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CUSTOMERS BANK SELECTION CRITERIA IN THE CASE OF SELECTED PRIVATE COMMERCIAL BANKS IN ADDISABABA

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APPROVED BY THE BOARD OF EXAMINERS

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DECLARATION

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

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Advisor's Approval

This Thesis has been submitted for examination with my approval as a University advisor.

Advisor's Name

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LIST OF ACRONYMS

AIB	Awash International Bank
ATM	Automated Teller Machine
CPA	Principal Components Analysis
DB	Dashen Bank
KMO	Keiser-Meyer-Olkin
LIB	Lion International Bank
NIB	Nib International Bank
OIB	Oromia International Bank
SPSS	Statistical Package for Social Science
WB	Wegagen Bank

ABSTRACT

Commercial banks need to identify the criteria on which potential customers determine their bank selection decision in order to plan an appropriate marketing strategy for keeping present customers and attracting new ones. Consequently, the identification of factors deemed important to potential bank customers is a crucial step towards winning the battle. Therefore this study is particularly intended to examine basic motivational factors of customer's bank selection criteria of private commercial banks in Addis Ababa and how customers rank the factors based on their importance level to patronize banks and banking services. It also intended to present an analysis of demographic nature of the customer in the relative importance of choice criteria in respect of selecting a bank and to elicit the opinion of bank customers on any extra services needed to be offered by banks. In this study the researcher used both quantitative as well as qualitative analysis. The Data required for this study collected from two sources; these are primary and secondary sources. The primary data is collected through structured questionnaires. The secondary data are from any published as well as unpublished sources. The sampling method used to select customers was a systematic random sampling. The sample size of the study was 120 customers. The data collected through questionnaire were analyzed by using SPSS and apply a factor analysis identify the major factors affecting customers bank selection criteria. In addition an independent T test and one way ANOVA is used to test if there is a selection factor difference exists between the demographic natures of the customers. The findings revealed that the chief factors determining customers' bank selection are: "Convenience" "Reliability" and "Service provision" for the entire customers. On the reverse, the least three important factors of bank selection for customers are "Product Assortment" "Reputation" and "Recommendation from family and friends". In addition this study also revealed that there is a significant difference between the demographic characteristic of respondents and their bank selection process.

Keywords: Bank Selection Criteria, Customers, Banks, Banking Service

Chapter One: Introduction

1.1. Background of the Study

The trend towards globalization has introduced many changes in the economic and business environment all over the world. Ethiopia is no exception to these changes and almost all industries including the banking sector, in one way or the other are being affected by this trend. Commercial banks in Ethiopia like banks operating in the developed countries are putting more emphasis on providing more facilities and services to their customers. As economic environment is rapidly changing and customers are becoming more demanding and sophisticated, it has become important for financial institutions, to determine the factors which are pertinent to the customer's selection (Boyd, W., Leonard, M. and White, C. (1994). Therefore, for this sector, the quest lies in determining the basis on which customers, make their selection for a banking service.

The issue of "how customers select banks" has been addressed broadly in the literature by researchers and practitioners (Anderson, W.T., Jr., Cox, E.P. and Fulcher, D.G. (1976); Evans, 1979; Kaynak and Yavas 1985). Exploring such information will assist banks to recognize the appropriate marketing strategies needed to attract new customers and retain existing ones (Kaynak and Kucukemiroglu, 1992). With growing competitiveness in the banking industry (Grady and Spencer, 1990), and similarity of services offered by banks (Holstius and Kaynak, 1995), it has become increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of financial services.

According to access capital report of 2010, the Ethiopian banking sector is booming. The Ethiopian Financial result of the 2010 fiscal year proven that an industry enjoying high growth, high profits, and high dividends is the banking industry. Even in the middle of a challenging situation, all key areas of banking operations: collecting deposits, providing loans, and foreign exchange dealing, showed growth of more than 20 percent. Even though sharing strong expansion, there are prominent variations along with banks in terms of their aggregate size, revenue sources, customer focus, loan concentration, and operational efficiency.

In addition the banking industry appears as one of the most rapidly emerging sector. So it has become increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of financial services.

The relevant literature indicates that a great deal of research effort has been expended to investigate bank selection criteria for broad categories of customers (Yue and Tom, 1995). A review of literature also indicates that studies related to bank selection criteria have been mainly conducted in the USA and some European countries (Denton and Chan, 1991). Although such studies have contributed substantially to the literature on bank selection, their findings may not be applicable to other countries, like Ethiopia due to differences in cultural, economic and legal environments. A set of determinant factors that have a significant role in bank selection in one nation may prove to be insignificant in another.

In addition, to the best of the researcher's knowledge, there is only one previous research work in Ethiopia concerning the banking selection criteria which make its major concern on the gender of the customer (Goiteom. W, 2009). Hence in such growing industry where stiff competition exists knowing the major factors that customers value to select financial service providers is worth studying. Therefore, by taking this in to consideration the study examines the basic factors customers' value to select banks in Ethiopia with specific reference to Addis Ababa.

1.2. Statement of the Problem

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

Usually, the marketing plans of organizations do fail at implementation due to improper identification of the factors or determinants that consumers consider in selecting who to deal with (Khazeh and Decker, 1992). Hence, there is need for banks, like other service organizations, to effectively identify the important parameters that attract customer's attention and help in their choice of banks to do business with. In addition, there is a need for banks to know how customers choose their banks and take measures to attract them before others do.

In Ethiopia the Banking sector has been growing significantly it is rather keeping pace with the social and economic improvement. But there is only one previous research work in Ethiopia concerning the banking selection criteria (Goiteom. W, 2009).In his study Goiteom tries to identify the factors that affect customer's bank selection relative to the gender of the customer's. But the selection factors also vary between different demographic nature of the customer like age, income, marital status and others. For this variation of bank selection criteria, this study particularly intended to examine basic motivational factors in Customers bank selection criteria in the Case of Addis Ababa giving more emphasis on the demographic nature of the customers.

1.3. Research Questions

To achieve the above objectives, this study raises the following basic research questions.

1. What factors do customers consider important in selecting their choice of a bank?
2. What are the most important factors?
3. How demographic variables are related to selection?

1.4. Objectives of the Study

1.4.1. General Objective

The general objective of the study is to identify the major bank selection criteria in the case of Addis Ababa customers of selected private commercial banks.

1.4.2. Specific Objective

The specific objective of the study is

1. To identify the major factors used by customers to select a bank.
2. To determine most importance factors used by customers in choosing their bank.
3. To examine the demographic nature of the customers have effect on bank selection or not.

1.5. Significance of the Study

This research examines the major factors of customer's bank selection criteria when they make deposit and evaluate the relationship between demographic nature of the customers and bank selection factors. The results of this study are significant in various aspects. Firstly, on the basis of the findings of the study, the report draws some conclusions and identifies the major bank selection criteria which give a signal to the top management executives of the selected private commercial banks. This helps them to formulate appropriate marketing strategies for reaching and attracting customers. Second, it serves other researchers who wish to make a study on the related area could as a springboard. Thirdly it gives the researcher the opportunity to gain deep knowledge in the area of bank selection criteria.

1.6. Scope and Limitation of the Study

The research is delimited to the data obtained from the customers of the banks by using questionnaires. Regardless of the diverse characteristics of bank service the research delimited its aspect on those customers who make deposit in the bank. This study considers or focuses on 6 selected private banks these are Awash International Bank, Nib international Bank, Wegagen Bank, Dashen Bank, Lion international Bank and Oromia International Bank. Moreover due to the large number of branches the bank have and difficulty to address all of them the researcher focuses on the selected 2 branches of each bank included in the study in Addis Ababa.

There are some external (Uncontrollable) variables that affect the smooth implementation of the study. For instance, lack of cooperation of the respondents and their commitment to complete the filling of the questionnaires, lack of sufficient time and budget that limit the researcher to develop the research questions only in specific area and not to include other variables in the study like religion of the customers. These and others problems limit the outcome of the research.

1.7. Concepts and Definitions

Banks are the major types of deposit taking institution; they make their living predominantly by taking deposits which represent their liabilities and loaning these funds to borrowers which represent their assets. They loan out funds at a higher interest rate than the funds, and the difference represents their gross profit margin before expenses and tax. In addition, banks can earn commissions and fees by selling various products such as foreign exchange services, safe custody services, advice, account management charges, credit card facilities, insurance and so forth (Pilbeam, 1998).

- **Bank:** -is an institution which deals in money and credit. It accepts deposits from the public and grants loans and advances to those who are in need of funds for various purposes.
- **Banking:** -is an activity which involves acceptance of deposits for the purpose of lending or investing. In addition to accepting deposits and lending funds, banking also involves providing various other services along with its main banking activity. These are mainly agency services, but include several general services as well.

- **Banker:** - is one who undertakes banking activities, accepting deposits and lending money for different purposes. (Hart 1931) defined a banker or bank as a person or a company carrying on the business of receiving money, collecting drafts, for customers subject to the obligation of honoring checks drawn upon them from time to time by the customers to the extent of the amounts available on their current accounts.

1.7. Organization of the Paper

The report is organized into five chapters. Chapter one deals with the introduction. Chapter two deals with the review of the related literature, chapter three deals with the methodology of the study, chapter four will be about data analysis and interpretation and finally chapter five contains summary, conclusions and Recommendation.

Chapter Two Review Of Literature

2.1. Customers Behavior

Customer behavior is the process individuals or groups go through to select, purchase, use and dispose of goods, services, ideas or experiences to satisfy their needs and desires (Kotler, P. and Armstrong, G., 2011) Consumer behavior is not only influenced by external factors, but also by their attitudes and expectations. These attitudes and expectations are constantly changing in response to a continuous flow of events, information and personal experiences (Peer, 2009).

2.1.1. Steps in the Customer Decision Process

Researchers realized that decision makers actually possess a set of approaches ranging from careful analysis to pure whim, depending on the importance of what they are utilizing and how much effort the person is willing to put into the decision.

A. Need or Problem Recognition

The buying process starts with **need recognition**—the buyer recognizes a problem or need. The need can be triggered by *internal stimuli* when one of the person's normal needs—for example, hunger or thirst—rises to a level high enough to become a drive. A need can also be triggered by *external stimuli*. For example, an advertisement or a discussion with a friend might get you thinking about buying a new car. At this stage, the marketer should research consumers to find out what kinds of needs or problems arise, what brought them about, and how they led the consumer to this particular product. (Kotler, P, 2011)

B. Information Search

After a need is recognized, the consumer goes for an information search, so as to be able to make the right purchase decision. He gathers information about the product category and the variations, various alternatives and the various brands. Such a search could be ongoing, specific or incidental.

The consumer could recall information that is stored in his memory (comprising information gathered and stored, as well as his experiences, direct and indirect). He could also seek information from the external environment.

The sources of information search could be personal (family, friends, peers and colleagues), commercial (marketers' communication in the form of advertising, salespersons, publicity etc), public (mass media, consumer forums, government rating agencies) and experiential (self and others' experiences). Personal contacts are highly influential sources, public sources are highly credible, (Kotler, P, 2011).

C. Evaluation of Alternatives

Once the consumer has gathered information and identified the alternatives, he compares the different alternatives available on certain features. These are those features that a consumer considers in choosing among alternatives. These could be functional/utilitarian in nature (benefits, attributes, features), or subjective/emotional/hedonic (emotions, prestige etc.). The consumer also uses decision rules that help a consumer simplify the decision process at the end of the evaluation, purchase intentions are formed, (Kotler, P, 2011).

D. Purchase Decision

After the consumer has evaluated the various alternatives, he selects a particular brand. Consumer purchases may be trials/first purchases or repeat purchases. The consumer may further have to make decisions on where to buy from, how much to buy, whom to buy from, when to buy and how to pay. It is noteworthy that a purchase intention (desire to buy the most preferred brand) may not always result in a purchase decision in favor of the brand; it could get moderated by attitudes of others and unexpected situational factors, (Ibid).

E. Post Purchase Behavior:

After the purchase, the consumer uses the product and reevaluates the chosen alternative in light of its performance vis-à-vis the expectations. He/she could experience feelings of neutrality (Performance meets expectations), satisfaction (Performance exceeds expectations) or dissatisfaction (Performance falls short of expectations). This phase is significant as it (i) acts as an experience and gets stored in the memory; (ii) affects future purchase decisions; (iii) acts as a feedback, (Kotler, P, 2011).

2.1.2. Influences on Customers' Decisions

Apart from understanding the procedure of the customer decision-making process, industries also try to determine what influences in customers' lives affect this process. There are three main categories: internal, situational and social influences.

2.1.2.1. Internal Influences on Customers' Decisions

Service giving organizations know that one customer's ideal treatment can be quite different from that of another customer. You may think the ideal treatment is a vigorous Internet banking, while your best friend dreams of a typical fast customer service and your father is set on having a friendliness of the staff in the organization. Some of these differences are due to the way in which customers internalize information about the outside world such as perception, exposure attention and interpretation.

A. Perception

A Motivated person is ready to act. How the person acts is influenced by his or her perception of the situation. All of us learn by the flow of information through our five senses: sight, hearing, smell, touch, and taste. However, each of us receives, organizes, and interprets this sensory information in an individual way. **Perception** is the process by which people select, organize, and interpret information to form a meaningful picture of the world. People can form different perceptions of the same stimulus because of three perceptual processes: selective attention, selective distortion, and selective retention, (Desmond .J, 1972).

B. Motivation

A person has many needs at any given time. Some are biological, arising from states of tension such as hunger, thirst, or discomfort. Others are psychological, arising from the need for recognition, esteem, or belonging. A need becomes a motive when it is aroused to a sufficient level of intensity. A **motive** (or **drive**) is a need that is sufficiently pressing to direct the person to seek satisfaction,(Kotler, P, 2011).

C. Learning

Learning describes changes in an individual's behavior arising from experience. Learning theorists say that most human behavior is learned. Learning occurs through the interplay of drives, stimuli, cues, responses, and reinforcement. A drive is a strong

internal stimulus that calls for action. A drive becomes a motive when it is directed toward a particular stimulus object. Cues are minor stimuli that determine when, where, and how the person responds,(Kotler, P, 2011).

D. Attitude

People have attitudes regarding religion, politics, clothes, music, food, and almost everything else. **Attitude** describes a person's relatively consistent evaluations, feelings, and tendencies toward an object or idea. Attitudes put people into a frame of mind of liking or disliking things, of moving toward or away from them Attitudes are difficult to change. A person's attitudes fit into a pattern; changing one attitude may require difficult adjustments in many others, (Kotler, P, 2011).

E. Personality

Each person's distinct personality influences his or her buying behavior. **Personality** refers to the unique psychological characteristics that distinguish a person or group. Personality is usually described in terms of traits such as self-confidence, dominance, sociability, autonomy, defensiveness, adaptability, and aggressiveness. Personality can be useful in analyzing consumer behavior for certain product or brand choices.

The idea is that brands also have personalities, and consumers are likely to choose brands with personalities that match their own. A *brand personality* is the specific mix of human traits that may be attributed to a particular brand (Frank.R, 2002).

F. Life Style

People coming from the same subculture, social class, and occupation may have quite different lifestyles. **Lifestyle** is a person's pattern of living as expressed in his or her psychographics. It involves measuring consumers' major AIO (activity, interest and opinion) dimensions—activities (work, hobbies, shopping, sports, social events), interests (food, fashion, family, recreation), and opinions (about themselves, social issues, business, products). Lifestyle captures something more than the person's social class or personality. It profiles a person's whole pattern of acting and interacting in the world, (Desmond .J, 1972).

G. Age and Life-Cycle Stage

People change the goods and services they buy over their lifetimes. Tastes in food, clothes, furniture, and recreation are often age related. Buying is also shaped by the stage of the family life cycle—the stages through which families might pass as they

mature over time. Life stage changes usually result from demographics and life-changing events—marriage, having children, purchasing a home, divorce, children going to college, changes in personal income, moving out of the house, and retirement. Marketers often define their target markets in terms of life-cycle stage and develop appropriate products and marketing plans for each stage (Frank.R 2002).

2.1.2.2. Situational Influences on Customers' Decisions

These factors can affect what, where and how customers utilize their choices from different organizations. It is no secret that people's moods and behaviors are strongly influenced by their physical surroundings such as advertising.

A. Physical Environment

Under the physical environment there are so many factors which affect the customer's decision. From this the first one is the economic situation in Various stages in the business cycle (inflation, depression, recession etc.) and their resultant impact on money flows in the economy, level of demand , government orientation towards economy and monetary policies (interest rates etc.).

Second is related to the technological aspects like rate of technological change; technology transfer and adoption (Loudon.D, 1993).

B. Time

In addition to the physical environment, time is another situational factor. Organizations know that the time of day and how much time one has to make a utilize affect decision making. Time is one of consumer's most limited resources. As frequently reminded that time is money. There for they should provide fast service for their customers (Ibid).

2.1.2.3. Social Influences on Customers' Decisions

Although we are all individuals, we are also members of many groups that influence our utilizing decisions. Families, friends and classmates often influence our decisions, as do larger groups with which we identify, such as ethnic groups and political parties.

A. Culture

Culture is the most basic cause of a person's wants and behavior. Human behavior is largely learned. Growing up in a society, a child learns basic values, perceptions, wants, and behaviors from his or her family and other important institutions. Every group or

society has a culture, and cultural influences on buying behavior may vary greatly from country to country. A failure to adjust to these differences can result in ineffective marketing or embarrassing mistakes (Foxall. G, 1982).

B. Sub Culture

Each culture contains smaller subcultures, or groups of people with shared value systems based on common life experiences and situations. Subcultures include nationalities, religions, racial groups, and geographic regions. Many subcultures make up important market segments, and marketers often design products and marketing programs tailored to their needs (Foxall. G, 1982).

C. Social Class

Social class is ordered and relatively permanent divisions/stratifications in the society into upper, middle and lower classes; members in a class share similar values, interests, lifestyles and behaviors; the division is based on combination of occupation, income, education, wealth, and other variables (Peter.J, 1990).

D. Group

Group reference groups {these are people to whom an individual looks as a basis for personal standards; they are formal and informal groups that influence buying behavior; reference groups could be direct (membership groups) or indirect (aspiration groups); reference groups serve as information sources, influence perceptions, affect an individual's aspiration levels; they could stimulate or constrain a person's behavior (Ibid).

2.2. Bank Selection Criteria

In the past decades the issue of bank selection criteria has been researched a lot. Mostly these studies analyzed the question of why people choose a specific bank. Among the first researchers who did a scientific study on this in the U.S. were Anderson et al. (1976) and Evans (1979). Later on more research followed in other countries, like Hong Kong (Denton and Chan, 1991), Poland (Kennington et. al, 1996) and Egypt (Hegazi, 1995). Over time the emphasis of the studies headed more in direction of other aspects of bank choice, like the investigation of customer choice criteria for multiple bank users (Devlin and Gerrard, 2005) and an analysis of trends in choice behavior (Devlin and Gerrard, 2004).

The different studies results are different. In some studies the most important selection criteria are the banks reputation, availability of parking space near the bank, friendliness of bank personnel and availability and location of automated teller machines (ATM) (Almossawi, 2001). However, Kennington et.al (1996) found other results and showed that reputation, price and service are the most important variables. Furthermore, trends show that influences change over time; the importance of recommendations by others, the offering of incentives and the presence of a wide product range are increasing during the last years (Devlin and Gerrard, 2004).

Overall, people tend to stay with a bank for a long period (Beckett et al., 2000) and therefore the initial selection of an institution is very important for the banking sector. In a study by Lee and Marlowe (2003) it comes clear that consumers are switching banks for two reasons; poor personal service and perceived increases in fees. Because the costs for switching are perceived to be high, a consumer will not switch unless the benefits are more important than the transaction costs.

In most of the previous studies the investigators used a broad and in most cases different set of bank selection criteria. Peer, V. (2009), distinguishes six clusters of criteria which are coming back in most of the studies. These clusters are convenience, service level, financial considerations, influence by family and friends, reputation of the bank and product assortment. Although it is not a selection criterion previous studies revealed an important influence of demographic characteristics as well.

2.2.1 Convenience

The bank selection criteria are different; the results of the studies suggest that convenience is the most important criteria (Martenson, 1985). In a research of Anderson et al. (1976) respondents had to indicate the importance of fifteen bank selection criteria. After analysis the respondents were divided into two subgroups of respondents: convenience-oriented bank customers and service-oriented bank customers. Again, in case of bank selection decisions, convenience appears to be the main driver for customers to choose for a bank. These convenience-oriented customers give relatively low importance to any selection criteria and, with reference to Anderson: “apparently incorporate their bank visits into their regular pattern of frequent downtown shopping expeditions.”

Therefore it seems that convenience related factors like the location of the bank and opening hours of the bank are important in the decision making process of the consumer. This is in line with two other studies as well. An American study by Stanley et al.(1979) reveals that 67 per cent of the respondents agreed/slightly agreed that location is the most important factor in the selection process.

2.2.2 Financial Considerations

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

2.2.3 Service Level

In most of the previous research the service level of the personnel is an important criterion for consumers when considering becoming a member of a bank. Unidex Reports (1982) concluded that besides convenience, the personal service level of the bank is a significant criterion in the United States as well. Also in Hong Kong the amount of service provided is important. The Hong Kong people are aware that most banks perform certain services better than others and banks are differentiating themselves through improved customer service. Two relative strengths are the professionalism and friendliness of bank personnel and banks in general and are decisive in the decision making process (Denton and Chan, 1991).

2.2.4 Influence by Family and Friends

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

2.2.5 Reputation of the Bank

According to a study of Anderson et al. (1976), one of the highest-ranking determinant factors of selecting a bank in the US is the reputation of the bank. In a study by Boyd et al. (1994) reputation was even perceived to be the most important selection criterion in the US. A good reputation is important, especially in rough economic times. Reputation can serve as a reservoir of goodwill, which can help the organization to survive. During the crisis of 1987 results show no significant difference between companies with higher and low reputations when the market dropped over 20 per cent in one day. During this crisis a lot of the transactions were done by automated computer trading and there was a great deal of investor panic which probably led to irrational decision making.

However, in 1989, when the decline of the market was less severe, the stock prices of companies with better reputations dropped significantly less than companies with low reputations (Jones, 2000). This relationship is underlined by a study of Patterson (1993) who concluded that consumers will tend to give highly reputable firms the “benefit of the doubt” during difficult economic times. This reliance on previous experiences with banks is not surprising given the difficulties consumers face in evaluating services. Because of the heterogeneity and inseparability of services, consumers have problems in making rational bank choices. Therefore greater reliance is placed on past experiences and perceived reputation of the bank (McKechnie, 1992).

2.2.6 Product Assortment

Although the broadness of the product assortment of the bank is not the most important selection criteria in most of the previous research, it definitely is a factor that influences people’s bank choice. In a study to the bank selection criteria in Bahrain the “variety of services offered” was the 8th most important criteria from a group of 30 measured variables (Almossawi, 2001) and in Turkey the availability of “a wide range of services” ended 5th out of fifteen variables (Kaynak et al., 1991).

2.3. Other Influencing Variables

Besides the 6 clusters of choice criteria, there are some other (country specific) variables that could influence the bank choice of consumers, Peer, V. (2009).

2.3.1 Demographic Variables

Numerous attempts have been made to examine the relationship between bank choice and socio-demographic characteristics (e.g., Laroche et al., 1986; Denton and Chan, 1991; Metal and Almosawi, 2001; Goitom W 2009). In these studies significant differences in attitudes and opinions between the sex, language, age, income and level of education were revealed. According to (Goitom W 2009), in his study he tries to identify the factor that affects customers to select a bank relative to the gender of the customers. He took a sample respondent from Addis Ababa university students, merchants from Mercato¹ and employees of Ethiopian custom authority. As the result shows that female customer's takes financial benefits/ technology", "reputation" and "promotion strategy" as the major factors to select a bank where as male customers takes "bank's image" as the most important factor to select a bank. Furthermore in the study of (Laroche et al, 1986) Consumers with a higher income level will choose a bank which provides a wider range of services than consumers with a relative low income. This is in contrast to the results of Fitts (1975) who found that demographic variables were poor predictors of bank markets. However, it seems more logical when bank decisions are influenced by demographic variables. As such, efficient marketing is achieved through segmentation based on demography and lifestyle.

¹The largest market place in Addis Ababa, Ethiopia as well as in Africa (See <http://wikimapia.org/3616123/ Merkato-one-of-the-largest-open-market-in-Africa>).

2.4. Conceptual Framework of the Study

The conceptual framework of this study is developed based on the six clusters of bank selection criteria which are coming back in most of the studies which develop by Peer, V. these are convenience, service level, financial considerations, influence by family and friends, reputation of the bank and product assortment and demographic characteristics as well. So by taking this work and clusters as a base, and to test in the Ethiopian context, the researcher developed the following conceptual framework.

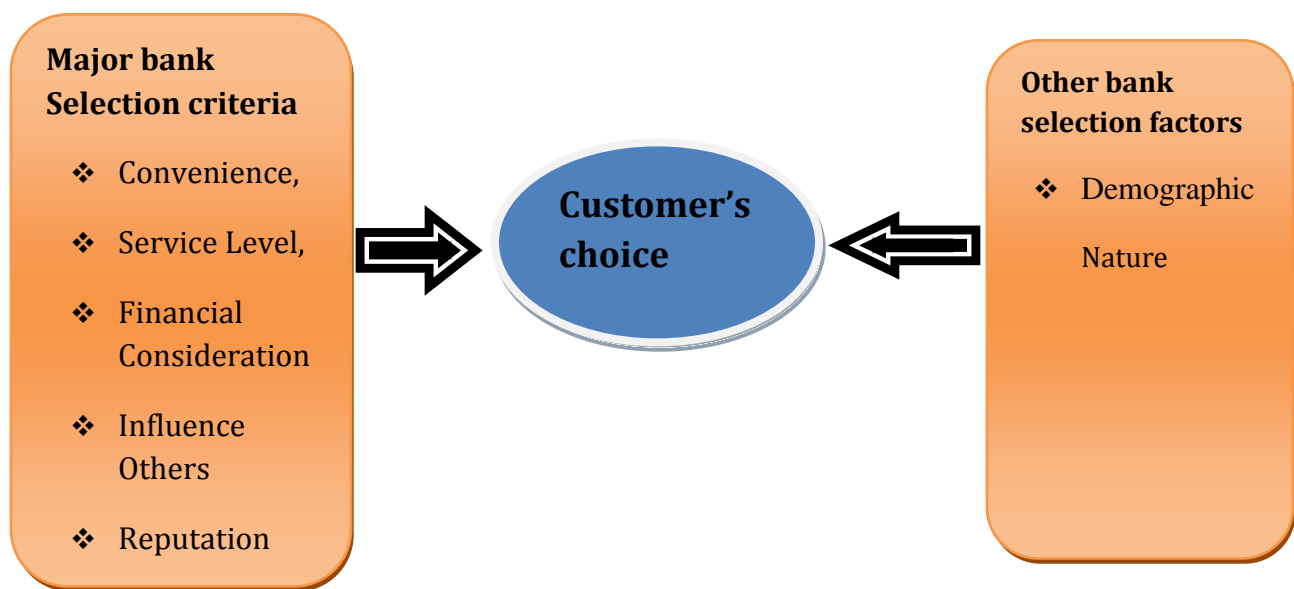


Fig 1. Conceptual Framework of the Study

Source: Peer, V. (2009)

Chapter Three: Research Methodology

3.1. Research Design

The purpose of this study is particularly intended to identify basic motivational factors of customer's bank selection criteria of private commercial banks and intended to present an analysis of demographic nature of the customer in the relative importance of choice criteria in respect of selecting a bank. Given the fact that large sample is needed to meet this objective and considering benefits offered, quantitative approach method is used to be proper and suitable to collect and analyze primary data needed for the study. Descriptive survey design was also adopted with a view to provide explanations with regard to the factors influencing the choice and preference for a bank. Cross-sectional survey design used since the data was collected from customers at a point in time. Therefore, A quantitative, descriptive and cross sectional survey design is used in this study.

3.2. Population of the Study

The total population of the study is all the bank customers regardless of whether they are doing their banking transactions with domestic banks like loan service, deposit, CPO or other banking services at the selected banks. Since, it is difficult to get the exact number of customers in the banks and the limited scope of the study, therefore the researcher takes the customer who makes a deposit in the bank as a target sample.

3.3. Sampling Techniques and Sample Size

In this study the researcher used two sampling technique. The first sampling technique is a simple random sampling technique to select the target banks from which the data were obtained. So given this the researcher randomly selected 6 private banks, viz, AIB, DB, WB, NIB, OIB, LIB and from each bank selected 2 branches were selected. The branches were selected based on the number of customer they serve per day.

Secondly, a systematic random sampling method of 10 respondents at each branch was applied. The questionnaires were administered only in the Addis Ababa city, which is the largest city in Ethiopia. At each branch, every tenth person who made a deposit and completed a transaction was approached and the purpose of the questionnaires was explained. In all, 120 respondents who were approached cooperated.

3.4. Source of Data and Data Collection Method

The sources of data used for the study are primary and secondary data. Primary data source is questionnaires from the target population. Whereas the secondary data source are collected from different published and unpublished materials.

3.4.1. Primary Data

The primary data is collected through questionnaires. A structured questionnaire is prepared for the survey based on literature review and objectives of the study. The questions are organized into three sections according to the following topics: personal background, banking behavior and bank choice criteria.

The first section of the questionnaire asks the respondents personal background, questions regarding their gender, age, marital status, income, education background and occupation.

The second section of the questionnaire is sought to obtain information on the relationship with the banks. The respondents were asked the length of time that customers have been with their banks. Finally the questionnaire asks respondents to rate the relative importance of 25 banks attributes when choosing which banks to patronize. They were measured on a five point Likert-type scale of importance ranging from 1 (not important at all) to 5 (very important). The list was based on previous similar studies (Thwaites & Vere, 1995; Almosawi, 2001; Gerrard & Cunningham, 2001).

Survey instrument was pre-tested with 11 students in the Addis Ababa University to check for possible problems with statement clarity and respondent understanding as well as ability to complete the survey instrument. The subjects were asked if they had any problems understanding the questionnaire or have specific comments regarding the questionnaire. They were encouraged to be very free with their responses, make suggestions for improvement and be clear with any difficulties they found.

The outcome of this pre-testing led to the questions being revised to make it short, brief on understanding the instructions about the scaling. The questionnaire was originally written in English and then translated into Amharic to ensure clarity and interpretation of meaning. The translated version was included in the Appendix.

3.4.2. Secondary Data

The secondary data source collected from different published and unpublished material like journals, articles, text book, organization manuals, reports and any other secondary source which support the study area.

3.5 Method of Data Analysis

The collected data were analyzed by using descriptive and inferential statistics. The data gathered through questionnaires was coded, entered into computer and analyzed and presented in the form of tables and charts using SPSS Software.

SPSS was used for the simple descriptive data to compute the median score of factors and to the advanced statistical procedures of factor analysis. Factor analysis is a technique which is used to “reduce a large number of variables to some smaller number by telling the researcher which belongs together and which seems to say the same thing” (Field, 2005). This technique was believed to be appropriate for this particular analysis because banking selection determinants have many implications.

Inferential statistics used to measure the relationship between variables. For this purpose independent t test is used to see the difference between the bank selection criteria and gender of the customers and to evaluate whether there is a difference between the other demographic variables like Age, marital status, occupation, level of income and levels of the education of the customers, a one way ANOVA were used.

Chapter Four Data Analysis and Discussion

4.1. Introduction

The main objective of the study is to assess the customer's bank selection criteria at selected two branches of six private banks, namely Awash International Bank, Nib international Bank, Wegagen Bank, Dashen Bank, Lion international Bank and Oromia International Bank in Addis Ababa. A questionnaire was the tool selected and used throughout the analysis of the data using SPSS. To collect the data through questionnaire, 120 questionnaires were distributed to the customers of the selected six private banks and all the questionnaires were returned back with completely filled and significant responses. The returned questionnaires have 100 response rates and sufficient to analyze the data with it.

4.2 Reliability Test

Reliability refers to the property of a measurement instrument that causes it to give similar results for similar inputs. Mathematically, reliability is defined as the proportion of the variability in the responses to the survey that is the result of differences in the respondents. Thus, to evaluate the internal consistency of each factor group obtained, the factors were subjected to reliability test. The assumption behind this approach is that the items of a measure work collectively as a set and should be competent of independently measuring the same construct. The items should be reliable in what they indicate about the concept being measured. The Cronbach alpha was used to measure internal reliability by unit weighting items with salient loadings in a factor where Cronbach's alpha coefficient at 0.7 or higher was considered acceptable (Mokhlis et al., 2008, 2009). These alpha coefficients for the overall factors produced is .858 indicating high internal consistencies and reliability, (See Table C2 in the appendix)

4.3 Profile data of the respondent

A summary of findings on respondents profile along six variables: age, Sex, marital status, level of education, and occupation has been presented in Table C8 in the appendix.

As revealed in Table C8, 56 are males and 64 are females which comprise 46.7 percent and 53.3 percent of the customers respectively. The results for respondents age as depicted on Table C8 specifies that the majority of the vigorous customers (about 41.7 percent) range between 18-26 years of age, while 35.0 percent fall between the age of 27 to 35, 15.0 percent are placed between 36-45 years and 8.3 percent fall above 45 year. This might be related to the reality that

the age brackets structure the young and dynamic population of Ethiopia who are in vital services and can therefore hold bank account. It also shows that the youth populations are superior users of the various banking services than the aged population. In terms of customers marital status, the results of this study showed that, the majority of respondents (about 55.0 percent) are single, 38.3 percent are married 5.0percent are widowed and the rest 1.7 percent are divorced.

On the other hand the occupation of the customer’s shows that most of them are public organization workers which is 51.7 percent, 28.3 percent are private organization worker where as 3.3 percent are self-employed and the rest 16.7 percent are unemployed. This shows that the public worker have highly committed to have a bank account than other customers. In terms of their education 5.0 percent of the customers were completed primary education, 21.7 percent complete secondary education, 35.0 percent have a diploma, 35.0 have a degree and the rest 3.3percent have masters and above.

4.4. Customers Relationship with Banks.

This part describes about the Customers Relationship with Banks like the length of relationship with bank, the type of service they get from the bank, additional service required by the customer and the customer satisfaction on the banking service based on the data obtained from questionnaires..

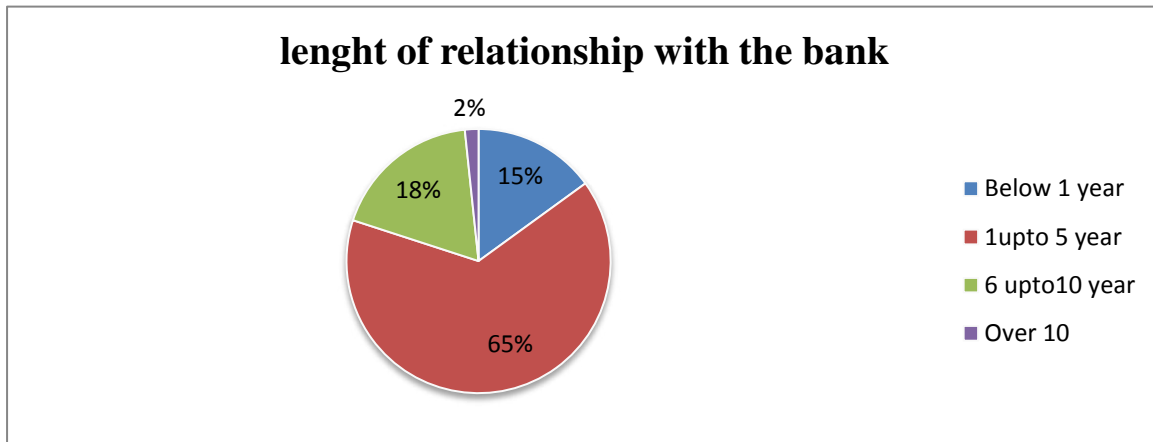


Fig 2.Length of relationship with the bank

As indicated on the above figure 15.0 percent of the customer have below one year length of relationship with the bank, where as 65.0 percent of the respondents have a length of relationship with the bank from 1 up to 5 years and 18.3 percent of the respondents have 6 up to 10 years relationship with the bank and the rest 1.7 percent respondents have more than 10 years relationship with the bank.

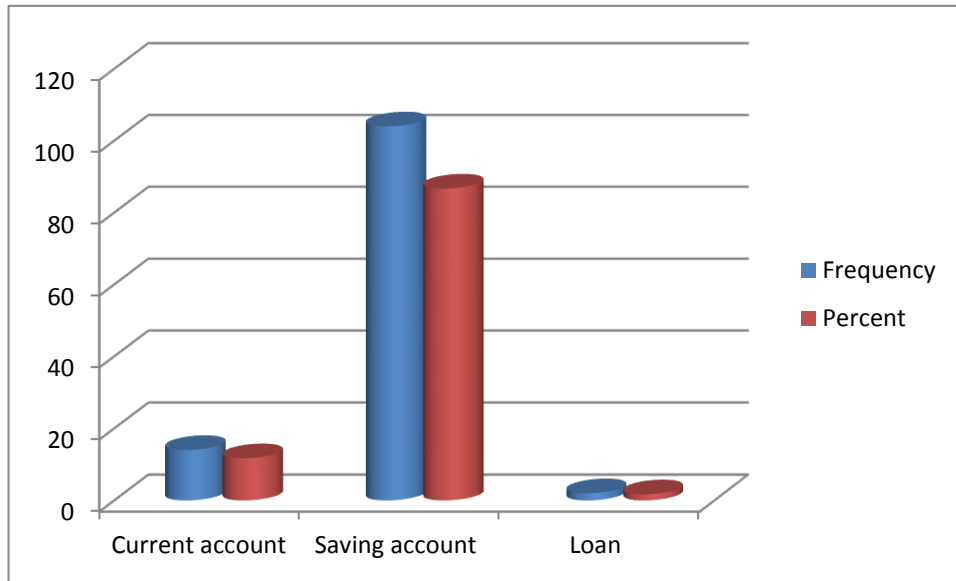


Fig 3. Types of service offered by the bank

As depict on figure 3 the majority of the respondents needs a banking service for saving account which accounts for 86.7 percent where as 11.7 percent respondents needs a current account service from the bank and the rest 1.7 percent needs loan service from the bank.

Table 1 Customers satisfaction with the banking service

	Categories	Frequency	Percent	Cumulative percent
Customers satisfaction with the banking service	Yes	86	71.7	71.7
	No	34	28.3	100.0
	Total	120	100.0	

As shown on the above table the majority of respondents (about 71.7 percent) were satisfied with the banking service but the rest 28.3 percent were not satisfied with the banking service. The unsatisfied respondents were asked the reason why they were not satisfied with the banking service, they state their own reason like bureaucracy and long process to get one service, the receptions are not willing to support the customers, and their service is not fast as required by the customers.

They forwarded the following ideas to be taken by the banks to satisfy their customers. Banks may satisfy their customers if they: provide quick services to their customers, recruit dedicated employees in their organization who were committed to serve and support the customer and encompass adequate windows and employees to offer fast and efficient service.

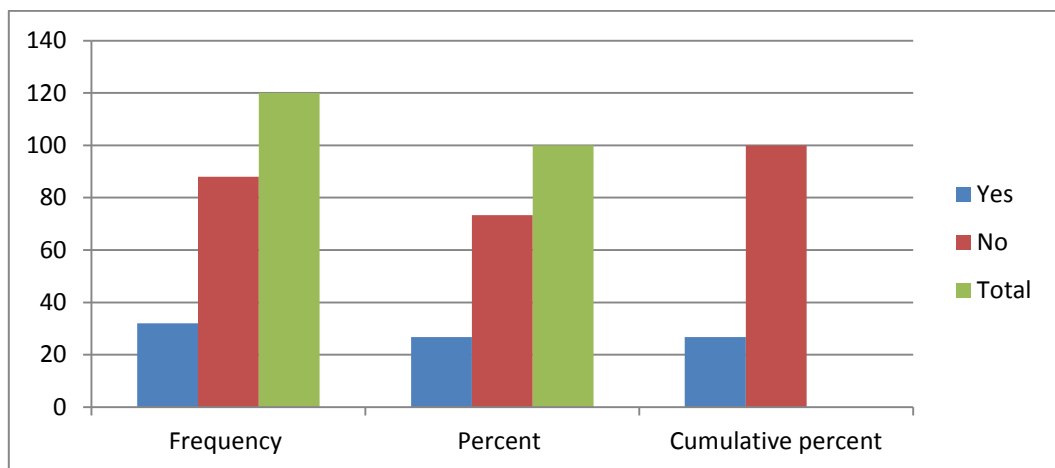


Fig.4. Additional service required by the customers

As shown on the above figure 26.7 percent of the respondents need additional service from the bank where as 73.3 percent of the respondents said that they are satisfied by the existing service and they do not need any additional service. Those additional service demands by the respondents are ATM machine in every place which accessed at any time; increase the number of branch, give 24hours service including the weekends and expand telephone banking.

Table 2 Intention of the customer to change the bank they use

		Categories	Frequency	Percent	Cumulative percent
Intention to change the bank they use	Yes		24	20.0	20.0
	No		96	80.0	100.0
	Total		120	100.0	

Customer retention, simply defined, is the ability for a company to keep its existing customers. It is the measure of a company's ability to provide enough value with its products or services for customers to keep them coming back for more. Table 2 dictates that the majority (80.0 percent) of the customers do not have a plan to change their customer banks, thus, determined to continue dealing with their main banks in the future. Nonetheless, there are some respondents who have no intention to continue with their main customer banks for many reasons. Among the reasons; including delay in service delivery, unavailability of ATM service, unpleasant customer concern and handling, and availability of other better banks.

4.5. Factor Analysis

Factor analysis is a statistical approach that can be used to analyze interrelationships among a large number of variables and to explain these variables in terms of their common underlying dimensions (factors). This analysis is a data reduction statistical technique and designed to simplify the correlation matrix that reveals a small number of factors which can explain the correlation. Correlation coefficients vary from sample to sample, much more so in small samples than in large. Hence, the reliability of factor analysis is as well dependent on sample size (Hair et al., 2005).

In order to reduce the amount of choice criteria into useful pieces, a factor analysis has been used. With the factor analysis eight different factors were extracted from the 25 statements using principal components analysis with a Varimax rotation. For interpretation purposes factor loadings below 0.4 were removed. These factors are corresponding for an important part with the 6 clusters of choice criteria mentioned in the literature review. From the 25 variables 1 was removed. The removed one is “Variety of service offered by the bank”. It was removed because it did not correlate enough with any of the factors. In addition Factor analysis deemed appropriate for the items because the Keiser-Meyer-Olkin (KMO) measure of sampling adequacy test index equaled .0.582 in which Keiser’s measure of sample adequacy above 0.5 is good enough to perform a factor analysis. Moreover, the Bartlett’s test gives a significance level of less than 0.0001 confirming the appropriateness of the factor model, (See Table C1 in Appendix).

4.5.1. Factors

Statements concerning the reliability/promotion of the banks load on Factor I. This factor includes variables that refer to good customer reception of the personnel as well as the advertisement and the reliability of the bank. Factor II concerns the service provision dimension which consists about several branches, extended operation hour and easy to open account.

The importance of the product assortment is captured in Factor III. Width choice and diversity of product services offered by the bank are important here. Under this factor phone banking, internet banking and ATM facility are exist. Factor IV is about financial status of the bank which includes about pay high interest rate on deposit, low service charge and provides interest rate in short period on deposit. Factor V assigned for Reputation of the bank which includes establishment of the bank in it. Statement concerning about Recommendation from family and friends load on Factor VI. Whereas a statement concerning closeness/ nearness of the bank load on Factor VII as convenient location. The last factor, Factor VIII concerns about the security arrangement of the bank.

4.5.2 Explanation of Bank Selection Factors

Using the Eigen value greater than one rule, eight factors are identified. All characteristics with factor loadings of 0.4 and above are retained. In addition, means were computed for all attributes retained within each factor to identify the relative importance of such attributes to the customers

in their bank selection process. In terms of overall factor means, the seventh factor is the most important in terms of bank selection and the sixth factor is the least important. (See appendix C7)

The first factor in Table C7 on the appendix delineates a selection factor based on good customer reception, fast and efficient service, reliability of the bank, advertisement and external appearance of the bank. This factor accounts for 24.341 percent of the total variance. This factor labeled as reliability factor. Here, it can be noticed that good customer reception (median = 4.00) and reliability (median = 4.50) have the two highest means in this factor whereas advertisement have the lowest median (3.00) in the factor.

The second factor identifies a dimension based on the services offered, having several branches, extended operation hour, opening hour and easy to open bank account. This factor accounts for 10.207 percent of the total variance. This factor categorized as service provision factor. Within this factor, the most important attributes are having several branches (median = 4.00) and opening hours of the bank extended operation hour and easy to open account have a (median = 3.00).

The third factor, containing items related to the product assortments including phone banking, internet banking, facility of ATM and pleasant bank environment. Attributes falling within this factor accounts 7.660 percent of the total variance. Within this factor, facility of ATM is the most important determinant item (median = 4.50) in customers bank selection process. On the other hand, the least important item in this respect is pleasant bank environment (median = 2.00).

The fourth factor has been labeled as financial status. Items load positively on this factor are Interest rate on deposit, providing interest on deposit in short period of time and low service charge. All the items in this factor, providing interest in short period of time on deposit, high interest rate on deposit and low service charge have a (median = 3.00).

The fifth factor comprises items related to reputation including my organization use the bank, reputation and established early. Reputation is the most significant attribute within this factor (median =4.00). An implication of this is that customers consider reputation to be as an important measurement in their bank selection process. Whereas bank established early is the least important.

The sixth factor encompasses a single factor recommendation from family and friends which accounts 1.422 percent of total variance and a median of (2.00)

The seventh factor encompasses proximity to home and/ or workplace and convenient location in which proximity is the most important item with a median score of 4.5. This factor considered as convenience.

Finally, the eighth factor includes items associated to the security arrangement and the parking facility. Security arrangement by the bank is the most important item (median=4.00).

4.6. Ranking Importance of Bank Selection Factors

In order to analyze differences in the importance of bank selection criteria employed, a ranking table was produced showing the mean score of each factor. Table 3 presents findings with respect to relative importance of bank selection criteria factors.

Table 3 Ranking importance of bank selection criteria factors

Factors	Median	Rank
<i>Convenience</i>	4.00	1
<i>Reliability</i>	3.80	2
<i>Service Provision</i>	3.25	3
<i>Security Arrangement</i>	3.00	4
<i>Financial Status</i>	2.66	5
<i>Reputation</i>	2.51	6
<i>Product Assortment</i>	2.50	7
<i>Recommendation</i>	2.42	8

As revealed on the above table Convenience (median =4.00) take the first rank from the stated factors. This shows that customers consider the closeness of the bank and availability of the bank on a convenient location is the major factor to select the bank. The significance of the convenience factor has been seen in previous studies which have used students and other customers as their sample (Schram, 1991;Holstius et al., 1995; Owusu- Frimpong, 1999; Lee and Marlowe, 2003; Dusuki, 2007 and Katircioglu et al., 2011).On the contrary, in the study conducted by Mokhlis et al. (2008), this factor was ranked as fifth factor for the selection of banking services by the customers. Whereas, Almassawi (2001) ranked convenience as secondmost important factor for bank selection decision in Bahrain customers.

On the second place Reliability (Median = 3.80) on the bank is the second most important factor for the customer to select bank. But on previous studies Mokhlis (2009) and Gerrard and Cunningham (2001) were ranked eighth out of the nine factors and sixth out of seven factors correspondingly. The service provision of the bank like having several branches comes on the third place with the median of 3.25.

The list important factor in this study is recommendation from family and friends with the median of 2.00. This shows that customers did not choose banks and banking services depending on suggestion of other peoples rather they select based on other criteria. On the contrary, this factor was the first most important factor for commercial bank selection in the study conducted by Anderson et al. (1976) and Kaynak (1991), for the customers in America and Turkey, and ranked as second most important factor in the study of Farooq et al. (2010) by Islamic customers in Afghanistan.

4.7. Demographic Influences on Bank Selection

In order to test if there is a significant selection factors differences between the sex, age, marital status, level of education, level of income and occupation of the customers, an independent t test and one way ANOVA is used. The eight factors from the factor analysis were used as the dependent variables to compute the independent t test and one way ANOVA. This helps to test whether there is a difference between the demographic variable on the way they select a bank. In addition to determine where the significant difference(s) lie after the hypothesis has been rejected in ANOVA, pairwise multiple comparison tests were conducted. In keeping with customary practice, the significance level was set at $p < 0.05$ for all post-hoc comparisons. The results are shown as follows.

4.7.1. Influence of Gender

Table 4 The result of influence of Gender on bank selection factors

<i>Bank selection Factors</i>	<i>Median score</i>		<i>F Value</i>	<i>P Value</i>
	<i>Male</i>	<i>Female</i>		
<i>Reliability</i>	4.00.	3.700	0.899	0.345
<i>Service provision</i>	3.625	3.000	1.035	0.371
<i>Product assortment</i>	3.125	2.375	2.242	0.137
<i>Financial status</i>	3.500	2.500	2.458	0.000
<i>Reputation</i>	2.667	2.330	1.636	0.203
<i>Recommendation</i>	2.00	2.000	0.026	0.873
<i>Convenience</i>	4.00	4.000	0.493	0.484
<i>Security</i>	3.00	2.500	1.482	0.000

*. The mean difference is significant at the $p < 0.05$ level.

Independent t-test was used to test the statistical differences between the means for each of the selection factors among gender of the customers. In such an approach, the null hypothesis that there is no difference in means between groups is rejected if the F-statistic is sufficiently large to be significant.

The probability level accepted for statistical significance of F-statistic in this study was set at $p < 0.05$, showing there was 5 per cent probability that the result occurred by chance. So given the above stated criteria which means at the 0.05 significance level, factors of which the two samples had variation between the gender of the customers were ‘financial status’ ($F = 2.458, p = 0.00$) and ‘security factor’ ($F = 1.482, p = 0.000$).

With respect to ‘financial status’ factor, a significant contrast existed between male and female customers. The male customers of the bank consider financial status of the bank as the most important than did the female customers. For ‘security factor’, a significant difference was found between male and female customers. Similarly like the financial status factor, the male customer’s takes security factor as the most important factor than did female customers.

4.7.2. Influence of Age

As revealed on Table 5 below, a one way ANOVA was used to test the statistical differences between the means for each of the selection factors among age group of the customers. Similar to the sex comparison p value is < 0.05 . So given this, at the 0.05 level of significance factor of which the samples had variation between the age of the customers is ‘product assortment’ ($F = 9.653, p = 0.00$).

This shows that there is a significant difference between the age group about the ‘product assortment factor’. An examination of the median scores showed that customers in the age group of 18-26 viewed product assortment as the most important factor in selecting a bank relative to the other age groups.

Table 5 The result of influence of Age on bank selection factors

<i>Bank selection Factors</i>	<i>Median Score</i>				<i>F Value</i>	<i>P Value</i>
	<i>18-26</i>	<i>27-35</i>	<i>36-45</i>	<i>>45</i>		
<i>Reliability</i>	4.000	3.800	3.200	2.800	1.276	2.860
<i>Service provision</i>	3.500	3.250	2.250	2.250	2.707	0.490
<i>Product assortment</i>	3.250	2.500	2.000	1.000	9.653	0.000
<i>Financial status</i>	2.667	2.667	2.667	2.667	1.101	0.352
<i>Reputation</i>	2.700	2.000	2.000	3.000	1.688	0.173
<i>Recommendation</i>	2.000	1.000	1.000	4.000	2.115	0.102
<i>Convenience</i>	4.000	4.500	3.000	3.600	2.173	0.095
<i>Security</i>	3.00	3.000	3.000	3.500	1.731	0.165

*. The mean difference is significant at the $p < 0.05$ level.

4.7.3. Influence of Marital Status

Table 6 The result of influence of marital status on bank selection factors

<i>Bank selection Factors</i>	<i>Median score</i>				<i>F Value</i>	<i>P Value</i>
	<i>Bachelor</i>	<i>Married</i>	<i>Widowed</i>	<i>Divorce</i>		
<i>Reliability</i>	4.000	3.400	4.000	1.000	3.331	0.022
<i>Service provision</i>	3.000	3.750	3.500	2.250	0.561	0.642
<i>Product assortment</i>	3.250	2.000	2.500	1.000	4.463	0.005
<i>Financial status</i>	2.667	2.667	2.000	2.667	0.544	0.653
<i>Reputation</i>	2.667	2.333	2.000	3.333	0.805	0.494
<i>Recommendation</i>	3.000	1.000	1.000	4.000	2.301	0.081
<i>Convenience</i>	4.000	4.000	2.500	3.500	1.311	0.274
<i>Security</i>	2.500	3.000	5.000	4.500	2.856	0.400

*. The mean difference is significant at the $p < 0.05$ level.

Depicted on table 6 above, the marital status of the customers also has its own impact on customer's bank selection criteria. As the test statistical shows that there is a significance differences between the medians for each of the selection factors among the marital status of the customers. Similar to the sex as well as age comparison p value is < 0.05 . So given this, at the 0.05 significance level factors of which the samples had two variation between the marital status of the customers are 'reliability' ($F = 3.331, p = 0.022$) and 'product assortment' ($F = 4.463, p = 0.005$).

With respect to 'reliability' factor, a significant contrast existed between marital status of the customers. The bachelor customers perceived reliability factor as more important than did the other marital status of the customers which means the married, widowed and divorced customers. For 'product assortment' factor, a significant difference was found between marital status of the customer. By comparing the median score of the marital status of the customers bachelor customers were more likely to perceive product assortment as the most important factor to select a bank than did the other marital status group of customers.

4.7.4. Influence of Occupation

Table 7 The result of influence of occupation on bank selection factors

<i>Bank selection Factors</i>	<i>Median score</i>				<i>F Value</i>	<i>P Value</i>
	<i>Public</i>	<i>Private</i>	<i>Self employed</i>	<i>Unempl oyed</i>		
<i>Reliability</i>	3.600	4.200	3.000	3.800	0.422	0.738
<i>Service provision</i>	3.000	3.250	2.875	3.250	1.318	0.272
<i>Product assortment</i>	2.000	3.000	2.625	2.250	1.791	0.153
<i>Financial status</i>	2.667	3.000	3.500	2.667	0.764	0.516
<i>Reputation</i>	3.000	2.333	2.333	1.833	4.500	0.005
<i>Recommendation</i>	3.000	1.000	1.500	2.000	1.124	0.342
<i>Convenience</i>	4.000	4.250	4.500	2.750	2.697	0.049
<i>Security</i>	3.000	3.000	3.750	3.000	1.181	0.320

*. The mean difference is significant at the $p < 0.05$ level.

As shown on the above Table the occupations of the customers have also impact on the selection factors of a bank. At the 0.05 significance level, factors of which the two samples had variation between the occupation of the customers were ‘reputation’ ($F = 4.500$, $p = 0.005$) and ‘convenience’ ($F = 2.697$, $p = 0.049$).

A significant difference existed between the occupations of the customers relative to ‘reputation’ factor. Those customers who works at public organization perceived reputation of the bank as the most important bank selection factor than the other occupation groups. For ‘convenience’ factor, a significant difference was found between the occupation groups. Those who are self-employed customers were more likely to perceive convenience of the bank location as more important selection factor than did the other occupation group.

4.7.5. Influence of Level of Education

Table 8 The result of influence of level of education on bank selection factors

<i>Bank selection Factors</i>	<i>Median score</i>					<i>F Value</i>	<i>P Value</i>
	<i>Primary</i>	<i>Secondary</i>	<i>Diploma</i>	<i>Degree</i>	<i>Masters above</i>		
<i>Reliability</i>	3.400	4.000	3.800	3.000	4.700	2.136	0.081
<i>Service provision</i>	2.250	3.500	2.500	3.250	4.250	1.367	0.250
<i>Product assortment</i>	2.000	2.000	2.000	3.250	3.250	3.991	0.005
<i>Financial status</i>	2.333	2.333	2.667	3.333	4.833	5.938	0.000
<i>Reputation</i>	1.000	2.667	3.000	2.333	3.333	5.051	0.001
<i>Recommendation</i>	1.000	3.000	2.000	1.000	2.500	3.564	0.009
<i>Convenience</i>	4.000	4.000	3.500	4.500	4.250	1.893	0.116
<i>Security</i>	3.000	3.000	3.000	3.000	4.750	2.958	0.023

*. The mean difference is significant at the $p < 0.05$ level.

As previous results of the demographic variable, the level of education has also a significant effect on the factors to select a bank. As shown on the above table at 0.05 significance level, factors of which the five samples had variation between the level of education of the customers were ‘product assortment’ ($F = 3.991$, $p = 0.005$), ‘financial status’ ($F = 5.938$, $p = 0.000$), ‘reputation’ ($F = 5.051$, $p = 0.001$), ‘recommendation’ ($F = 3.564$, $p = 0.009$) and ‘security’ ($F = 2.958$, $p = 0.023$).

As the data shows that there is a significant difference between the levels of education that the customers have relative to ‘product assortment’ factor. Those customers who have a master’s degree and above takes product assortment factor as the most important factor to select a bank than the other group of customers. For ‘financial status’ factor, a significant difference was found between the level of education of the customers. Those who have a master’s degree and above customers were more likely to perceive financial status of the bank as more important selection factor than did the other educational level groups.

In relation to ‘reputation’ factor, significant differences were found between levels of education of the customers. An examination of the median scores showed that those customers who have a

master's degree and above viewed reputation as the most important factor in selecting a bank than other educational level groups. As for 'recommendation' factor, those who complete a secondary education rates first than the other educational level groups. In relation to 'security' factor, significant differences were found between levels of education of the customers. An examination of the median scores showed that those customers who have a master's degree and above viewed security as the most important factor in selecting a bank than other educational level groups.

4.7.6. Influence of Level of Income

Table 9 The result of influence of level of income on bank selection factors

<i>Bank selection Factors</i>	<i>Median score</i>				<i>F Value</i>	<i>P Value</i>
	<i><2000</i>	<i>2001-4000</i>	<i>4001-7000</i>	<i>>7001</i>		
<i>Reliability</i>	3.800	3.800	3.000	4.200	1.258	0.292
<i>Service provision</i>	3.250	3.250	2.250	3.750	1.343	0.264
<i>Product assortment</i>	3.000	3.000	2.250	2.500	0.115	0.951
<i>Financial status</i>	2.667	2.667	2.667	3.667	4.909	0.003
<i>Reputation</i>	2.667	2.333	2.000	2.667	0.537	0.658
<i>Recommendation</i>	2.000	1.000	1.000	3.000	2.814	0.042
<i>Convenience</i>	4.000	3.750	4.000	4.500	2.373	0.074
<i>Security</i>	3.000	2.500	2.000	3.500	6.201	0.001

*. The mean difference is significant at the $p < 0.05$ level.

Similar to other results of the demographic variables the level income of the customers has also impact on customer's bank selection factors. As shown on Table 9at 0.05 significance level, factors of which the three samples had variation between the level of income of the customers were 'financial status' ($F = 4.909, p = 0.003$), 'recommendation' ($F = 2.814, p = 0.042$) 'and 'security' ($F = 6.201, p = 0.001$).

As the data shows that there is a significant difference between the levels of income that the customers have relative to 'financial status' factor. Those customers who have a monthly income above 7000 ETB takes financial status factor as the most important factor to select a bank than the other group of customers. Similarly For 'recommendation' factor, a significant difference was found between the levels of income of the customers. Those who have a monthly income above 7000 ETB customers were more likely to perceive recommendation of the bank as more important selection factor than did the other income level groups.

In relation to 'security' factor, significant differences were found between levels of income of the customers. An examination of the median scores showed that those customers who have a monthly income above 7000 ETB viewed security as the most important factor in selecting a bank than other income level groups.

Chapter Five Summary, Conclusion and Recommendations

In this study presented a detailed analysis of differences in choice criteria and their relative importance to the demographic nature of the customers. The main goal was to investigate the major factors to make bank choice of the customers in the Addis Ababa city. Although to see whether a significant differences exist between the demographic nature of the customers and bank choice factors. Therefore, based on the analysis and interpretations made at the pervious chapter the following summaries, conclusions and recommendation are made.

5.1. Summary of the Findings

The following findings are derived from the analysis and interpretations made in the previous chapter.

- ❖ An important issue in dealing with bank selection is to see the relationship of respondents with the respective bank(s). Results show that about 15.0percent of the customers have less than one year experience of getting service with a particular bank. The majority of them about 65 percent- have indicated a relationship that lasts for 1 to5 years. This shows that the customers start using banking service highly before 5 years.
- ❖ The most widely used services in the bank are a saving account, current account and loan. From those stated service saving account takes the greater percentage which accounts for 86.7 percent. This shows that trend that customers do not save their money in the bank is changed and tries to save their money in the bank.
- ❖ The other major part of this study was to identify whether they are satisfied with the banking service or not. As shown from the data most of the respondents are satisfied with the banking service whereas small number of the respondents do not satisfied with the banking service due to bureaucracy and long process to get one service, the receptions are not willing to support the customers, their service is not fast as required by the customers and unavailability of different service.
- ❖ Furthermore the customers were also asked whether they need additional service or not. The greater numbers of the customers do not need any additional service but small percentage of the customers which accounts 26.7 percent needs additional service like availability of ATM machine everywhere, increase working hours including weekends and expand telephone banking.

- ❖ On the last customers were also asked whether they need to change the bank they use now or not. From the data the majority (80.0 percent) of the customers do not have a plan to change their customer banks, thus, determined to continue dealing with their main banks in the future. On the reverse, there are some customers (20.0 percent) who have no intention to continue with their main customer banks for many reasons. Among the reasons; including delay in service delivery, unavailability of ATM service, unpleasant customer concern and handling, and availability of other better banks.
- ❖ The factor analysis results revealed that convenience, reliability and service provision as fundamental determinants of bank selection, among others. On the reverse reputation and recommendation from family and friends are the least factors that customers consider when they make a bank selection. Finally, differences in bank choice are examined from the demographic nature. The finding demonstrates that there is a variation of bank selection factors across the demographic nature of customers in Addis Ababa city.

5.2. Conclusions

From the above findings, most of them have a long time relationship with their bank which shows and most of them are satisfied by the service offered by the banks. But some of them who are unsatisfied respondents said that there must be some additional services as well as improvements for the existing once. Those services which need improvement are availability of ATM at ever place, fast service and pleasant customer handling.

In addition to this the research also identified that customers are attracted to banks by factors that they deem important. The factors are important whether considered individually or in clusters. Respondents consider how close a bank's branch is sited relative to their place of business or home, reliability, service provision and finical status among others, as very critical when choosing a bank. This study confirms previous studies that location, friendliness of personnel, reputation and convenience are among the main factors of importance in bank choice decisions (Mesister, 1996; Devlin and Gerrard, 2005; Singh 2006; and Maiyaki, 2011).

Furthermore this, the research also confirms that there is a significant difference between the demographic natures of the customers regarding bank selection. There is a variation on bank selection between the age, sex, marital status, education background, employment status and level of income of the customers.

5.3. Recommendation

On the basis of the findings and conclusions reached, the following recommendations were forwarded.

- ❖ Customers place more emphasis on factors like convenience, reliability and service provision. Therefore, such factors better to be considered seriously by the commercial banks in designing their marketing strategies which helps them to attract as well as retain the existing customers.
- ❖ Customers suggest some additional service and improvements for existing service of the banking industry. The services required improvement's is the availability of ATM machine everywhere which works 24 hours and those additional services demanded by the customers are increase working hours including the weekends and expand telephone banking. So it is advisable to apply those stated additional service and improvements by the commercial banks to satisfy their customers.
- ❖ The greater numbers of the customers were satisfied with the banking services. But banks better if they satisfy the total customers who give them a good return on a short period of time. So to satisfy the customer's, commercial banks advisable to reduce the long process they have to get one service, hire well experienced bank personnel who are willing to support the customers and expanding service type offered by the bank like accessing personal bank account from any bank and increasing phone banking.
- ❖ On the last part, bank management should be aware that the bank selection factors differ from one segment to another in the business firm market. For instance in this the bank selection factors differs from one demographic variable to the other. These results would enable bank managers to identify the important bank attributes that affect bank selection decisions made by each segment in the business market which helps them to target their customer.

- ❖ Lastly in this study the researcher suggests that such area needs to be researched and investigated more through other studies because this type of title can be seen from different perspectives as seen in this study focus on the demographic nature of the customers related to bank selection criteria but there are also other dimensions to see whether the bank selection factors were affected like language of the customers and religion of the customers. So that the sector business could have grown more than its present status and other researchers can also exploit such opportunities.

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ክፍልሁለት: የባንክአጠቃቀምህኔታ

7.በየ ትኛወባንክይገለገላለ(ከአንድባንክበላይየ ሚሊዮን ለከፍተኛ የባንኮቹንስምጠዘረዝሩለኝ)
(ለአያንዳንዳባንክይግለፅለኝ)::_____.

8. ከለይከሚጠቅ/ጥቻወባንክ/ኮችያለዎትንየ ደንበኝነ ትጊዜለስንትዓመትያህልነ ወ?

- A. ከ 1 ዓመትበታች B. ከ1-5ዓመት6-10ዓመት C. 11-15ዓመት D. 15ዓመትበላይ

9. ከሚሊዮን ለገለበት/ጥቻወባንክ/ኮችወስጥየ ትኛወንየ ባንክአገልግሎትይጠቅሙ?

- A. ተንቀሳቃሽሰጠው B. የቁጠራሰጠው C. የብድርአገልግሎት

ለሌላ (ይግለፅለኝ) _____.

10.የ ሚሊዮን ለገለበትባንክ/ኮችከሚጠቅ/ጥቻወአገልግሎቶችበተጨማሪምስጠትአለበትየ ሚሊዮን አገልግሎትአለ?

- A. አዎ B. የለም

11. ለጥያቄቁጥር 10 መልስዎ “አዎ” ከሆነ ማጠቃለያ አለበትየ ምትሉትምንድነ ወ?

_____.

12. ባንኮችበሚጠቅ/ጥቻወአገልግሎቶችይረካለ A. አዎ B. አልረካም

13. ለጥያቄቁጥር 12 መልስዎ “አልረካም” ከሆነ ምንበይደርጉደንበኛቻቸውንሊያረከይችላለብዎትስባሉ?

_____.

15. የሚለገሉበትን ባንክ ለመቀየር ሐሰብክላለዎት? A. አዎ B. አይ

16. ለጥያቄ ተር 15 መልስዎ “አዎ” ከሆነ ለምን ለመቀየር እንዳሰብዎታል ብራሩ?

17. ጥናቱን በተመለከተ ማንኛውም ዓይነት አስተያየት ካለዎት?

አመሰግናለሁ!!!

Appendix B: Survey Questionnaire (English Version)

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES
DEPARTMENT OF MANAGEMENT

MBA Program

Survey Questionnaire

Dear Respondents,

This questionnaire is designed to gather information about the basic motivational factors that determine customers' bank selection in Addis Ababa. All responses will be used to conduct a study for the partial fulfillment of Master's Thesis in business administration from Addis Ababa University and, then, as an input for banks to improve their service delivery. Your anonymity/ secrecy will be strictly maintained as I do not ask for your name here and will *not* be used for any other purpose. Besides, this survey should only take about **5 minutes** of your time. I am grateful for your cooperation in advance!

N.B Please put a ✓ mark to all your responses in the circle provided to each question (if necessary).

Part I: Personal background

1. **Gender of respondent:** Male Female
2. **Age of respondent:** 18- 26 27-35 36-45 >46
3. **Marital Status:** Single Married Divorced Widowed
4. **Occupation:** public private self-employed unemployment
5. **Level of education:** Primary completed Secondary completed
Diploma Bachelor Degree Master Degree or above
Other pleases specify _____.
6. **Could you indicate in which category your monthly income belongs?**
Less than Br. 2, 000 Br. 2, 001-4,000 Br. 4, 001- 7, 000 over Br. 7, 000

Part II Relationship with the bank

7. Which bank/s do you utilize for your banking services? (List them if you concurrently use many banks)._____.

8. What is the length of your relationship with your main bank/s in terms of years?

(Please indicate for all banks).

Less than 1 year 1-5 years 6-10years 11-15years more than 15years

9. What type of service/s do you use in that bank? (Multiple answers possible)

- A. Current account
- B. Saving account
- C. Loan/credit Transfer
- D. ATM service
- E. Other, please specify _____

10. Do you need any other facility to add other than the services currently rendered from your customer bank? Yes No

11. If your response for Q10 is yes, what type of service do you need to be added?

_____.

12. Are you satisfied with banking services you are rendered? Yes No

13. If your response for Q12 is No, what could be done to solve those problems?

Part III: Bank Selection Criteria

14. Indicate in the following table the rate of importance of the criteria you did consider by choosing a specific bank. Please **circle one** number for each statement by using the following scale ranging from “5=very important” to “1=Notimportant at all” based on their degree of importance. 5= very important 4=important 3=nutral 2=less important 1=Not important at all

No	Factors	Did not consider	Not important at all				very important
			1	2	3	4	5
1	The closeness/nearness to my home/work						
2	The convenient location of the bank						
3	Its extended operation hours (i.e Saturday, evening etc)						
4	It has several branches						
5	Convenience of opening an account						
6	Opening hours						
7	It offers variety of services to customers						
8	Its service charge is low in contrast to others						
9	Its interest rate on deposit is high in contrast to others						
10	It provides interest earning in a relatively short period of time.						
11	It provide Internet/online banking facility						
12	The facilities of ATM services						
13	It offers phone banking facility						
14	The security arrangement at the bank						
15	It gives parking facilities						
16	Recommendation from my family and/or my friends						
17	Because of my organization use this bank						
18	Reliability of the bank						
19	By its reputation/brand name						
20	It was established early						
21	Pleasant bank environment						
22	External appearance of the bank						
23	It provides good customer reception						
24	Its service provision is fast & efficient						
25	It advertises its services in mass medias						

15. Do you have an intention to change your customer bank? Yes No

16. If your answer to Q15 is **yes**, please elaborate why?

17. If you ever changed your customer bank, has the current bank solved your aforementioned problems? Yes No

18. Comments (if you have comments regarding this survey, please fill in)

Thankyou!!!!

Appendix C: Statistical Results

Table C1: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.583
Bartlett's Test of Sphericity Approx. Chi-Square	1.443E3
Df	300
Sig.	.000

Table C2 Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.858	.858	25

Table C3Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.085	24.341	24.341	6.085	24.341	24.341	2.828	11.313	11.313
2	2.552	10.207	34.548	2.552	10.207	34.548	2.653	10.612	21.925
3	1.915	7.660	42.208	1.915	7.660	42.208	2.626	10.505	32.430
4	1.782	7.127	49.336	1.782	7.127	49.336	2.145	8.579	41.009
5	1.469	5.877	55.212	1.469	5.877	55.212	2.132	8.528	49.538
6	1.422	5.689	60.901	1.422	5.689	60.901	1.761	7.044	56.581
7	1.295	5.180	66.081	1.295	5.180	66.081	1.707	6.827	63.408
8	1.030	4.121	70.202	1.030	4.121	70.202	1.698	6.794	70.202
9	.982	3.926	74.129						
10	.888	3.551	77.679						
11	.813	3.251	80.930						
12	.701	2.804	83.734						
13	.683	2.732	86.466						
14	.520	2.079	88.545						
15	.488	1.953	90.499						
16	.403	1.611	92.110						
17	.377	1.507	93.616						
18	.316	1.263	94.880						
19	.307	1.228	96.107						
20	.245	.980	97.087						
21	.207	.828	97.915						
22	.184	.735	98.651						
23	.173	.692	99.343						
24	.098	.392	99.735						

Table C3Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.085	24.341	24.341	6.085	24.341	24.341	2.828	11.313	11.313
2	2.552	10.207	34.548	2.552	10.207	34.548	2.653	10.612	21.925
3	1.915	7.660	42.208	1.915	7.660	42.208	2.626	10.505	32.430
4	1.782	7.127	49.336	1.782	7.127	49.336	2.145	8.579	41.009
5	1.469	5.877	55.212	1.469	5.877	55.212	2.132	8.528	49.538
6	1.422	5.689	60.901	1.422	5.689	60.901	1.761	7.044	56.581
7	1.295	5.180	66.081	1.295	5.180	66.081	1.707	6.827	63.408
8	1.030	4.121	70.202	1.030	4.121	70.202	1.698	6.794	70.202
9	.982	3.926	74.129						
10	.888	3.551	77.679						
11	.813	3.251	80.930						
12	.701	2.804	83.734						
13	.683	2.732	86.466						
14	.520	2.079	88.545						
15	.488	1.953	90.499						
16	.403	1.611	92.110						
17	.377	1.507	93.616						
18	.316	1.263	94.880						
19	.307	1.228	96.107						
20	.245	.980	97.087						
21	.207	.828	97.915						
22	.184	.735	98.651						
23	.173	.692	99.343						
24	.098	.392	99.735						
25	.066	.265	100.000						

Table C3Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.085	24.341	24.341	6.085	24.341	24.341	2.828	11.313	11.313
2	2.552	10.207	34.548	2.552	10.207	34.548	2.653	10.612	21.925
3	1.915	7.660	42.208	1.915	7.660	42.208	2.626	10.505	32.430
4	1.782	7.127	49.336	1.782	7.127	49.336	2.145	8.579	41.009
5	1.469	5.877	55.212	1.469	5.877	55.212	2.132	8.528	49.538
6	1.422	5.689	60.901	1.422	5.689	60.901	1.761	7.044	56.581
7	1.295	5.180	66.081	1.295	5.180	66.081	1.707	6.827	63.408
8	1.030	4.121	70.202	1.030	4.121	70.202	1.698	6.794	70.202
9	.982	3.926	74.129						
10	.888	3.551	77.679						
11	.813	3.251	80.930						
12	.701	2.804	83.734						
13	.683	2.732	86.466						
14	.520	2.079	88.545						
15	.488	1.953	90.499						
16	.403	1.611	92.110						
17	.377	1.507	93.616						
18	.316	1.263	94.880						
19	.307	1.228	96.107						
20	.245	.980	97.087						
21	.207	.828	97.915						
22	.184	.735	98.651						
23	.173	.692	99.343						
24	.098	.392	99.735						

Extraction Method: Principal Component Analysis.

Table C4 Rotated Component Matrix^a

	Component							
	1	2	3	4	5	6	7	8
good customer reception	.894	-.026	.048	.144	-.059	-.090	-.038	.165
fast & efficient service provision	.836	.145	.101	-.030	.076	.134	.025	-.033
Reliability of the bank	.564	.145	.283	.175	.030	-.082	-.304	.156
Advertises	.483	.171	-.081	.127	.435	.456	.030	.037
External appearance of the bank	.474	.000	.428	.182	.161	.276	.043	-.114
several branches	-.004	.830	.171	-.016	.088	.139	-.054	-.049
extended operation hours	.164	.668	.130	.101	-.053	-.232	.227	.315
Opening hours	.103	.601	-.012	.296	-.063	-.258	.347	.013
opening an account	.378	.494	.258	-.085	.110	.120	.384	.210
Phone. Banking	.066	.042	.790	.162	.075	-.184	.001	.104
provide Internet/online banking facility	.136	.421	.725	-.019	.128	.113	.198	.142
facilities of ATM services	.103	.418	.657	.090	-.128	-.100	.105	-.141
Pleasant bank environment	.102	-.085	.476	.160	.290	.189	-.017	.046
interest rate on deposit	-.010	.075	.270	.837	.057	.251	.020	.158
provides interest in short period	.447	.118	-.059	.728	.013	-.032	.247	-.038
low service charge	.091	.038	.355	.673	.378	-.107	-.116	.181
organization use this bank	-.081	-.198	.104	.158	.687	-.210	-.001	.125
Reputation	.239	.369	.078	.172	.626	.094	-.276	-.292
Established. Early	.079	.054	.212	-.146	.559	.451	.168	.154
Recommendation from my family	.093	.041	.044	.238	-.024	.695	-.118	.216
variety of services	.073	.349	.179	.168	.166	-.605	-.060	.234
closeness/nearness	-.129	.112	.119	.080	-.079	-.003	.845	-.140
convenient location of the bank	.061	.273	.030	.050	.518	-.081	.566	.097
security arrangement	.088	.002	-.047	.147	-.018	.092	-.081	.841
parking facilities	.087	.261	.330	.039	.366	.023	-.010	.641

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Table C5 Component Matrix

	Component							
	1	2	3	4	5	6	7	8
provide Internet/online banking facility	.726	-.265	.124	.197	-.273	-.189	.208	.069
opening an account	.654	-.244	-.237	.273	-.069	.170	.108	.120
low service charge	.618	.199	.409	-.364	.207	-.097	-.098	-.069
parking facilities	.610	.011	.337	-.011	-.268	.403	.086	.064
extended operation hours	.560	-.495	-.170	-.134	-.060	.292	.041	-.105
External appearance of the bank	.552	.307	-.116	.134	.002	-.328	.064	.128
Phone. Banking	.537	-.130	.304	-.208	-.268	-.374	.099	.210
interest rate on deposit	.536	.202	.285	-.288	.443	-.139	.331	-.232
facilities of ATM services	.535	-.388	-.040	-.041	-.201	-.430	.125	-.042
Reliability of the bank	.531	.267	-.220	-.300	-.271	-.055	-.076	-.011
Advertises	.501	.443	-.173	.368	.159	.165	-.102	-.091
convenient location of the bank	.459	-.291	.146	.323	.308	.244	-.244	.226
Pleasant bank environment	.419	.224	.287	.095	-.060	-.232	.066	.112
closeness/nearness	.141	-.545	-.028	.271	.482	-.109	.203	.335
Opening hours	.442	-.525	-.216	-.139	.274	.113	-.060	-.152
fast & efficient service provision	.530	.306	-.565	.098	-.103	-.028	-.116	.169
good customer reception	.488	.363	-.558	-.285	-.070	.071	-.084	.291
organization use this bank	.221	.164	.542	-.007	.102	.101	-.429	.196
Established. early	.394	.229	.266	.580	-.038	.131	.010	.104
variety of services	.404	-.349	.119	-.430	-.149	.155	-.331	-.004
provides interest in short period	.521	.119	-.255	-.318	.597	-.049	-.014	-.003
security arrangement	.252	.205	.155	-.280	-.125	.629	.361	.066
Reputation	.494	.225	.058	.227	.012	-.130	-.529	-.380
Recommendation from my family	.242	.445	.015	.194	.089	.081	.483	-.267
several branches	.486	-.358	-.107	.246	-.169	.033	-.015	-.534

Extraction Method: Principal Component Analysis.

a. 8 components extracted.

Table C6 Factors median and Cronbach's Alpha

Factors	Median	Cronbach's Alpha
Reliability	3.800	0.701
Service	3.250	0.772
Product Assortment	2.510	0.822
Financial Status	2.667	0.766
Reputation	2.500	0.860
Recommendation	2.000	0.880
Convenience	4.000	0.811
Security	3.000	0.791

Table C7 Results of factor analysis

Factors	Items	Factor loading	Eigen values	% of variance
Factor I Reliability	Good customer reception	.894	6.085	24.341
	Fast and efficient service provision	.836		
	Reliability	.564		
	Advertise	.483		
	External appearance	.474		
Factor II Service Provision	Several branch	.830	2.552	10.207
	Extended operation hour	.668		
	Opening hour	.601		
	Opening account	.494		
Factor III Product Assortment	Phone banking	.476	1.915	7.660
	Provide internet banking	.657		
	Facility of ATM	.790		
	Pleasant bank environment	.725		
Factor IV Financial Status	Interest rate on deposit	.837	1.782	7.127
	Provide interest in short period	.728		
	Low service charge	.673		
Factor V Reputation	My organization use this bank	.687	1.469	5.877
	Reputation	.626		
	Established early	.559		

Factor VI Recommendation	Recommendation from family	.695	1.422	5.689
Factor VII Closeness	Closeness	.845	1.295	5.180
	Convenient location	.566		
Factor VIII Security	Security arrangement	.841	1.030	4.121
	Parking facility	.641		

Table C8 Profile data of the respondent

Variable	Categories	Frequency	Percent	Cumulative
Sex	Male	56	46.7	46.7
	Female	64	53.3	100.0
	Total	120	100.0	
Age	18-26	50	41.7	41.7
	27-35	42	35.0	76.7
	36-45	18	15.0	91.7
	>45	10	8.3	100.0
	Total	120	100.0	
Marital status	Single	66	55.0	55.0
	Married	46	38.3	93.3
	Widowed	6	5.0	98.3
	Divorced	2	1.7	100.0
	Total	120	100.0	
Occupation	Public	62	51.7	51.7
	Private	34	28.3	80.0
	Self employed	4	3.3	83.3
	Unemployed	20	16.7	100.0
	Total	120	100.0	
Level of Education	Primary	6	5.0	5.0
	Secondary	26	21.7	26.7
	Diploma	42	35.0	61.7
	Bachelor	42	35.0	96.7
	Masters or above	4	3.3	100.0
	Total	120	100.0	
Monthly Income	<2000	38	31.7	31.7
	2001-4000	42	35.0	66.7
	4001-7000	10	8.3	75.0
	>7000	30	25.0	100.0
	Total	120	100.0	

ANOVA Table of Sex

			Sum o Squares	df	Mean Square	F	Sig.
ReliabilityFactor * sex	Between Groups	(Combined)	.981	1	.981	.899	.345
	Within Groups		128.838	118	1.092		
	Total		129.819	119			
ServiceFactor * sex	Between Groups	(Combined)	1.458	1	1.458	1.035	.311
	Within Groups		166.248	118	1.409		
	Total		167.706	119			
Product AssortmentFactor * sex	Between Groups	(Combined)	3.086	1	3.086	2.242	.137
	Within Groups		162.371	118	1.376		
	Total		165.456	119			
FinancialstatusFactor * sex	Between Groups	(Combined)	26.584	1	26.584	22.458	.000
	Within Groups		139.679	118	1.184		
	Total		166.263	119			
ReputationFactor * sex	Between Groups	(Combined)	1.845	1	1.845	1.636	.203
	Within Groups		133.041	118	1.127		
	Total		134.885	119			
RecommendationFactor * sex	Between Groups	(Combined)	.060	1	.060	.026	.873
	Within Groups		273.107	118	2.314		
	Total		273.167	119			
Convenience Factor * sex	Between Groups	(Combined)	.648	1	.648	.493	.484
	Within Groups		155.152	118	1.315		
	Total		155.800	119			
SecurityFactor * sex	Between Groups	(Combined)	20.593	1	20.593	13.482	.000
	Within Groups		180.232	118	1.527		
	Total		200.825	119			

ANOVA Table of Age						
		Sum of Squares	df	Mean Square	F	Sig.
ReliabilityFactor	Between Groups	4.146	3	1.382	1.276	.286
	Within Groups	125.673	116	1.083		
	Total	129.819	119			
ServiceFactor	Between Groups	10.971	3	3.657	2.707	.049
	Within Groups	156.735	116	1.351		
	Total	167.706	119			
Product AssortmentFactor	Between Groups	33.055	3	11.018	9.653	.000
	Within Groups	132.401	116	1.141		
	Total	165.456	119			
FinancialstatusFactor	Between Groups	4.603	3	1.534	1.101	.352
	Within Groups	161.660	116	1.394		
	Total	166.263	119			
ReputationFactor	Between Groups	5.642	3	1.881	1.688	.173
	Within Groups	129.243	116	1.114		
	Total	134.885	119			
RecommendationFactor	Between Groups	14.170	3	4.723	2.115	.102
	Within Groups	258.997	116	2.233		
	Total	273.167	119			
Convenience Factor	Between Groups	8.290	3	2.763	2.173	.095
	Within Groups	147.510	116	1.272		
	Total	155.800	119			
SecurityFactor	Between Groups	8.606	3	2.869	1.731	.164
	Within Groups	192.219	116	1.657		
	Total	200.825	119			

ANOVA Table of marital status						
		Sum of Squares	df	Mean Square	F	Sig.
Reliability Factor	Between Groups	10.296	3	3.432	3.331	.022
	Within Groups	119.523	116	1.030		
	Total	129.819	119			
Service Factor	Between Groups	2.397	3	.799	.561	.642
	Within Groups	165.309	116	1.425		
	Total	167.706	119			
Product Assortment Factor	Between Groups	17.123	3	5.708	4.463	.005
	Within Groups	148.334	116	1.279		
	Total	165.456	119			
Financial status Factor	Between Groups	2.307	3	.769	.544	.653
	Within Groups	163.955	116	1.413		
	Total	166.263	119			
Reputation Factor	Between Groups	2.749	3	.916	.805	.494
	Within Groups	132.136	116	1.139		
	Total	134.885	119			
Recommendation Factor	Between Groups	15.343	3	5.114	2.301	.081
	Within Groups	257.823	116	2.223		
	Total	273.167	119			
Convenience Factor	Between Groups	5.108	3	1.703	1.311	.274
	Within Groups	150.692	116	1.299		
	Total	155.800	119			
Security Factor	Between Groups	13.821	3	4.607	2.858	.040
	Within Groups	187.004	116	1.612		
	Total	200.825	119			

ANOVA Table of Occupation						
		Sum of Squares	df	Mean Square	F	Sig.
Reliability Factor	Between Groups	1.400	3	.467	.422	.738
	Within Groups	128.419	116	1.107		
	Total	129.819	119			
Service Factor	Between Groups	5.528	3	1.843	1.318	.272
	Within Groups	162.178	116	1.398		
	Total	167.706	119			
Product Assortment Factor	Between Groups	7.323	3	2.441	1.791	.153
	Within Groups	158.133	116	1.363		
	Total	165.456	119			
Financial status Factor	Between Groups	3.223	3	1.074	.764	.516
	Within Groups	163.040	116	1.406		
	Total	166.263	119			
Reputation Factor	Between Groups	14.060	3	4.687	4.500	.005
	Within Groups	120.825	116	1.042		
	Total	134.885	119			
Recommendation Factor	Between Groups	7.716	3	2.572	1.124	.342
	Within Groups	265.451	116	2.288		
	Total	273.167	119			
Convenience Factor	Between Groups	10.160	3	3.387	2.697	.049
	Within Groups	145.640	116	1.256		
	Total	155.800	119			
Security Factor	Between Groups	5.953	3	1.984	1.181	.320
	Within Groups	194.872	116	1.680		
	Total	200.825	119			

ANOVA Table of level of education						
		Sum of Squares	df	Mean Square	F	Sig.
Reliability Factor	Between Groups	8.978	4	2.245	2.136	.081
	Within Groups	120.841	115	1.051		
	Total	129.819	119			
Service Factor	Between Groups	7.612	4	1.903	1.367	.250
	Within Groups	160.094	115	1.392		
	Total	167.706	119			
Product Assortment Factor	Between Groups	20.167	4	5.042	3.991	.005
	Within Groups	145.289	115	1.263		
	Total	165.456	119			
Financial status Factor	Between Groups	28.460	4	7.115	5.938	.000
	Within Groups	137.803	115	1.198		
	Total	166.263	119			
Reputation Factor	Between Groups	20.157	4	5.039	5.051	.001
	Within Groups	114.729	115	.998		
	Total	134.885	119			
Recommendation Factor	Between Groups	30.130	4	7.533	3.564	.009
	Within Groups	243.037	115	2.113		
	Total	273.167	119			
Convenience Factor	Between Groups	9.625	4	2.406	1.893	.116
	Within Groups	146.175	115	1.271		
	Total	155.800	119			
Security Factor	Between Groups	18.733	4	4.683	2.958	.023
	Within Groups	182.092	115	1.583		
	Total	200.825	119			

ANOVA Table of monthly income						
		Sum of Squares	df	Mean Square	F	Sig.
ReliabilityFactor	Between Groups	4.090	3	1.363	1.258	.292
	Within Groups	125.729	116	1.084		
	Total	129.819	119			
ServiceFactor	Between Groups	5.631	3	1.877	1.343	.264
	Within Groups	162.075	116	1.397		
	Total	167.706	119			
ProductAssortmentFactor	Between Groups	.489	3	.163	.115	.951
	Within Groups	164.967	116	1.422		
	Total	165.456	119			
FinancialstatusFactor	Between Groups	18.729	3	6.243	4.909	.003
	Within Groups	147.534	116	1.272		
	Total	166.263	119			
ReputationFactor	Between Groups	1.847	3	.616	.537	.658
	Within Groups	133.038	116	1.147		
	Total	134.885	119			
RecommendationFactor	Between Groups	18.532	3	6.177	2.814	.042
	Within Groups	254.635	116	2.195		
	Total	273.167	119			
Convenience Factor	Between Groups	9.007	3	3.002	2.373	.074
	Within Groups	146.793	116	1.265		
	Total	155.800	119			
SecurityFactor	Between Groups	27.757	3	9.252	6.201	.001
	Within Groups	173.068	116	1.492		
	Total	200.825	119			