire, i.e., question on monthly gross income and on education level. Respondents were asked to choose from several options of income group. The high degree of variability of income in the population required assignment of seven income groups to somehow grasp the possible answers by the respondents. Majority of the respondents (29.3%) reported their income group

lies between 3001 to 7000 Birr, followed by those responded their income lies between 11,001 to 15,000 Birr. There were 14 (7.4% of the total) respondents who reported their gross income level is above 23,000 Birr. Asked about the respondents' educational level, 38.6% of the respondents reported they have attained diploma or vocational certificate. While 33.5% of the total respondents attained undergraduate degree with a BA or Bsc, 13.2% of them have got a post graduate degree with MA or PhD level. The table below shows the summary of the frequency distribution of respondents' profile who have been covered in the study.

Table 4.1 ***Demographic Profile of Respondents***

		Count	Layer Valid N %
Gender	Male	102	51.5%
	Female	96	48.5%
	Total	198	100.0%
Age group	less than 25	37	18.7%
	26-35	73	36.9%
	36-45	44	22.2%
	45-55	24	12.1%
	above 55	20	10.1%
Gross Monthly Income	Less than 3000	20	10.6%
	3001-7000	55	29.3%
	7001-11,000	54	28.7%
	11,001-15,000	19	10.1%
	15,001-19,000	7	3.7%
	19,001-23,000	19	10.1%
	Above 23,000	14	7.4%
Educational level	Highschool complete or lower	29	14.7%
	Diploma/vocational	76	38.6%
	Undergraduate degree (BA,BSc...)	66	33.5%
	Post graduate degree(MA,PhD)	26	13.2%

4.2 Banking Affiliation and Relationship of Respondents

Banking affiliation in this study context refers to respondents' tendency and preference in using the type of banks. It refers to either customers are more affiliated to private banks or public banks. In this regard, the respondents were asked which bank they were mostly using. Of the total 198 respondents, 77 of them (38.9%) reported they are mostly using public bank services in contrast with 121 (60.1%) of the respondents who frequented private banks to get banking services (Table 4.2).

Table 4.2 ***Which bank's service do you frequently use?***

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Public	77	38.9	38.9	38.9
	Private	121	61.1	61.1	100.0
	Total	198	100.0	100.0	

Respondents were also asked to describe their level of satisfaction with their bank service experience with regards to fulfilling their bank selection criteria. While 26.1% of them mentioned they were either very dissatisfied or dissatisfied, about 58.1% described their satisfaction level as satisfied or very satisfied with their bank's services. 15.2% of the respondents said that they were somehow satisfied or in mediocre situation (Table 4.3).

Table 4.3How satisfied are you with your bank service experience in fulfilling your selection criteria?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very dissatisfied	16	8.1	8.1	8.1
	Dissatisfied	37	18.7	18.7	26.8
	Somehow satisfied	30	15.2	15.2	41.9
	Satisfied	72	36.4	36.4	78.3
	Very Satisfied	43	21.7	21.7	100.0
	Total	198	100.0	100.0	

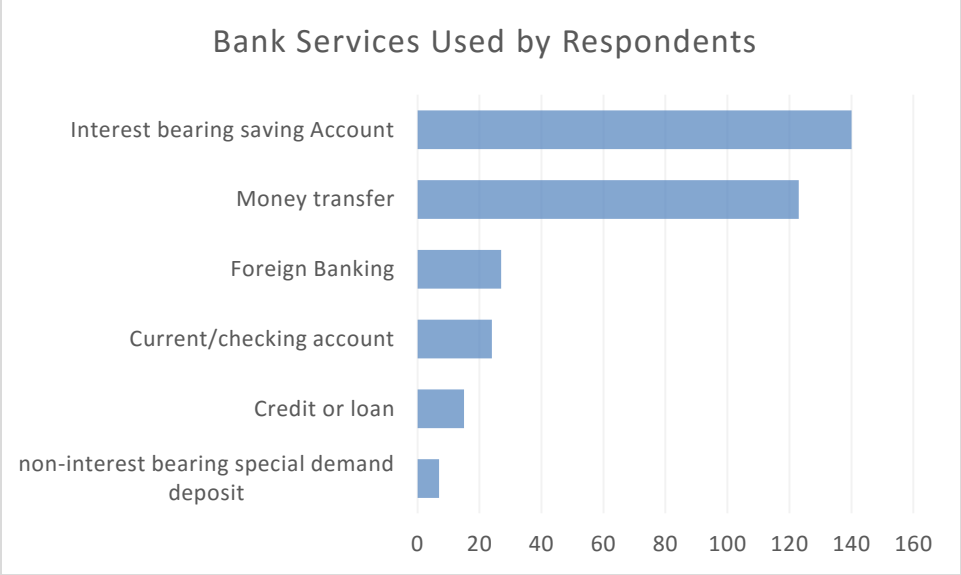
The other question item was a multi-response item which asked about the services respondents are using. Each question item were taken as a variable with dichotomous response (yes or no) and entered in SPSS data editor. Table 4.4 and figure 4.1 clearly depicts that the largest proportions of respondents are holders of interest-bearing saving accounts, which accounts for more than 41 percent of

respondents. About one-third of the respondents use two or more bank services. Next to interest bearing deposit, money transfer is reported as the other bank service most customers use, which is 36.6 percent. Only a few number of respondents reported they are using non-interest bearing special deposit service, i.e., only 2.1% of the total.

Table 4.4Which of the following bank services do you use?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Interest bearing saving Account	140	41.7	41.7	41.7
	Current/checking account	24	7.1	7.1	48.8
	non-interest bearing special demand deposit	7	2.1	2.1	50.9
	Credit or loan	15	4.5	4.5	55.4
	Money transfer	123	36.6	36.6	92.0
	Foreign Banking	27	8.0	8.0	100.0
	Total	336	100	100.0	

Figure 3Bank Services Used by Respondents



4.2 Identifying Determinants of Bank Selection Using Factor Analysis

Before running factor analysis, screening of the collected data was done to the presence of extreme collinearity, singularity and zero collinearity, which adversely affect the result of factor

analysis. The first thing done before running final factor analysis was to look at the inter-correlation between variables. While it is expected to have some correlations between variables as they measure same underlying dimensions, high degree of correlation and/or no correlation makes the variables redundant or unnecessary to undertake factor analysis. When there is a variable that does not correlate with any of the variables, we need to eliminate one of the variables or both. Similarly when we get one variable which is highly correlated (extreme multicollinearity) or perfectly correlated (singularity), we need to delete either one of them or both (Field, 2005).

Multicollinearity can be detected by looking at the determinant of the R matrix obtained after running initial factor analysis. Initial factor analysis of the 40 variables showed the presence of multicollinearity with determinant of R matrix below the expected level, which is 0.00001. Hence the researcher opt to eliminate variables that do not correlate (R=0) or correlate highly (R>0.8) with another variable. In this case, 12 of the 40 variables were found to be highly correlated and/or not correlated with another variable, hence were eliminated from further analysis. To this end, further analysis was carried out on the rest 28 variables.

Below is the table that shows the question items grouped under relevant factors given by the researcher taking into account the five dimensions of SERVQUAL model. The grouping is assumed to help the reader relate the items with the general SERVQUAL model and its contextual application to banking. A five-point Likert scale (from "Not important" to "Very highly important" was used to identify the magnitude of the importance of each variable in the customer's bank selection decision.

Table 4.5 Questionnaire items Grouped by Relevant Factors and Dropped Questions Because of multicollinearity

Question Items	Remark
1. Staff Competency	
Courtesy of frontline staff	
Expertise of employees	
Employees willingness to help	
Solve customers' problems and concerns	
Care of frontline staff	**Dropped**
2. Price/Financial Benefits	
Lower service charge (on L/C, transfer, etc.)	
Lower interest on loans	
Higher interest on savings	
Free banking service	**Dropped**
Bank provide free home cash delivery	**Dropped**
Availability of loyalty programs	**Dropped**
3. Service Efficiency	
Fast and efficient counter service	
Speed of transaction processing	
Accuracy of account information	
Ease of obtaining loans	
Complaint handling method	
Performing service at the promised time	**Dropped**
4. Reputation	
Long years of experience of the bank	
Maintain confidentiality	Dropped
Financial stability of the bank	
Bank's good image by the public	
Good security system	Dropped
5. Tangibles	
Interior modern looking equipment	
Attire of front line staff	
Attractiveness of bank's building	
6. Convenience	
Number of branch network	
Availability of parking facility	
Close to my home	
Close to my workplace	

Convenient branch location	
Hours of operation	Dropped
Operating on weekends	Dropped
Special service to elderly	Dropped
7. Technology	
Availability of ATMs in several locations	
Networked banking	
Availability of mobile banking	
Availability of internet banking	Dropped
8. Recommendation	
Friends recommendations	
Family recommendation	
Other customers recommendation	Dropped

Kaiser-Meyer-Olkin Measure of Sampling Adequacy and Bartlett's test of Sphericity.

The KMO's statistics varies between 0 and 1 and a value of 0 shows that the sum of partial correlations is large relative to the sum of correlations meaning factor analysis is likely to be irrelevant while a value close to 1, shows that patterns of correlations are relatively compact and factor analysis yield distinct and reliable factors (Field, 2005). Kaiser (1974) recommends accepting values greater than 0.5. For this study data, the KMO value is 0.69, which lies in the acceptable range for factor analysis.

Table 4. 4. Bartlett's Test of Sphericity and KMO

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.686
Bartlett's Test of Sphericity	Approx. Chi-Square	2949.844
	Df	378
	Sig.	.000

Bartlett's test is highly significant ($p<0.001$), and therefore factor analysis is appropriate. Bartlett's measure tests the null hypothesis that the original correlation matrix is an identity matrix. For factor analysis to work, we need some relationships between variables. A significant test less than or equal to 0.05 shows the data is appropriate for factor analysis.

In addition to the KMO test, sample size should be considered in deciding the relevance of exploratory factor analysis. According to Hayes (cited in Kaynak and Harkar,2004), sample size should be equal to at least ten times the number of variables and for large number of variables,

the proportion can be decreased to five. In the case of this study the sample size is 198, which is more than five times the 28 variables. Therefore it is suitable to use the principal factor analysis. Furthermore, sample size is also a determinant factor in the choice of the significance of factor loadings. Loadings of 0.5 or above are considered practically significant even though, for a sample size of 150, factor loadings of 0.45 can be considered significant enough (Hayes et.al, 1998). For this study, factor loading above 0.45 have been considered for further analysis

Furthermore, internal reliability coefficient (Cronbach's alpha) of 0.6 (Hayes et.al.1998) and item-to-total correlation of 0.4 was set for factor analysis. The general rule of thumb for item-to-total correlation is 0.5 (Robinson et.al, cited in Hayes et.al.) although some previous researches on bank selection criteria were done with item-to-total correlation as low as 0.3 (see, for instance, Narteh and Owusu-Frimpong, 2011).

Table 4.7 below shows the eigenvalues associated with each factor before extraction, after extraction and after rotation. The eigenvalues associated with each factor represent the variance explained by that particular linear component. The eigenvalues in terms of the percentage of variance explained shows that the first factor explains more of the variance than the others. Eight factors were extracted after ignoring the variables with eigenvalue less than 1. The eight factors explain almost 70% of the total variance.

Table 4.6 **Total Variance Explained**

	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.679	16.711	16.711	4.679	16.711	16.711	3.179	11.355	11.355
2	3.141	11.216	27.927	3.141	11.216	27.927	2.765	9.875	21.230
3	2.827	10.097	38.024	2.827	10.097	38.024	2.564	9.158	30.388
4	2.276	8.129	46.153	2.276	8.129	46.153	2.385	8.517	38.906
5	2.215	7.911	54.064	2.215	7.911	54.064	2.200	7.856	46.761
6	1.883	6.726	60.789	1.883	6.726	60.789	2.151	7.680	54.442
7	1.322	4.722	65.511	1.322	4.722	65.511	2.132	7.613	62.054
8	1.141	4.076	69.588	1.141	4.076	69.588	2.109	7.533	69.588
9	.994	3.550	73.138						
10	.863	3.082	76.220						
11	.800	2.856	79.076						

12	.744	2.656	81.733
13	.617	2.204	83.936
14	.604	2.156	86.092
15	.539	1.923	88.015
16	.493	1.762	89.777
17	.463	1.653	91.430
18	.406	1.449	92.879
19	.361	1.291	94.170
20	.321	1.145	95.315
21	.266	.950	96.265
22	.232	.830	97.095
23	.209	.745	97.840
24	.186	.665	98.505
25	.165	.590	99.095
26	.118	.421	99.516
27	.075	.266	99.782
28	.061	.218	100.000
Extraction Method: Principal Component Analysis.			

Table 4.8 depicts the rotated component matrix after factor analyzed using orthogonal varimax rotation. The table shows the matrix of the factor loadings for each variable onto each factor. The five variables that loaded highly on Factor 1 are *close to my work place, close to my home, convenient branch location, number of branch network, and availability of parking facility.* These variables are more related to ease of access to bank's service, hence, we label it ***Convenience***. There are three variables loaded onto factor 2. These are *Banks good image by the public, financial stability of the bank, and long years of experience of the bank,* we call it ***Reputation***The third factor, which is composed of *accuracy of account information, speed of transaction processing,* ease *of obtaining loans, and fast and efficient service on the counter.* This relates to service. Hence we label it ***Service efficiency.*** Factor 4 is loaded by three variables, namely Availability of ATM in several locations, networked banking, and mobile banking, hence we can call it ***Technology.*** The four variable loadings on factor 5 which can be labelled as ***Employees competency*** are *employee's willingness to help, solve customers' problems and concerns, courtesy of frontline staff, and expertise of employees.* Four variables are loaded on factor 6: *Attire of front line staff, interior modern looking equipment, attractiveness of bank's building, and complaint handling method*, labeled as ***Tangibles.*** Only two variables are loaded

into the factor 7. These are friends' recommendation, family recommendation, and it can be called ***Recommendation.*** The questions highly loaded to factor 8 all contain some form of finance, hence we might label the factor as ***Price/Financials***

Table 4.7**Rotated Component Matrix[a]**

	Component							
	1	2	3	4	5	6	7	8
Close to my workplace	.867							
Close to my home	.779							
Convenient branch location	.726							
Number of branch network	.688							
Availability of parking facility	.646							
Bank's good image by the public		.946						
Financial stability of the bank		.944						
Long years of experience of the bank		.921						
Accuracy of account information			.900					
Speed of transaction processing			.855					
Ease of obtaining loans			.848					
Fast and efficient counter service			.486					
Networked banking				.850				
Availability of ATMs in several locations				.828				
Availability of mobile banking				.789				
Employees willingness to help					.775			
Solve customers' problems and concerns					.722			
Courtesy of frontline staff					.703			
Expertise of employees					.624			
Attire of front line staff						.809		
Interior modern looking equipment						.729		
Attractiveness of bank's building						.721		
Complaint handling method						.455		
Friends recommendations							.927	
Family recommendation							.919	
Lower service charge (on L/C, transfer, etc.)								.766
Higher interest on savings								.757
Lower interest on loans								.752

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

In summary, the exploratory factor analysis resulted in identifying eight factors affecting customers' bank selection along with the variables under each factor. As can be seen from table 4.7, all the variables were loaded into the 8 factors without violating the minimum loading of 0.45.

4.3 Descriptive Analysis of Selected Factors

After the factors and their underlying variables are identified, descriptive statistics namely, mean and standard deviation for all the variables were computed to determine and prioritize which factors and variables are more important to customers, and which one are least important in determining their bank service preference.

Table 4.9 shows the mean, standard deviation and rank of the criteria items and factors. As can be seen from the table, interest rate on saving account has been reported to be the most important criteria for customers, which is in line with James F. Devline and Phillip Gerard (2004) findings, to patronize with their banks followed by fast and efficient service at the counter, and courtesy of front line staff. The least important criteria is long years of experience of the bank and financial stability of the bank, which is contrary to the previous findings, which contradicts the findings of Boye et.al. (1994) and Kaynak and Harcar (2005). The smallest standard deviation of all selection factors was shown for fast and efficient service at the counter, suggesting the level of unanimity in the opinion of respondents with regards to the selection criteria.

Looking at the factor rank, staff competency, which includes courtesy of front line staff, expertise of employees, willingness to help and solving customers' problems and concerns, found out to be the most important factor in determining the selection of banks by customers. On the other hand, reputation (financial stability, long years of experience of the bank, image of the bank) was given least importance among the eight factors.

However, one should note that all the factors have been identified as important by respondents no matter how they are relatively different from one another in importance. With the exception of two variables that scored slightly lower than 3, all other factors scored more than 3 points, suggesting that all factors are important for bank selection.

Table 4.8**Descriptive Statistics**

	Mean	Std. Deviation	Variable Rank	Factor Rank
1. Staff Competency	**4.33**			1
Courtesy of frontline staff	4.60	0.644	3	
Expertise of employees	4.34	0.728	8	
Employees willingness to help	4.36	0.950	7	
Solve customers' problems and concerns	4.02	1.012	9	
2 Price/Financial Benefits	**4.22**			3
Lower service charge (on L/C, transfer, etc.)	4.01	0.587	10	
Lower interest on loans	3.96	0.671	11	
Higher interest on savings	4.69	0.756	1	
3. Service Efficiency	**4.28**			2
Fast and efficient counter service	4.61	0.567	2	
Speed of transaction processing	4.45	0.694	6	
Accuracy of account information	4.48	0.651	4	
Ease of obtaining loans	4.48	0.651	5	
Complaint handling method	3.37	0.935	22	
4. Reputation	**3.11**			8
Long years of experience of the bank	2.99	1.416	27	
Financial stability of the bank	3.12	1.389	26	
Bank's good image by the public	3.22	1.381	25	
5. Tangibles	**3.23**			7
Interior modern looking equipment	3.33	1.126	24	
Attire of front line staff	3.37	1.109	21	
Attractiveness of bank's building	2.99	1.203	27	
6. Convenience	**3.49**			6
Number of branch network	3.44	1.015	19	
Availability of parking facility	3.35	1.030	23	
Close to my home	3.57	1.039	15	
Close to my workplace	3.55	0.974	16	
Convenient branch location	3.55	0.985	16	
7. Technology	**3.56**			4
Availability of ATMs in several locations	3.43	0.892	20	
Networked banking	3.65	0.938	12	
Availability of mobile banking	3.59	0.929	13	
8. Recommendation	**3.54**			5
Friends recommendations	3.50	1.016	18	
Family recommendation	3.58	0.983	14	

4.4 Correlation and Multiple Regression Analysis

In this sub-topic, correlation and multiple regression analysis on the dependent and independent variables will be carried out. It is also required to conduct parametric tests that are important.

4.4.1 Parametric Statistical Assumptions

Normality Test

A common rule to thumb test for normality is to run descriptive statistics to get skewness and kurtosis, then use the criteria that kurtosis should be within the +2 to -2 range when the data ara normally distributed (Garson 2012)

Table 4.9 ***Kurtosis and Skewness of Variables***

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Reputation	198	-.103	.173	-.950	.344
Price/Financial	198	-.133	.173	-.588	.344
Satisfaction on bank preference	198	-.475	.173	-.872	.344
Staff Competency	198	-.648	.173	-.030	.344
Service Efficiency	198	-.165	.173	-.537	.344
Tangibles	198	-.732	.173	.068	.344
Convenience	198	.148	.173	-.445	.344
Technology	198	.075	.173	-.532	.344
Recommendation	198	-.106	.173	-.335	.344
Valid N (listwise)	198				

Figure 4 and 5 also show the histogram and P-P plots of standardized residuals. Both suggesting a normally distributed residuals, which is one of the assumptions of linear regression analysis.

Figure 4. Graphical Normality Test with Residuals Histogram

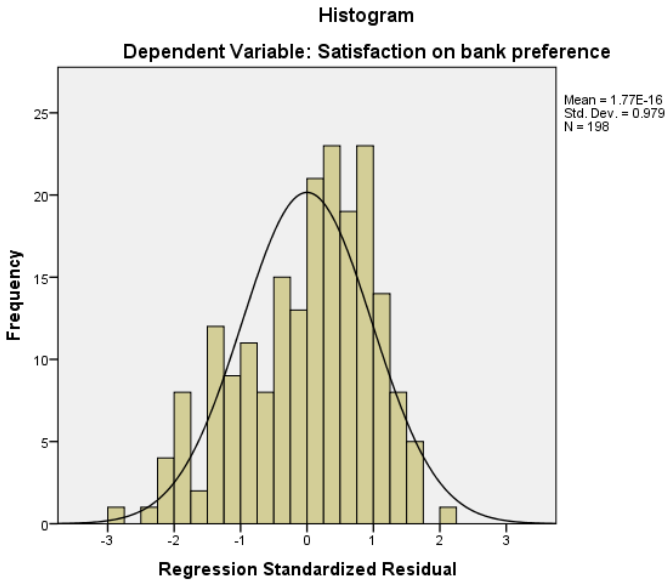
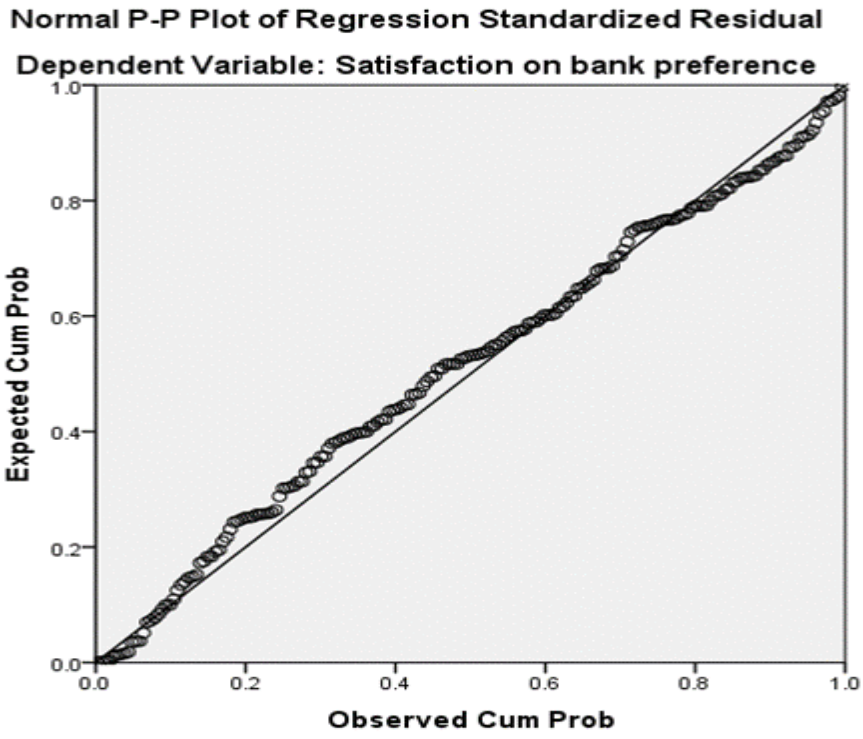


Figure 5. Normal P-P Plot of Regression Standardized Residual



Multicollinearity Test

Tolerance: Tolerance is defined as 1-R^2, where R-squared is the multiple R of a given independent regressed on all other independent variables. If the tolerance value is less than the cut-off value, usually 0.2, the independent variable should be dropped from the analysis due to multicolinearity.

Table 4.10 *CollinearityStatistics*[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Staff Competency	.890	1.123
	Price/Financial	.914	1.094
	Service Efficiency	.965	1.037
	Reputation	.960	1.041
	Tangibles	.751	1.331
	Convenience	.803	1.246
	Technology	.812	1.231
	Recommendation	.804	1.244

a. Dependent Variable: Satisfaction on bank preference

Variance Inflation Factor (VIF): VIF is the reciprocal of tolerance. The rule of thumb is if VIF>4, there is no multicollinearityotherwise it indicates the presence of multicollinearity. As indicated in table 4.11all the values of tolerance and VIF values indicate the absence of multicollinearity.

Linearity Test

The linearity test is a requirement for correlation and linear regression analysis. Linearity test can be conducted by running compare mean procedure on SPSS and looking at the ANOVA table. When the sig value is greater than 0.05, it indicates there is a linear relationship between the independent and dependent variables. If it is less than 0.05, it shows the non-linearity relationship.

Based on the ANOVA output table, deviation from Linearity indicates that all independent variables have linear relationship with the dependent variable, Satisfaction on bank selection at p=0.05. Hence assumption of linearity is met.

*Table 4.11*__Deviation from Linearity based on ANOVA Table.__

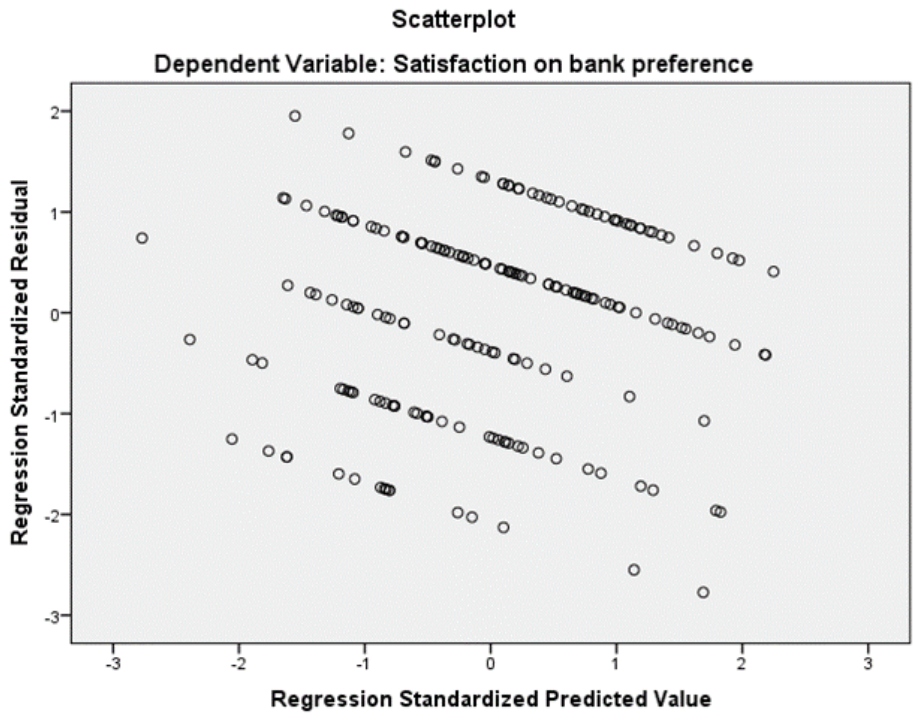
Satisfaction on bank preference * independent variables	F value	Sig	Relationship
Staff Competency	0.155	0.856	Linear
Price/Financials	1.456	0.236	Linear
Service efficiency	1.753	0.187	Linear
Reputation	1.973	0.051	Linear
Tangibles	1.392	0.247	Linear
Convenience	0.589	0.556	Linear
Technology	0.101	0.904	Linear
Recommendation	0.591	0.622	Linear

Source: Exacted from the result of running ANOVA procedure in SPSS

Test of Homoscedasticity:

Lack of homoscedasticity is shown by higher errors (residuals) for some portions of the range compared to others. When the homoscedasticity assumption is met, residuals will form a patternless cloud of dots. Hence, the above scatterplot of the standardized predicted dependent variable against the standardized residuals shows the plot is largely of a cloud pattern, indicating variance of errors are homogenous or homoscedastic (figure 7).

Figure 6. Scatter plot to test Homoscedasticity



4.4.2 Correlation Analysis

Pearson correlation, which indicates the strength of the degree of association between dependent variable, Satisfaction on Bank Preference (SP) and independent variables Staff Competency (SC), Service efficiency (SE), Technological (TE), Price (PR), Convenience (CO), Recommendations (RE), Reputation (RP), and Tangibles(TA)has been described on table 4.12 below. As can be from the table, the degree of association between the dependent variable and the eight predictors was not strong. However, four predictors: service efficiency, tangibles, technology and convenience show a statistically significant association with the dependent variable at p=0.01.

Table 4.12 Pearson Correlation Coefficient between the Dependent and Independent Variables

		Satisfaction on bank preference
Satisfaction on bank preference	Pearson Correlation	1
	Sig. (2-tailed)	
	N	198
Staff Competency	Pearson Correlation	.036
	Sig. (2-tailed)	.615
	N	198
Price/Financial	Pearson Correlation	.096
	Sig. (2-tailed)	.177
	N	198
Service Efficiency	Pearson Correlation	.211**
	Sig. (2-tailed)	.003
	N	198
Reputation	Pearson Correlation	-.062
	Sig. (2-tailed)	.385
	N	198
Tangibles	Pearson Correlation	.218**
	Sig. (2-tailed)	.002
	N	198
Convenience	Pearson Correlation	.213**
	Sig. (2-tailed)	.003
	N	198
Technology	Pearson Correlation	.211**
	Sig. (2-tailed)	.003
	N	198

Recommendation	Pearson Correlation	.014
	Sig. (2-tailed)	.843
	N	198

** Correlation is significant at the 0.01 level (2-tailed)
*Correlation is significant at the 0.05 level (2-tailed)

4.4.3 Regression Analysis

A multiple linear regression was calculated to predict the dependent variable, which is Satisfaction on Bank Preference on the staff competency, price, service efficiency, tangibles, reputation, recommendation, technology, and convenience. A significant regression equation was found. The multiple regression model with all the eight predictors produced R^2= 15.6%,F(8,189)=4.357, p<0.001(Table 4.14 and Table 4.15). The tables suggest that 15.6% of the variations on the satisfaction on bank selection can be explained by the dependent. Table 4.16 shows that four of the eight explanatory variables had significant positive relationship with the dependent variable at p<0.01. They are service efficiency (p=0.02), tangibles (p=0.036) and technology (0.030). At p<0.1, convenience with p=0.078 has a significant positive regression weights, whereas the other four factors did not show a statistically significant relationship

Table 4.13 Regression Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.395[a]	.156	.120	1.16725

a. Predictors: (Constant), Recommendation, Reputation, Service Efficiency, Price/Financial, Convenience, Staff Competency, Technology, Tangibles

b. Dependent Variable: Satisfaction on bank preference

Table 4.14 ANOVA of the Regression Model[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	47.488	8	5.936	4.357	.000[b]
	Residual	257.507	189	1.362		
	Total	304.995	197			

a. Dependent Variable: Satisfaction on bank preference

b. Predictors: (Constant), Recommendation, Reputation, Service Efficiency, Price/Financial, Convenience, Staff Competency, Technology, Tangibles

Table 4.15 Estimated Beta Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.770	1.046		-.736	.463
	Staff Competency	.077	.121	.045	.633	.527
	Price/Financial	.126	.126	.070	1.001	.318
	Service Efficiency	.450	.143	.214	3.150	.002*
	Reputation	-.099	.070	-.096	-1.405	.162
	Tangibles	.212	.100	.163	2.113	.036*
	Convenience	.206	.116	.132	1.769	.078**
	Technology	.245	.112	.162	2.186	.030*
	Recommendation	-.143	.092	-.116	-1.550	.123

a. Dependent Variable: Satisfaction on bank preference
** sig at p<0.1

The final model is:

SP=-770+0.450SE +0.212TA +0.206CO+0.245TE + e

Where:

SP=Satisfaction on bank preference;

SE=Service efficiency;

TA=Tangibles;

CO=Convenience;

TE=Technology;

e=error term

4.2.1 Interpretation in Terms of Research Hypotheses

H1: There is a significant and positive relationship between staff competency and satisfaction on bank preference. This hypothesis is rejected at p<0.01

H2: There is a significant and positive relationship between price/financials and satisfaction on bank preference. This is rejected

H3: There is a significant and positive relationship between **service efficiency** and satisfaction on bank preference. This is accepted at p=0.02. It is shown that service efficiency positively and significantly affects Satisfaction on Bank Preference. A one unit increase in SE will bring, a 0.450 increase in Satisfaction on Bank Preference (SP)

H4: There is a significant and positive relationship between reputation and satisfaction on bank preference at. This is rejected at $p<0.1$

H5: There is a significant and positive relationship between tangibles and satisfaction on bank preference. This is accepted at p=0.06. A unit increase in tangibles (TA) will produce a 0.06 increase in Satisfaction on Bank Preference

H6: There is a significant and positive relationship between convenience and satisfaction on bank preference. This hypothesis is also accepted $p<0.1$.

H7: There is a significant and positive relationship between technology and satisfaction on bank preference. Technology has been accepted to affect Satisfaction on Bank Preference at $p<0.05$

H8: There is a significant and positive relationship between recommendation and satisfaction on bank preference

Reliability Test

Reliability test was carried out on the eight factors identified. Based on the outcomes of reliability analysis, all factors meet the minimum Cronbach's alpha reliability coefficient of 0.60, showing the reliability of factors (see table 4.17)

Table 4.16 Reliability Coefficients of Variables

Sr.No	Factors	Cronbach's Alpha
1	Staff competency	0.69
2	Price/Financial benefits	0.69
3	Service efficiency	0.62
4	Reputation	0.94
5	Tangibles	0.76
6	Convenience	0.83
7	Technology	0.82
8	Recommendation	0.96
Overall		**0.77**

4.5 Demographic Differences in Bank Preference Determinants

In this study, independent t test and one way Analysis of Variance (ANOVA) have been employed. Before the test was run, the data was grouped based on dependent and independent variables so as to test the stated hypotheses. In this regard, our dependent variables are the factors we obtained after running exploratory factor analysis. These are staff competency, price/financials, Access to technology, convenience, tangibles, reputation, and recommendation. The independent variables are: gender, age, education, affiliation and income group.

The effects of gender (male, female) and bank affiliation (private or public bank) on factors affecting selection criteria were tested using t test since the groups to be compared are two.

Age and income were regrouped and recoded into two groups by conducting transformation procedure in SPSS and assigning new variable. This has been done to facilitate comparisons of two age groups and namely young and mature groups. The young groups, for this study, were those aged 36 and below with given code "1"; and the mature ones were those aged above 36 years, and were given code "2". Therefore, the impact of age has been tested by independent samples t test. Similarly, income was also grouped into two those with gross monthly income less than or equal to 11,000 Birr and above 11,000 Birr. After transformation, the impact of the two variables: age and income was tested by t test.

One way Analysis of Variance (ANOVA) was used to test if there are differences on the mean score of bank selection factors base on education, which has four groups, on the selection of banks by customers. The results of the tests of hypotheses formulated in the first part of this thesis are described below.

Factor Mean Difference based on Affiliation

This hypothesis is tested using two sample independent t test. Before using the results of the t test, it Levene's test for testing equality of variance was checked and found to be insignificant at $p<0.05$. As can be seen from the table it shows there is no significant difference in the variances of the two groups at $p<0.05$, hence the t test can be done with the assumption of equality of variance.

Table 4.18 shows there is a significant difference between the mean scores of the factor labeled reputation between the two groups of respondents ($p<0.02$). The p values indicate the probability that a chance is responsible for the observed mean differences between the two samples. In this case, p is very small hence the probability that the mean score difference is a true difference is 98%. Public bank users tend to give more importance to reputation of a bank than private bank users. Clearly, the commercial bank of Ethiopia is the major retail bank in the country with huge financial capacity and long years of experience, which may be one of the factors attracting customers towards patronizing the bank. However, it was found out that there was no significant difference in the mean scores of other factors. Hence, we may conclude that with the exception of reputation, there is no significant difference in selection of banking services between public and private bank users.

Table 4.17 Independent Samples Test

	Levene's Test for Equality of Variances		t-test for Equality of Means			Mean	
Factors	F	Sig.	T	df	Sig. (2-tailed)	Private	Public
Staff Competency	0.383	0.537	0.207	196	0.836	4.3409	4.3223
Price/Financial	0.787	0.376	-0.451	196	0.652	4.1991	4.2342
Service Efficiency	0.013	0.908	-1.232	196	0.220	4.2286	4.3091
Reputation	0.407	0.524	-4.181*	196	0.002*	2.6364	3.4105
Tangibles	0.031	0.861	-0.649	196	0.517	3.1775	3.2672
Convenience	0.040	0.843	0.496	196	0.620	3.5273	3.4711
Technology	0.516	0.474	-0.408	196	0.683	3.5281	3.5758
Recommendation	0.035	0.851	-0.136	196	0.892	3.5260	3.5455

*Significant at p=0.05

Mean Score difference of Bank Selection Factors by Gender

From Table 4.19, we can see that like it was for bank affiliation, reputation was given different importance level by male and female respondents. Female respondents have given higher importance to reputation than male respondents, and the difference was statistically significant with 0.002 significance level. This result contradicts with the previous findings by Kaynak et al.(1991). In their study in Turkey,Kaynaket. al. (1991) reported male customer put more importance on reputation of the bank than female customers.

Factors related to staff, price, service, tangibles, convenience, technology and recommendation have no statistical significant differences between the two groups at 95% confidence interval.

Table 4.18 Independent Samples Test on Gender

Factors	Levene's Test for Equality of Variances		t-test for Equality of Means		Mean	
	F	Sig.	T	Sig. (2-tailed)	male	female
Staff Competency	0.707	0.402	-0.199	0.842	4.3211	4.3385
Price/Financial	0.339	0.561	-0.846	0.399	4.1895	4.2535
Service Efficiency	0.092	0.762	0.147	0.883	4.2824	4.2729
Reputation	0.034	0.853	-3.171*	0.001*	2.8268	3.4097
Tangibles	0.404	0.526	0.345	0.730	3.2549	3.2083
Convenience	0.939	0.334	0.095	0.924	3.4980	3.4875
Technology	0.435	0.510	-0.031	0.976	3.5556	3.5590
Recommendation	0.203	0.653	1.181	0.239	3.6176	3.4531

*significant at p<0.05

Factors Mean Score Difference based on Age group

The independent 2-tailed t test shows that there is a significant difference in the mean score of technology between respondents aged 35 and below and 35 and above (Table 4.20). The mean score of technology was higher for younger respondents than older ones. The items comprising technology, in this study, are mobile banking, ATM, and networked banking. With the other factors, no significant difference was shown between the two groups. Previous studies, however, pointed out (for example, Kaynak et al.,1991) differences in bank selection criteria based on age. For example, they reported that convenience (especially bank location) played important role for customer under age 40.

Table 4.19 Independent Samples Test on Age

	Levene's Test for Equality of Variances		t-test for Equality of Means			Mean	
						Age_group	
	F	Sig.	T	Df	Sig. (2-tailed)	<=35	>35
Staff Competency	0.000	0.985	-0.814	196	0.416	4.2977	4.3693
Price/Financial	0.026	0.873	0.737	196	0.462	4.2455	4.1894
Service Efficiency	0.001	0.980	0.268	196	0.789	4.2855	4.2682
Reputation	0.092	0.762	0.248	196	0.805	3.1303	3.0833
Tangibles	0.938	0.334	2.361	196	0.019	3.3727	3.0568
Convenience	0.222	0.638	1.664	196	0.098	3.5745	3.3909
Technology	0.757	0.385	6.119	196	0.001*	3.8424*	3.2008*
Recommendation	3.748	0.054	2.411	196	0.017*	3.6864*	3.3523*

*significant at p<0.05

Factors Mean Score Difference based on Income

Table 4.21indicates that the mean score of factors do not significantly differ based on income of the respondents. The mean differences observed between the two income groups are not statistically significant to at 95% confidence level. Hence the hypothesis accepted.

Table 4.20Independent Samples Test on Income

	Levene's Test for Equality of Variances		t-test for Equality of Means		Mean	
				Sig. (2-tailed)	Income group	
Factors	F	Sig.	T		<=11,00 Birr	>11,000 Birr
Staff Competency	0.150	0.699	-0.630	0.530	4.3178	4.3833
Price/Financial	0.207	0.649	1.308	0.193	4.2455	4.1259
Service Efficiency	0.011	0.915	1.185	0.237	4.3287	4.2400
Reputation	0.512	0.475	0.486	0.627	3.1628	3.0519
Tangibles	1.071	0.302	1.755	0.081	3.3178	3.0370
Convenience	0.225	0.636	0.004	0.997	3.5116	3.5111
Technology	0.639	0.425	0.555	0.580	3.5943	3.5185
Recommendation	0.083	0.774	0.402	0.689	3.6008	3.5333

Factors Mean Score Differences based on Educational Level

The last hypothesis is to test if there is a significant difference in the selection of banking service based on education. The one way analysis of variance (ANOVA) was used to test this hypothesis since there are more than two groups. The table below shows there is observed difference in the mean score of technology among the respondents grouped based on education. To find out between, which groups the difference is statistically significant a statistical test called Post Hoc test with Turkey HSD was carried out, and it was found out that the difference lies significantly between respondents with diploma/vocational education level and undergraduates (see annex 2). The mean difference between the two groups of respondents on their technology was found to be significant at p=0.02. The respondents with undergraduate degree are observed to have been given more importance than those with vocational/diploma education.

The other seven factors, however, are not observed to have significant difference according to education.

Table 4.21 ANOVA on Education

Factor	Sum of Squares	df	Mean Square	F	Sig.
Staff Competency	1.348	3	0.449	1.196	0.313
Price/Financial	0.641	3	0.214	0.751	0.523
Service Efficiency	0.652	3	0.217	1.095	0.352
Reputation	2.661	3	0.887	0.502	0.681
Tangibles	1.824	3	0.608	0.672	0.570
Convenience	0.429	3	0.143	0.235	0.872
Technology	6.653	3	2.218	3.610*	0.014*
Recommendation	3.622	3	1.207	1.256	0.291

*significant at p<0.05

In a nutshell, the test of hypotheses can be summarized as follows:

- The mean score of most of the eight factors identified to determine bank selection have not shown statistically significant differences according to bank affiliation, age, gender, education, and income.

- The mean score of reputation (which includes financial stability, long years of service of the bank, and bank's image) significantly differs according to bank affiliation and gender.
- The mean score of Technology (mobile banking, ATM, and Networked banking) showed significant differences according to age and education.
- Recommendation was observed to have significant difference based on age. With the younger groups having more mean scores than the older ones.

Of the eight factors, only reputation, recommendation, and technology have shown significant differences. Five of the factors have not shown any significant difference on any of the independent variables (age, education, income, gender, affiliation). Hence, there is no adequate evidence to reject the null hypotheses in favor of the alternative ones, and we can conclude that there is no statistically significant differences in the mean score of many of the bank selection factors based on demographic variables and bank affiliation.

In a similar study, Chigamba (2011) found out there was no significant differences in the mean scores of males and females (gender) and undergraduates and post graduates (academic level) with respect to six factors: Service, proximity, attractiveness, recommendation, marketing and price. He also observed no significant differences in the mean scores of the different age groups and faculties.

5. Conclusion and Recommendation

5.1 Conclusion

Banking business in Ethiopia is becoming very competitive, mainly between private and public banks. The intense completion facing banks does force them to be more customers oriented and to be more focused on satisfying the true needs of their customers. The main objective of study was identifying the determinants of bank selection criteria by customers, and determines the relative importance of each selection factors as perceived by customers. Besides, the relationship between determinants of bank selection and satisfaction on bank preference has been examined using correlation and linear regression analysis. Moreover, inferential statistics was carried out to evaluate the effect of demographic variables on bank selection factors. The study is hoped to contribute to the body of knowledge in the banking industry in Ethiopia, and provide an insight to bank market professionals about customers' preferences.

In order to identify the underlying factors affecting bank selection, exploratory analysis was employed. Eight factors composing 28 bank selection variables were identified. These were employees' competency, convenience, technology, reputation, recommendation, service efficiency, tangibles, and financials. Bank selection factor labelled as "staff competency" (which includes courtesy of frontline staff, expertise of employees, willingness to solve customer problems) was found to be the most important factor determining bank preference by customers. On the other hand, factor labelled as "Reputation", which includes long years of experience of the ban financial stability, and image of the bank) was given relatively the least importance by customers. Looking at the 28 selection variables, the most important selection criteria was interest rate paid on saving accounts, fast and efficient services at the counter, and courtesy of front line staff were observed to be the top most important variables as perceived by respondents. Long years of experience of the ban, and financial stability of the bank were in the bottom of the list in order of importance.

To examine the relationship and direction of the independent variables, Service efficiency, price, staff competency, convenience, tangibles, technology, recommendations, and reputation were

regressed on Satisfaction on bank preference. The linear regression model formulated showed that 15.6% of the variations in Satisfaction on Bank Preference was explained by the variation in the four factors, that showed statistically significant positive relationships. These are service efficiency, tangibles, convenience, and technology. Whereas the hypothesis that there would be a statistically positive significant relationship between the other four variables was rejected at $p<0.1$

Demographic variables, including gender, age, education, and income differences were shown to have effects on bank selection criteria in some of the factors. But in most cases, the differences in bank selection choices were not significant based on demographics. Females were found to give more importance for reputation than males, and the difference was significant at more than 95% confidence level. Technology (mobile banking, ATM, and networked banking) showed significant difference based on age and education. Respondents aged 35 and less were observed to have more inclination to technology than those aged more than 35 years. The result of ANOVA test showed the presence of significant difference on the mean score of technology on education level. Respondents were sampled from the main branches of four private banks and one public bank, which is the Commercial Bank of Ethiopia in Addis Ababa. 325 questionnaires were distributed and 208 returned with 198 usable questionnaires. In conclusion, the study has identified the major factors that bank customers perceive as important in their bank patronage, prioritized by ranking their importance, and evaluate their differences with respect to various demographics.

5.2 Recommendations

- This study identified the factors affecting customers' bank selection decision. More importantly, it prioritized the major factors that weigh relatively higher in customer's rating. While more or less all identified selected factors are important, some should be given more emphasis as they represent the higher level of importance to customers.
- Emphasis should be given by bank managers to increase the productivity of their employees by providing trainings and coaching as to how to best serve customers. As customers more importantly require bank employees to show high level of courtesy, expertise and willingness to serve, these areas of service should not be compromised; and

the management should motivate its frontline employees through various means, such as providing bonuses, compliments, exercise job rotation, etc. Banks should continually review and update their working procedure, help their employees update and improve their knowledge and skill from time to time, acquaint themselves and be well versed with the use of electronic banking so as to meet or exceed customer's. Besides employees' technical knowledge, there should be a program that helps employees to have behavioral maturity.

- The finding of this study showed higher interest rate on saving account received highest importance. In this regard, banks should keep track of the market be aware of the rate is not lower than the market, otherwise they may end up losing their saving account customers.
- Technology was given higher importance in the younger market segment. This part of the market is particularly vital as they are the future market. Banks should keep abreast of banking technologies and introduce and/or improve their E-banking, mobile banking and multiply their ATMs in convenient places. The management should have an open mind to embrace new technologies and new way of business; being early adopter of new technologies will help have comparative advantages over laggards, and attract new customers.
- This study shows close to 42% of the respondents were not satisfied or very satisfied with their bank service experience. This requires due attention by the management of banks, and should exert effort to increase its marketing efforts to bring these group of customers to satisfaction level.
- Service efficiency received the 2nd highest importance rating by customers. This includes fast and efficient banking services, accuracy of account information, and speed of account transactions. Hence efforts should be made to enhance the quality of service in these areas.
- Bankers should put more resources to increase their technological advancement and service efficiency. Improving technology will result in better service efficiency, thereby creating more customer satisfaction on their patronage with their bank. Moreover, creating more conductive environment for customers in such a way that convenience and accessibility could be within arm's reach could be paramount importance.

- All in all, the identified factors affecting customers' bank selection decision should be addressed by bankers; and bank marketing professionals should effectively design their marketing strategies incorporating the factors described in this study.
-

5.3Limitations of the Study and Recommendations for Further Research

This study was confined only to existing bank customers in Addis Ababa and in selected branches of big commercial banks. Future studies should be done on selected segments of the market, such as university students, that can be potential future customers. Moreover, to have a better understanding of the issue, bank selection criteria of business customers like business organizations, government entities, non-governmental organizations could be studied in the future.

Limited geographical area and small sample size may limit the generalizability of the study. Hence, future studies could be done with bigger sample size covering wider geographical area to enhance the applicability and generalizability of the study to a wider population. Thus the findings of the study may not be generalized to the whole population of the banking customers. Future studies may consider taking large samples across the country. In most cases, questionnaires were self-administered to collect the required data. In such cases, respondents may not clearly understand the questions, and give inaccurate responses, resulting in wrong conclusion.

Finally, by using this study as a starting point the conceptual scope of the study could be extended further. Major determinant factors in bank selection criteria of customers are identified in this study. Future study could focus on actual performance of commercial banks in Ethiopia with respect to the factors identified.

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Appendix I

Questionnaire

Dear respondent,

The purpose of this questionnaire is to collect data that will be used as input to a thesis work titled **"Determinants of Bank Selection Criteria in Addis Ababa"**, conducted for partial fulfilment of Masters of Art in Marketing Management".

The information you provide will only be used for academic purpose and will be kept confidential. Please take a few minutes and fill in the questionnaire as completely and accurately as possible.

Thank you very much for your kind cooperation.

Part One- Demographic Information

1. Your gender
   a. Male b. Female
2. Age group
   a. Less than 25 b. 26-35 c. 36-45 d. 46- 55 e. above 55
3. Your education level
   a. High school complete or lower b. Diploma/vocational
   c. Undergraduate degree (BA, BSc, etc) d. Post graduate (MA, PhD.,etc)
4. Monthly Gross Income in Birr
   a. Less than 3,000 b. 3,000-7,000 c. 7,001-11,000 d. 11,001-15,000
   e. 15,001-19,000 f. 19,001-23,000 g. Above 23,000

Part Two- Determinants of Bank Selection

1) Please rate the level of importance of the following factors in your choice /or patronage of a bank (s) by using the following scale. Please circle under your choice.

1. Not important; 2.Less important; 3.Important; 4.Highly important 5.Very highly important

Sr. no.	Factors	Level of importance				
1.	Courtesy of frontline staff	1	2	3	4	5
2.	Expertise of employees	1	2	3	4	5
3.	Attire of front line staff	1	2	3	4	5
4.	Care of frontline staff	1	2	3	4	5
5.	Lower service charge (on L/C, transfer, etc.)	1	2	3	4	5
6.	Lower interest rate on loans	1	2	3	4	5
7.	Higher interest rate on savings	1	2	3	4	5
8.	Financial stability of the bank	1	2	3	4	5
9.	Fast service at the counter	1	2	3	4	5
10.	Availability of complaint handling method	1	2	3	4	5
11.	Speed of transaction processing	1	2	3	4	5
12.	Accuracy of account information	1	2	3	4	5
13.	Bank's good image by the public	1	2	3	4	5
14.	Interior modern looking equipment	1	2	3	4	5
15.	Ease of obtaining loans	1	2	3	4	5
16.	Maintain confidentiality	1	2	3	4	5
17.	Number of branch network	1	2	3	4	5
18.	Availability of ATMs in several locations	1	2	3	4	5
19.	Availability of parking facility	1	2	3	4	5
20.	Free banking service	1	2	3	4	5
21.	Networked banking	1	2	3	4	5
22.	Attractiveness of bank's building	1	2	3	4	5
23.	Friends recommendation	1	2	3	4	5
24.	Family recommendation	1	2	3	4	5
25.	Other customers recommendation	1	2	3	4	5
26.	Hours of operation	1	2	3	4	5
27.	Operating on weekends	1	2	3	4	5
28.	Long years of experience of the bank	1	2	3	4	5
29.	Good security system	1	2	3	4	5
30.	Availability of loyalty programs	1	2	3	4	5
31.	Bank provide free home cash delivery	1	2	3	4	5
32.	Employees willingness to help	1	2	3	4	5
33.	Solve customers' problems and concerns	1	2	3	4	5

34.	Availability of internet banking	1	2	3	4	5
35.	Availability of mobile banking	1	2	3	4	5
36.	Special service to elderly	1	2	3	4	5
37.	Convenient branch location	1	2	3	4	5
38.	Close to my home	1	2	3	4	5
39.	Close to my workplace	1	2	3	4	5
40.	Performing service at the promised time	1	2	3	4	5

Section III. Bank Relationship

1. Which bank's service do you frequently use?
   a. Public bank(s) 2. Private bank(s)
2. Which of the following bank services do you mostly use?
   a. Interest bearing saving account
   b. Current account
   c. Non-interest bearing special demand deposit
   d. Credit
   e. Money transfer
   f. Foreign banking

Other (please specify)

_____

3. How satisfied are you with your bank service experience in fulfilling your selection criteria? (Please rate from 1=Very dissatisfied to 5= very satisfied)

1	**2**	**3**	**4**	**5**

Thank you!

Appendix III: Statistical Output

Communalities

	Initial	Extraction
Courtesy of frontline staff	1.000	.653
Expertise of employees	1.000	.526
Employees willingness to help	1.000	.642
Solve customers' problems and concerns	1.000	.658
Lower service charge (on L/C, transfer, etc.)	1.000	.656
Lower interest on loans	1.000	.600
Higher interest on savings	1.000	.612
Fast and efficient counter service	1.000	.304
Speed of transaction processing	1.000	.755
Accuracy of account information	1.000	.846
Ease of obtaining loans	1.000	.734
Complaint handling method	1.000	.244
Long years of experience of the bank	1.000	.865
Financial stability of the bank	1.000	.915
Bank's good image by the public	1.000	.926
Interior modern looking equipment	1.000	.724
Attire of front line staff	1.000	.810
Attractiveness of bank's building	1.000	.671
Number of branch network	1.000	.551
Availability of parking facility	1.000	.500
Close to my home	1.000	.669
Close to my workplace	1.000	.780
Convenient branch location	1.000	.630

Availability of ATMs in several locations	1.000	.749
Networked banking	1.000	.850
Availability of mobile banking	1.000	.771
Friends recommendations	1.000	.922
Family recommendation	1.000	.923

Extraction Method: Principal Component Analysis.

Component Matrix[a]

	Component							
	1	2	3	4	5	6	7	8
Attire of front line staff	.689							
Interior modern looking equipment	.678							
Close to my workplace	.636				-.529			
Close to my home	.631							
Convenient branch location	.625							
Networked banking	.585							
Number of branch network	.569							
Availability of parking facility	.554							
Availability of mobile banking	.528							
Family recommendation	.523				.458			
Friends recommendations	.511				.469			-.402
Long years of experience of the bank		.700			.415			
Bank's good image by the public		.680						
Financial stability of the bank		.641			.433			
Lower service charge (on L/C, transfer, etc.)		-.430						
Employees willingness to help		-.424		.421				

Fast and efficient counter service								
Accuracy of account information			.727					
Ease of obtaining loans			.614					
Speed of transaction processing			.608					
Courtesy of frontline staff			-.422					
Solve customers' problems and concerns		-.414		.607				
Expertise of employees				.484				
Higher interest on savings						.444		
Availability of ATMs in several locations						.417		
Lower interest on loans						.413		
Attractiveness of bank's building	.442						-.480	
Complaint handling method								

Extraction Method: Principal Component Analysis.

a. 8 components extracted.

Post Hoc Tests

Multiple Comparisons

Dependent Variable: Technology

Tukey HSD

(I) Educational level	(J) Educational level	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval Lower Bound	95% Confidence Interval Upper Bound
Highschool complete or lower	Diploma/vocational	.07592	.17107	.971	-.3674	.5193
	Undergraduate degree (BA,BSc...)	-.30738	.17461	.296	-.7599	.1451
	Post graduate degree(MA,PhD)	.14677	.21168	.900	-.4018	.6953
Diploma/vocational	Highschool complete or lower	-.07592	.17107	.971	-.5193	.3674

	Undergraduate degree (BA,BSc...)	-.38331*	.13187	.021	-.7251	-.0416
	Post graduate degree(MA,PhD)	.07085	.17807	.979	-.3906	.5323
Undergraduate degree (BA,BSc...)	Highschool complete or lower	.30738	.17461	.296	-.1451	.7599
	Diploma/vocational	.38331*	.13187	.021	.0416	.7251
	Post graduate degree(MA,PhD)	.45416	.18147	.063	-.0161	.9245
Post graduate degree(MA,PhD)	Highschool complete or lower	-.14677	.21168	.900	-.6953	.4018
	Diploma/vocational	-.07085	.17807	.979	-.5323	.3906
	Undergraduate degree (BA,BSc...)	-.45416	.18147	.063	-.9245	.0161

*. The mean difference is significant at the 0.05 level.

Appendix 3. Sampled References

Sr.No.	Author's Name(s)	Title of the Journal article	Data Analysis Method	Key Findings
1	OmoAregbeyen,	The Determinants of Bank Selection Choices by Customers: Recent and Extensive Evidence from Nigeria	Descriptive Respondents characterstics described based on their demographic variables (age, education, etc by place) -Weighted Average Score of Importance Rating used to rank factors -Gender Disparity of Choice Criteria among the Respondents were done using F value of analysis of difference i means	safety of funds and the availability of technology based service(s) are the major reasons for customers' choice of banks
2	Mohammed Almossawi	Bank selection criteria employed by college students in Bahrain: an empirical analysis	Mean score and ranking; - Factor analysis	The findings reveal that for Bahraini young people, the five most influential factors for bank selection were: 1 convenient ATM locations; 2 availability of ATM in several locations; 3 bank's reputation; 4 24-hours availability of ATM services; and 5 available parking space nearby
3	HAFEEZ UR REHMAN and SAIMA AHMED	AN EMPIRICAL ANALYSIS OF THE DETERMINANTS OF BANK SELECTION IN PAKISTAN: A Customer View	describe respondents profile using demographic variables; - Mean ranking of the values of each factors - factor analysis for identifying the principle factors that customers perceive as important ; -Extraction method is based on principal component analysis. - multivariate analysis with demographic variables (as dependent variables) for private, public, and semi private banks	the most important variables influencing customer choice are customer services, convenience, online banking facilities and overall bank environment.

4	CleopasChigamba,	Factors Influencing the Choice of Commercial Banks by University Students in South Africa	Principal component analysis -The Cronbach's alpha was used to test the reliability of the scales -descriptive statistics, T-test and ANOVA	Service, proximity, attractiveness, recommendations, marketing and price are important factors in determining bank selection .
5	A SajeevanRao	Bank Selection Criteria Employed by MBA Students in Delhi: An Empirical Analysis	Factor Analysis	reliability is a significant choice criterion, which includes employee's courtesy, parking facility, loyalty programs, brand name, security system and low charges with the bank. Other factors, which have also increased in importance are the responsiveness, value added services and convenience. Assurance factors, such as speedy services, good rate of interest and zero balance account facility are also significant in importance in motivating choice of a bank
6	BedmanNarteh, Nana Owusu-Frimpong	An analysis of students' knowledge and choice criteria in retail bank selection in sub-Saharan Africa: The case of Ghana	mean ranking and factor analysis methods were employed to identify the major factors that influence the respondent bank selection	student customers consider image, attitude and behaviour of staff, core service delivery and technology-related factors as the major issues that influence consumers' decision to open and maintain an account.
7	Thabet A. Edris,Mohammad A. Almahmeed	Services considered important to business customers and determinants of bank selection in Kuwait: a segmentation analysis	Descriptive data analysis: Means and ranks of factors	the majority of business firms deal with commercial banks rather than Islamic or specialized banks. The perceived relative importance of a large number of services offered by Kuwaiti banks were found to be significantly different according to business customers' nationality (Kuwaiti, non-Kuwaiti, and joint business). size of bank assets, efficiency of staff, help in financial emergencies, bank experience, friendliness of staff, reputation, communication with staff, knowledge about the firm's activities, prompt provision of services, and availability of branches abroa are important determinants
8	Charles Blankson, Julian Ming-Sung Cheng, Nancy Spears	Determinants of banks selection in USA, Taiwan and Ghana	exploratory and confirmatory factor analyses to assess the reliability of the results.	four key factors - convenience, competence, recommendation by parents, and free banking and/or no bank charges - to be consistent across the developing and developed economies.

9	Denton, L. and A. K. K. Chan	Bank selection criteria of multiple bank users in Hong Kong	Na	multiple banking is widespread and is heavily influenced by such factors as risk reduction, convenience in terms of number of branches and automatic teller machines, the relative advantage of selected banks, prestige, need for credit and credit cards, and special circumstances. Statistically significant differences were found in the evaluation of the relative importance of these factors on multiple banking behaviour based on sex, age, marital status, income and education discriminators.
10	Hayat M. Awan, KhuramShahzadBukhari	Customer's criteria for selecting an Islamic bank: evidence from Pakistan	descriptive analysis	Most of the customers value product features and quality of service as major factors for making selection of Islamic banks, and give lesser importance to religious belief as influential factor in selecting an Islamic bank
11	ANSAR ALI RAJPUT et.al.	CUSTOMER'S CRITERIA IN SELECTING A BANK: A CASE OF PAKISTANI BANKING INDUSTRY	correlation and regression analysis	the bank customers give much preference to bank's services efficiency (ease and convenience in getting bank services, with little waiting time and speedy bank transactions), bank's advertisement (banks' promotional activities through electronic and print media), bank attraction (physical facilities and interior décor of bank/branches should be attractive relative to other banks), security (good security arrangements for transactions, funds and customers), technological innovations (ATM and online banking facilities), proximity (vast network of branches located at convenient places and adequate parking facilities), bank reputation (good status and repute in the market), 'other services' (religion-based services, respect for culture, and provision for payment of utility bills and salary-drawn services), and service quality (error free, up-to-date and wide-ranging banking services).
12	Maiyaki A	Factors Determining Bank's Selection and Preference in Nigerian Retail Banking	Descriptive analysis. Stadard deviation, mean score, and Z score were calcualte	factors such as size of bank total asset and availability of large branch network have a great influence in customers' choice of banks. Moreover, he found out that customers show high preference for some specific banks as against others. To this end it was discovered that First Bank was the most preferred bank by customers in the Nigerian banking sector then followed by United Bank for Africa and Intercontinental Bank.