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Determinants of Credit Customers Loyalty (The Case of Commercial Bank of Ethiopia)

A project paper Submitted to Addis Ababa University,
College of Business and Economics, Department of Management in Partial
Fulfillment of the requirements for degree in Executive Master of Business
Administration (EMBA)

**By
Deksios Bezabih**

**September, 2015
Addis Ababa
Ethiopia**

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By
Deksios Bezabih

Supervised By:
Zewdie Shibrie (PHD)

September, 2015
Addis Ababa
Ethiopia

DECLARATION

I, Deksios Bezabih Male, declare that this research, entitled “Determinants of Credit Customers Loyalty: the case of Commercial Bank of Ethiopia” is my original work and has not been submitted to AAU or any other institutions of higher learning as a thesis and all sources of information have been duly acknowledged.

I have carried out the research independently under the supervision of the research advisor, Dr. Zewdie Shibre.

Deksios Bezabih Male
September 2015
Addis Ababa University
Addis Ababa Ethiopia

CONFIRMATION

It is hereby confirmed that the research entitled “Determinants of Credit Customers Loyalty: the case of Commercial Bank of Ethiopia” is conducted by Mr. Deksios Bezabih Male under my supervision.

The work is original in nature and is appropriate for submission for the award of the Master of Executive Business Administration (EMBA) degree.

Dr. Zewdie Shibre
September, 2015
Addis Ababa, Ethiopia

ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES

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(The Case of Commercial Bank of Ethiopia)

By

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LIST OF ACRONYMS AND ABBREVIATIONS

SPSS	Statistical Package for Social Science
CBE	Commercial Bank of Ethiopia
ANOVA	Analysis of Variance
PSU	Primary sampling Unit
SSU	Secondary Sampling Unit
NBE	National Bank of Ethiopia
ATM	Automated Teller Machine
LDT	Loan Delivery Time
CRM	Customer Relationship Manager
CPC	Credit Processing Center
CRA	Credit and Risk Analyst
FCY	Foreign Currency
CAT	Credit approving team

ABSTRACT

Analyzing the determinant factors that contribute for customers to remain loyal at CBE helps the bank executives to identify and define the appropriate marketing strategies that are needed to retain the existing customers'. The basic objective of this study was to analyze the determinants of credit customers' choice of banks by taking CBE as a case and thereby identify the factors that make customer's remain loyal to CBE. The study was conducted on 176 sample credit customers from CBE and the necessary data was gathered through self administered questionnaire for credit customers and interviews made for CRMs. A multiple regression model together with a factor analysis is employed in order to investigate the level, sign and magnitude of the effect. A non-probability convenience sampling was used and data was analyzed using factor and ANOVA analysis techniques too. The empirical findings of the study reveal that customer's satisfaction, brand image and quality services are found to be significantly and positively affect customer's loyalty to the CBE. The factor analysis result also shows that business customers has statistical significance linkage with financial advantage, credit service provision, location & convenience and accessibility, technology aided services, image and reputation and promotion strategies are the major reasons for customers' choice of banks and has some managerial implications which are expected to have an impact on the marketing efforts of banks. Hence the management of the CBE should pay attention to these factors while designing strategies in credit areas.

Key words: Determinant factors, Loyal Customers, Credit Customer, Financial Advantage, Bank selection

CHAPTER ONE

INTRODUCTION

1.1 Background/Rationale of the Study

In recent years, financial institutions of all types are moving into a more competitive financial atmosphere with a wide variety of financial products and services. In response to this volatile market environment, commercial banks have shown a keen interest in marketing their products and services to their customers more effectively. Doing efficient product and service delivery effort, therefore, Bank's can increase their customers base and attract new customers and mainly by retaining the existing customers for long.

Understanding credit customers behavior that influence them to be retained in one Bank for a considerable time helps the Bank managers to identify the appropriate marketing strategies that are needed to influence the existing customers to remain loyal and attract new customers (Cleopas, 2011).

Since similar services are given in credit areas of commercial Banks and to differentiate the service, it is necessary to identify the factors that have significant impact on credit customers banking decision (Omo, 2011).

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

The trend towards globalization is another force that induced many changes in the economic and business environment of our planet. Ethiopia is no exception to these changes and almost all industries including the banking sector, in one way or the other are being affected by this trend. In consequences of this, banking sector in Ethiopia is becoming increasingly more competitive. The past two decades structural, regulatory and technological factors have been changing the banking environment in Ethiopia and lead an intense competition in the financial institutions. The intense competitions that are developing in the banking industry present a big challenge to the profitability of financial institutions of all size. Financial services marketing in Ethiopia has become much more complex since the country adopts

market oriented economic policy. Consequently customers needs and their selection criteria have become much more important for banks in Ethiopia. Besides as described in Annex 11 the total disbursement for private loan shows a decreased amount. The aforementioned points are the reasons that triggered the researcher to identify the determinant factors that affect credit customers' choice of bank.

1.2 Historical Background of CBE

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

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

Following the declaration of socialism in 1974 the government extended its control over the whole economy and nationalized all privately owned banks and in 1980 forms the sole commercial bank in the country till the establishment of private commercial banks in 1994. The financial sector that the socialist oriented government left behind constituted only three banks and each are enjoying monopoly in its respective market these were The National Bank

of Ethiopia (NBE), The Commercial Bank of Ethiopia (CBE) and Agricultural and Industrial Development Bank (AIDB).

Currently Monetary and Banking Proclamation of 1994 established the National Bank of Ethiopia as a judicial entity, separated from the government and outlined its main functions. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector. Banking sectors in Ethiopia are showing progressive development in terms of number of branches, total assets, human resource utilization and the like. As shown in the annex, there are now around nineteen banks in Ethiopia.

CBE is the largest commercial banks in Ethiopia which its head quartered in Addis Ababa city and expanded in to 973 branches almost in all “woredas” throughout the country. It was established in 1942, at the time when the then state Bank of Ethiopia handling both the commercial banking and central banking activities. In 1963, a privately owned bank was started and it became necessary to separate the functions of the commercial from the central bank. In the same year the central Bank of Ethiopia was divided in to two: the CBE and The NBE. Since then it has been giving commercial banking services by largely supporting the economy of the country.

The followings are the vision and mission statements of CBE

Vision- To become a world-class commercial bank by the year 2025

Mission-Maximizing shareholder value through enhanced financial intermediation and unparalleled customer satisfaction, deploying highly motivated, skilled and disciplined employees capable of providing banking products and services that meet international best practices and standards and believing that reliability and public confidence are the basis of its success.

The bank has around 22,000 employees with varied educational and work experience. The bank provides different types of services to the society among which credit, trade service and customer account and transaction services (CATS) are the main ones. Besides the bank has introduced state of the art technology to support its services to mention but a few are ATM, Mobile, internet and Card banking services currently the users of this technology reached more than 460,000. It also plays a catalyst role in the economic progress and development of the country with around 11 million account holders. What is more, it has strong

correspondent relationship with 50 renowned foreign banks like Commerz Bank A.G., Royal Bank of Canada, City Bank, HSBC Bank, and a SWIFT bilateral key arrangement with 712 other Banks across the world.

Currently, it is one of African banks with asset of Birr 303.6 billion as at 30th June 2015. CBE has also implemented the core banking technology which helps customers to access their accounts in all branches within a short period of time. It has also four overseas branches in South Sudan and planned for expansion in South Africa, Dubai and North America.

1.3 Statement of the Problem

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

In order to ensure maintaining sufficient customer and quality services, understanding customers' behavior of bank preference and selection criteria has been argued to be helpful to banks in identifying the appropriate marketing strategies needed to retain existing ones and attract new customers. Consequently, the issue of "how customers select banks of their choice" has been given considerable attention by different researchers (like Omo 2011; Ahmed, 2011; Foscht et al., 2010; Erdener & Talha, 2004; Ugur et al., 2004; Zineldin, 2004). However, most of those studies have been mainly conducted in developed countries. While, such studies have contributed substantially to the literature of prerequisite for bank selection among customers, their findings may not be applicable to other developing countries, due to differences in culture, economic, legal and technological environments. As a result, a set of determinants that may have a significant role in bank selection in one nation may prove to be insignificant in another (Omo, 2011).

Moreover, Goiteom W/Mariam (2011) had identified the factors which influence customers to select among different banks in Addis Ababa but no respondents were credit customer of any bank and most of them were students. However, it is vital to collect information from the credit customers on factors that make them loyal to a specific bank to alleviate the problem that is believed occurring by the researcher in CBE credit department. Therefore, this study attempt to address the issue of bank preference and selection in light of the Ethiopian context

through undertaking analysis using recent and extensive evidence collected from CBE credit customers on the determinant factors of bank selection that makes customer remained loyal.

1.4 Objectives of the Study

1.4.1 General Objective

The general objective of this study is to analyze the determinants of credit customers' choice of banks by taking CBE as a case and thereby identify the factors that make customer's remain loyal to CBE.

1.4.2 Specific Objectives

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

- ✚ To identify the factors that determine CBE credit customers choice/preference in selecting commercial Banks,
- ✚ To identify most important factors according to their importance to customers.
- ✚ To investigate factors that are not fulfilled to credit customers of CBE when compared to other Commercial Banks credit products, and
- ✚ To identify the relationship between credit customer type of the Bank and the factors affecting customers' choice.

1.5 Research Questions

The research is conducted to seek answers for the following questions:

- ✚ What factors influence CBE credit customers to remain loyal?
- ✚ How these factors are prioritized according to their importance in order to better serve customer needs based on the type of loan?
- ✚ Are there any statistical significance between credit customer type and the indentified factors?
- ✚ What must be done in order to make the credit customer loyal if there is a signal of disloyalty?

1.6 Hypothesis of the study

The study has developed the following hypothesis related to factors affecting credit customer of Commercial Bank of Ethiopia to be remained loyal that is analyzed through ANOVA.

Ho: there is no statistically significant difference between credit customers' classifications on determining factors affecting customer choice to be remained loyal in a bank

And, to test using the regression model, the following hypothesis is formulated:

H_0 : Customer satisfaction does not have any contribution for explaining customer Loyalty

H_0 : Quality service does not have any contribution for explaining customer Loyalty

H_0 : Brand image does not have any contribution for explaining customer Loyalty

Whereas the alternative hypothesis articulate as of all the three variables X_1 , X_2 , and X_3 are found to be significant to determine the level of loyalty that credit customers have on banks(CBE).

1.7 Scope/Delimitation of the Study

The study is confined only to the Credit Customers of Commercial Bank of Ethiopia existed at Head office. It will be good enough if the research is conducted in customers of different regions as different demographic characteristics of customers in different geographical areas might change the results of this research paper. However, the researcher is obliged to conduct the research on Head office customers due to the time constraint. Thus, this research paper is delimited to credit customers of CBE which are found in head office. Moreover, the study is delimited to Commercial Bank of Ethiopia credit customers and it is not a comparative study with other Banks. In addition, the study is delimited to private customers of the Bank and it doesn't include public/government owned customers.

1.8 Limitations of the Study

Lack of finance and time were among the limitations of the study. If enough time is given to perform the research work, the researcher could collect appropriate data and expand the scope of the research.

1.9 Significance of the study

Undertaking studies in the area of customers' behavior is important to understand the preference and bank choice of customers. Identifying such determinants of the preference and bank selection criteria of customer will help bank executives to identify and define the appropriate marketing strategies needed to attract new customers and retain the existing ones. It is important to understand the customers bank selection criteria to commercial banks to understand and to work on how to satisfy the needs of clients as much as possible and to remain competitive in the banking industry. And also provide bank executives with insights into the kinds of service customers find most appropriate for their banking needs.

Since much of the researches in this area are done in developed nation and a study by postgraduate study in Ethiopia has made on non credit customers, this study will help to bridge the observed gap in the body of knowledge in the context of developing country.

1.10 Organization of the Paper

This paper is organized as follows: the first chapter states the general introduction of the study. Chapter two summarizes the literature on the study area. It presents the theoretical review and the empirical review of the literature. Chapter three presents the research methodology. It explains the data source and sampling method and data analysis method. Chapter four presents and discusses the main findings of the study. It explains and presents the descriptive analysis and the factor analysis. The last chapter draws conclusions and implications and wind up the research report by highlighting future research areas so as to widen the knowledge in the Ethiopian context.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Definition of Terms

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

Credit can be defined as a transaction between two parties which one (the creditor or lender) supplies money or monetary equivalent goods, etc, in return for a promise of future payment by the other (the debtor or borrower) (CBE credit procedure).

A Bank is an organization, usually a corporation, chartered by a state or federal government, which does most or all of the following: receives demand deposits and time deposits, honors instruments drawn on them, and pays interest on them; discount notes, makes loans, and invest in securities; collects checks, drafts and notes; certifies depositor's checks; and issue drafts and cashier's checks. (Devlin, J.F. 2001)

2.2 Credit Processes Procedure of CBE

According to credit procedure volume I, 2013 of CBE, the credit process starts with identifying and recruiting potential credit customers and ends with collecting the loan that is availed to them in the following manner:

2.2.1 Credit Process Teams

The procedure clearly stated that all credit activities shall be performed on team basis to realize the desired outcome in efficient and effective way. The team comprises:

A. CRM (Business & Corporate and Commercial) wing based on the type of customers who are classified using different parameters (like sales volume, interest income, credit exposure etc).the CRM wing serves as an intermediary between the Bank and the customer.

B. Credit Appraisal/analysis (expert and analyst) wing which conduct credit analysis based on the information obtained through CRM from credit customer.

C. Credit approving committee (CAT “A”, CAT “B” and CAT “C”) based on the approving limit given to them.

Moreover there are three wings which supports the processing of the credit request like collateral valuator (checkers and makers) responsible for valuing and checking the results of the collaterals offered for the requested loan, Legal experts who give legal advice to the performers on the request and Credit administrators responsible for concluding collateral registration, insurance follow up, proper keeping of loan files and security documents.

Credit portfolio management is the other team in the credit process which primarily undertakes the monitoring review and follow-up the composition of loan portfolio and credit performance including the practice of standard LDT across the team in the credit process.

2.2.2 Priority Sector Lending in CBE

For the last five years in line of the countries GTP1, commercial bank of Ethiopia has been providing loan to priority sectors which have huge impact for national development namely: Agriculture, export and manufacturing. However the bank had aggressively engaged in lending to the government for mega projects that will lay a better ground for private investors in the coming years. Currently symptoms are seen in private borrowers searching the service of other private Bank’s assuming that CBE is reluctant to give them FCY for their import business, not helping them to alleviate the problem of loss from export business, will not give due attention to private borrowers etc

2.2.3 Types of Credit Products in CBE

As stated in the credit process procedure volume I, CBE extends the following credit facilities to its esteemed customers:

Overdraft

- It is a form of credit facility by which customers are allowed to draw cash beyond the deposits of their current account for the day to day operational needs of business.
- The facility is availed to customers up to a maximum period of one year and it can be renewed every year based on the request of the customer.

Merchandise Loan Facility

- It is a short term credit facility extended to customers against merchandise or its documentary evidence. Like railway Receipts, Warehouse Receipts, airway bill etc

- It is extended to customers for a maximum period of one year and its maximum advance rate is 80% of the amount of the merchandise.

Pre-shipment Export Credit Facility

- It is a short term loan extended to customers engaged in export business for purchase of raw material, processing, warehousing, packing, transporting the finished goods to shipment.
- The facility is availed to the maximum of one year and the lending interest rate is 7.5%.

Import Letter of Credit Facility

- It is a credit product that CBE extends applicants to engage in the import business, or other applicants who import for various purposes on payment of a certain percentage of the value of the document while opening a letter of credit.

Letter of Guarantee Facility

- It is a written promise/irrevocable obligation by the Bank to compensate (pay a sum of money) to the beneficiary (local or foreign) in the event that the obligor fails to honor his/her/its obligations in accordance with the terms and conditions of the guarantee/agreement/contract

Short term loan

- It is a loan granted to customers to finance their working capital needs and/or other short term financial constraints.
- A short term loan is granted for a maximum period of three years and the repayment can be in lump sum or in periodic installments i.e. monthly, quarterly or semi-annually.

Medium and long term loans

- These loans are extended to customers to partially finance acquisition or leasing of fixed business assets, establishment of new projects and expansion of the existing business.
- A medium term loan has a maturity period longer than three years and not exceeding a maximum of seven years. Long term loan has a maturity period longer than seven years.

Agricultural Input Loan

- It is a short term loan granted to customers for the purchase of fertilizers, improved seeds and agro-chemicals.

Agricultural Investment Loan

- It is a short to long term loan granted to customers engaged in commercial farms or agro-processing industries for working capital as well as purchase of agro-processing machineries or equipment for plant, crop and animal production in small medium or large scale farming.

Coffee farming Term Loan

- It is one form of credit facility granted to customers engaged in commercial coffee farming with minimum 30 hectares of land to finance working capital needs, or new and expansion of existing projects.

Micro-Finance Institution Loan

- It is a short to medium term loan granted to micro-finance institution to alleviate their financial constraints while providing credit to-micro entrepreneurs.

2.2.4 Credit customers classification in CBE

CBE's credit procedure requires periodic classification of credit customers in order to serve them based on their value. the Bank has designed criteria to classify customers as business, corporate and commercial.

Credit Classification criteria

No	Parameters	Condition	Weight (%)
1	Income Generated from the Customer (A)	$A > 10,000,000$	30
		$5,000,000 \leq A \leq 10,000,000$	20
		$2,000,000 \leq A < 5,000,000$	10
		$A < 2,000,000$	5
2	Total Credit Exposure (B)	$B > 100,000,000$	25
		$50,000,000 \leq B < 100,000,000$	20
		$25,000,000 \leq B < 50,000,000$	15
		$B < 25,000,000$	10

3	Customer's Credit Risk Grade(C)	C=1	25	
		C=2	20	
		C=3	15	
		C=4	10	
		C>=5	0	
4	Sales Volume Registered by Customer(D)	$D \geq 50,000,000$	Audited	20
			Un audited	13
		$25,000,000 \leq D < 50,000,000$	Audited	15
			Un audited	8
		$D < 25,000,000$	Audited	7
			Un audited	3

Source: CBE's credit procedure

As per the customer classification guide line, the total score obtained after appraising the existing customer based on the score sheet displayed above will be classified as Business, Corporate or Commercial Customer.

Credit Customer Classification Criteria

Customer class	Score (X)
	Existing Customer/100%
Business	$80\% \leq X \leq 100\%$
Corporate	$60\% \leq X < 80\%$
Commercial	$X < 60\%$

Source: CBE's credit procedure

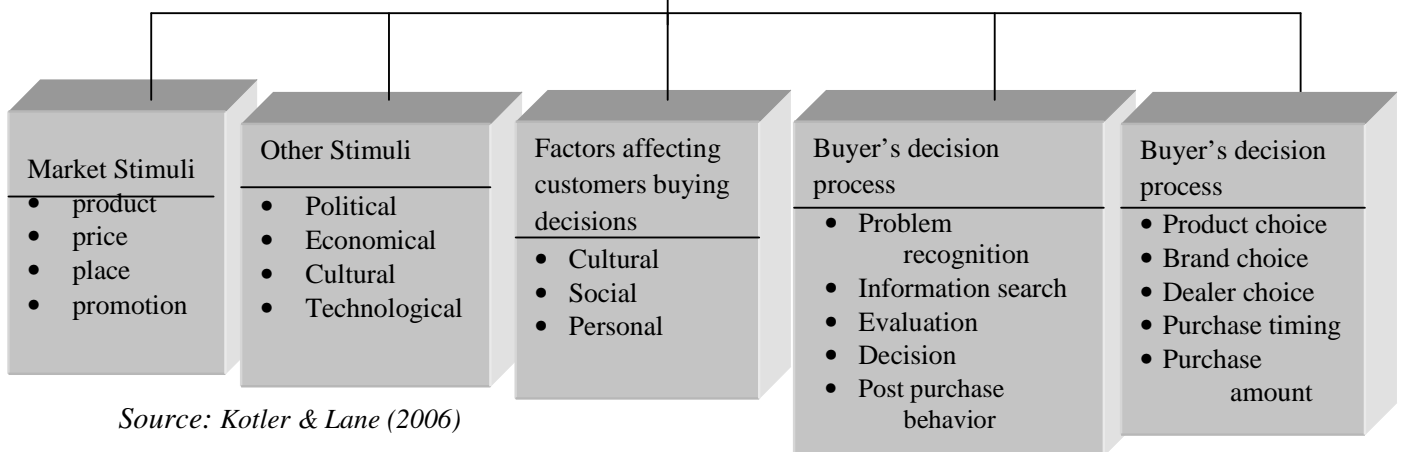
2.3 Theoretical Review

In this topic the study tried to explore various theoretical backgrounds which have a constructive idea with the topics under study.

2.3.1 Customers Buying Behavior

Customers behavior to buy the service or product of a seller can be stimulated by the stimulate factors mentioned in Fig 1 and this will be influenced by cultural, social and personal factors. Cultural factors exert the broadest and deepest influence. The following figure shows, the model for customer buying behavior.

Fig.1: **Model of Customers buying Behavior**

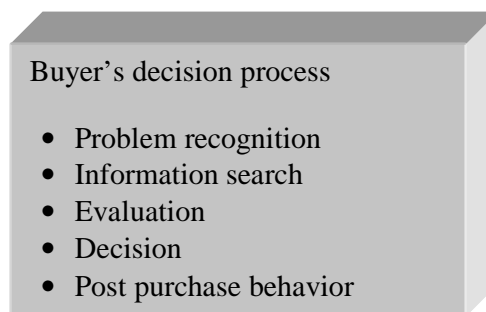


Source: Kotler & Lane (2006)

The Buying Decision Process: Five Stage Model

The buying decision making process is a problem solving approach consisting of the following five stages. These basic psychological processes play an important role in understanding how customers actually make their buying decisions. Marketers must understand every facet of customer behavior. The customer may passes through these five stages process but do not always pass through all five stages in buying a product (Kotler & Lane, 2006). The buying decision process involves the following steps

Fig.2: Buyer's Decision process



Source: Kotler & Lane, 2006

1. Problem Recognition

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

2. Identification of Alternatives

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

Personal: Family, Friends, Neighbors, Acquaintances

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

Public: Mass media, Consumer-rating organizations

Experiential: Handling, Examining, Using the product

3. Evaluation of Alternatives

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

4. Purchase Decision

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

5. Post Purchase Behavior

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

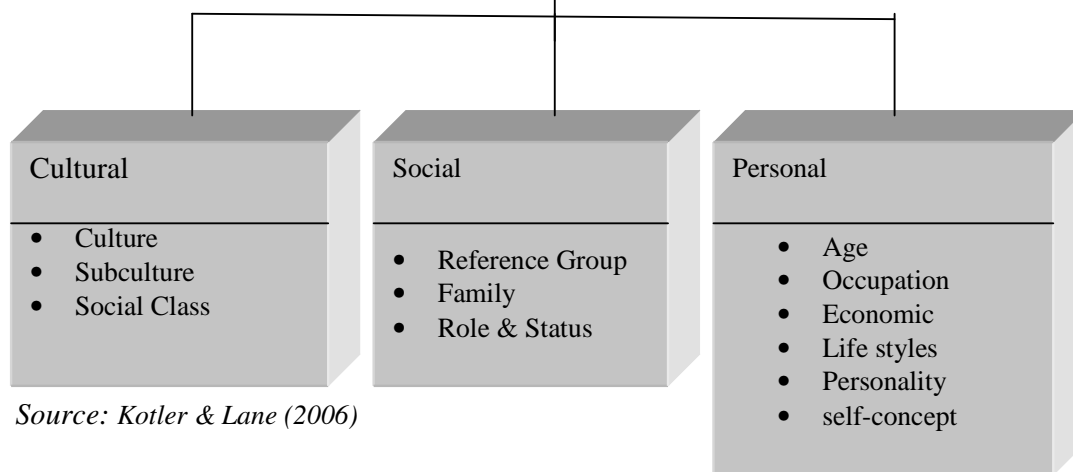
The marketer job therefore does not end with the purchase. Marketers must monitor post purchase satisfaction, post purchase actions, and post purchase product uses.

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

Factors Affecting Customers Buying Decision

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

Fig.3: **Factors Affecting Customers Buying Decision**



Source: Kotler & Lane (2006)

Cultural Factor

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

Social Factors

In addition to cultural factors, a consumer's behavior is influenced by such social factor as reference groups, family, and social roles and statuses. A person's reference groups consists of all the groups that have a direct (face-to-face) or indirect influence on his/her attitudes or behavior. Groups having a direct influence on a person are called membership groups. Some membership groups are primary groups, such as family, friends, neighbors, and co-workers. People also belong to secondary groups, such as religions, professional, and trade-union groups, which tend to be more formal and require less continuous interaction.

Personal Factors

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

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

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

2.4 Empirical Review

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

2.4.1 Customers Bank Selection Criteria

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

There are a lot of journals that have tried to investigate the main factors that influence customers to select and remain loyal in a specific bank. Below we give a short literature review of some authors who have studies different factors that influence customer choice of Banks. Since when different journalists said customers to mean all type of customers, the following factors can also be applicable for credit customers.

2.4.1.1 Customer Service

According to Rehman and Ahmed (2008) there are many factors that can influence the choice of commercial banks by customers. The findings of the study reveal that the most important variables influencing customer choice are customer services. Omo (2011) points out availability of technology based service(s) are the major reasons for customers' choice of banks. This implies that customer service is the most important factor that should be given enough attention by marketing officers.

2.4.1.2 Convenience Location

In Canada, Laroche et al. (1986) conducted a survey and found that speed of services, and factors relating to the competence and friendliness of bank personnel and convenience of location were the major factors which consumers perceived as important in their selection of a bank. These findings are in consistent with Renman and Ahmed (2008) that raveled convenience location of the bank is one of the most important variable influencing customer choices among other factors. The study conducted by Rao & Sharma (2010) on bank selection criteria employed by MBA students in India concludes that convenience location of the bank is an important determinant.

2.4.1.3 Availability of Loans and provisions of Services

In Sweden, Zineldin (1996) conducted a survey of 19 potential factors which customers consider as important in the selection of a bank. These factors include reputation,

recommendation by others, interesting advertisement, convenience of location, opening hours and high technological services. Each respondent was asked to rate the importance of each of the above-mentioned factors on a scale of 5 (very important) to 1 (completely unimportant). His study revealed that friendliness and helpfulness of personnel, accuracy in account/transaction management, and availability of loans and provision of services were the most important factors.

2.4.1.4 Size of Bank

In Nigeria Ahmed (2011) found that factors such as size of bank total asset and availability of large branch network have a great influence in customers' choice of banks. These findings are consistent with the findings of Edris and Almahmeed (1997).

2.4.1.5 ATM service in several locations

Mokhlis (2008) points out that the most important factor in Malaysia is availability of ATM service in several locations. Shevlin and Graeber (2001) explored the various factors that influence a customer in choosing a particular bank in Texas, USA. They pointed out that ATM (Automatic Teller Machine) was the primary reason for a customer choice for a bank and further branch visit and referral from friends and relatives are most prevalent sources of influence. Almosawi (2001) notes that the vast majority of young people prefer to use ATMs, not only for their speed and convenience, but also for the mental structure of today's young people who have been very much involved with computer-based activities. According to Karatepea, Yavas and Babakus (2005) and Rao and Sharma (2010), total customer satisfaction is accurately achieved when the management search and identify exactly what customers want. To attract the young people who are the future customers of banks, banks had to set up some kind of hi-tech-services such as ATM, mobile banking, Internet banking, and computerization. In turn, banks have to understand the customer needs so as to take care of its customer's satisfaction. Gerrard and Cunningham (2001) and Kaynak and Harcas (2005) contend that electronic services are of relative importance. Even though they were not available for that long, the current well-educated generation has been exposed to modern technology in their higher education which will increase their drive to patronize banks that are regarded as technology leaders. Almosawi (2001) also claim that technology is the most important determinant of commercial bank selection. Managers should realize that young people enjoy dealing with advanced technical devices such as ATMs, Mobile and Internet banking. This indicates that, in their bank selection, the new generations of customers tend to put more emphasis on the factors which give them quick and convenient access to the bank

services, rather than factors related to the hospitality, condition of the bank premises, and location of the bank.

2.4.1.6 Knowledgeable and competent personnel

On the contrary Cicic et al. (2004) point out that factors like close proximity to home and work, and price of the product are perceived to be the most important criteria on the choice of banks. Cicic et al. (2004) point out that incompetence and lack of courtesy of banks' personnel are major reasons customers exit their banks. The study reveals that customers highly regard knowledgeable and competent personnel coupled with friendly and courteous values to be the most important criteria in patronizing banks. Cicic et al. (2004) argue that contrary to the studies conducted in developed countries which found that the most important bank selection determinants are related to technology and automated teller machines, friendliness of staff plays a major role in the bank selection process in Bosnia Herzegovina.

2.4.1.7 People influence and recommendation

A study conducted by Almassawi (2001) in Bahrain to examine the bank selection criteria employed by college students in Bahrain, reveal that bank's reputation is one of the key factors. This means that confidence in the bank management leads to the conclusion that the customers consider management to be most responsible for both success and failure of the banks. Creating a positive image in the minds of young people bring them to the understanding that the firm is customer conscious. For today's young people, brand name is one of the major factors that determine their decisions for goods and services. Almassawi (2001) and Haque, Osman and Ismail (2009) add that young people prefer to deal with popular and reputable banks. This implies that banks can attract young people by engaging in various public relations and marketing activities that would give total recognition by the young customers. According to Mokhlis (2009), people influences and recommendations are also among the important factors in selecting a bank for both male and female customers.

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

2.4.1.8 Quality of Financial Services

Ulengin (1998) indicated that customer in Turkey was more interested in the functional quality of financial services rather than the technical quality dimension. The study further concluded that as there were no big differences among financial products offered by banks and the quality of financial products offered by banks are much beyond expectations of the customers, delivery channels and customer relations gain importance in bank choice process as there were a lot of problems in those areas. The substantive conclusions of this study are that, on an average, respondents of the survey prefer the extended customer loyalty programs, the continuous information flow from the bank, the offsite ATMs, the minimum waiting time in the branches and a simplified applications form for all accounts a bank offers. Mylonakis et al., (1998) concluded that the most important bank selections criteria are convenience, bank reputations, and quality of products and services, interest rates and fees, education and personnel contacts, facilities, branch environment, services and after service satisfaction. Their research on bank customers of Greece showed that bank selection criteria like location-convenience, quality of service (attention to the customer, personalized service, no queues) seen to influence the bank selection and factors like advertising did not seem to influence bank customers at all. Chen (1999) conducted a survey of 336 domestic-owned and 39 foreign owned banks in Taiwan in 1997 to identify critical success factors adopting various business strategies in the banking sector. Data was analyzed using factor analysis technique which highlighted four factors, namely the ability of the bank to manage operations, bank marketing, developing bank trademarks and financial market management.

2.4.1.9 Product Prices

Phuong and Har (2000) under took a study of bank selection decisions in Singapore using the Analytical Hierarchy Process (AHP) through a study of banking preferences of college students. The findings indicated that the most important criteria affecting undergraduates' bank selection decisions are higher interest rate for saving, convenient location and overall quality of service. They are followed by the availability of self bank facilities, charges on services provided by banks, low interest rate on loans, long operating hours, availability of students privileges and recommendations by friends and parents specifically. The respondents considered overall quality of service more than twice as important as recommendations by parents/friends.

Aish et al., (2003) compared the bank selection decisions of the small business market across UK and Egypt. The results reported show various similarities and provide evidence to suggest that brand plays major role in the bank selection decisions of the small businesses at both UK and Egypt .The study reinforces the opinion that technical quality (quality of service itself) is more important than functional quality (quality of the service provider) in bank selection decisions. More specifically both Egyptian and UK small business customers consider financial items (fees, interest rates and credit availability) as the most important factors in bank selection decisions.

2.4.2 Customers Loyalty

Recently, following an increment in numbers of commercial private banks, competition in all types of products becomes so stiff. Here expanding customer base by itself is not efficient enough. Rather finding loyal customer has invaluable importance for having greater share of the financial market using referral marketing and cross selling. In this regard loyal customers contribute a lot through recommending others to use CBE's products.

At this juncture, Craig Churchil defines loyalty as the attachment a customer feels for a company's products, and services. In addition Griffin (1995) also defines a loyal customer as someone who makes regular purchases, purchase across product and service lines, refers others and demonstrates immunity to the pull of the competition. By this, based on the customer's attachment or affinity to the product and services and their purchase pattern loyalty can be shown in four ways.

The first and uninviting one is **NO LOYALTY**; here customers for some product are not found to be loyal. According to Craig churchil such customers switch their attachments depending on who offers the best deal. Under such scenario in a competitive market with products that are reasonably indistinguishable, certain marketing strategies can unwittingly create customers who behaved such a nasty behavior.

The other category of loyalty is **INERTIA LOYALTY**; unlike to the above this term tries to demonstrate those clients of the organization who use bank products again and again due to the absence of other organization which aimed to sale similar product. In this scene if the new player comes in to the market, then the customer would be the first one to flee from the former bank.

LATENT LOYALTY is also another interesting expression about loyalty. The phrase illustrates those customers which may feel loyal to the bank though they may not be interested to buy products all time.

The last but not the least type of loyalty is **PREMIUM LOYALTY** where every bank desires its customers to behave. These customers are characterized by high affinity and repeat investment. At this point customers who exhibit premium loyalty are proud of their attachment with the bank they linked on and pleased in sharing their positive experience with others (in the banking term called referral marketing).

Bearing in mind the above four categorization every bank needs to have a customer who lay down under the category of premium loyal customer. However in order to have such customers banks need to recognize those factors which affect loyalty. Consequently, the major factors which affect customer loyalty are quality service, customer satisfaction and brand image.

Quality Service

The definition of service quality revolves around the idea that it is the result of the comparison that customers make between their expectations of a service and their perception of the way the service has been performed (Zethaml et al.1988, as cited by Karambu Kariba). Service quality is founded on a comparison between what the customer feels should be offered and what is provided (Parasuraman et al.,1985). If the customer's expectations are met or exceeded, then the company is perceived to be offering higher service quality. But if on the other hand, the expectations of the customers are not met, the company is on its way only to face displeased and hostile customers, which in turn leads to defection to competitors. The actual quality of service is difficult to define (Garvin, 1983, Brown and Swartz, 1989) but researchers have reached a consensus that service quality should be defined and measured from the customer's perspective (Tam, 2004).

Competitive advantage in service businesses derives largely from the service provider's ability to deliver high quality service. While the primary dimensions of service reliability have been identified, delivering service quality is nonetheless elusive due to the unique characteristics of services. Reliability is the ability to perform the promised service consistently, dependably, and accurately. It has often been cited as the most important dimension in assessing the quality of service and is therefore a fundamental requirement for businesses to compete in the marketplace (Abbasi, Khalid, Azam & Riaz, 2010). The

importance of reliability in provision of quality services, indeed in all business dealings is vital. This is true because a customer who deems a service well delivered is most likely to offer repeat business. On the other hand, a customer who has had an unpleasant experience with a business tells 9 or 10 other people and about 13% would tell more than 20 other people (Akbar & Parvez, 2009).

Customer Satisfaction

Customer satisfaction has been considered the essence of success in today's highly competitive banking industry (Mutea, 2013). Customer satisfaction is generally understood as the satisfaction that a customer feels when comparing his preliminary expectations with the actual quality of the service or product acquired. In other words, customers are typically concerned with the value and quality of the product or service they receive (Ongoto, 2010). Satisfaction is a psychological construct that form the basis upon which the evaluation of the quality of a product or service is made (Ndung'u, 2012). In the modern day business, customer focus and satisfaction are the major driving force for profitability in many companies and organizations (Mutea, 2013). Many businesses are concentrating their efforts on ways of improving customer satisfaction by designing goods and services to customers' wants. Measuring customer satisfaction therefore provides an indication on how an organization is performing in providing products or services in the eyes of its customers. Customers generally want the best quality possible from a product or service at the lowest cost. The perception of the best product or service and lowest price can, however, vary significantly by customer segment or industry. In order to obtain an overall picture of customer perception, a company or organization needs to measure the customer satisfaction (Omenye, 2013).

Brand Image

A brand has been defined differently by different scholars. According to Wu (2011), a brand is a distinguishing name and/or symbol such as logo, trademark, or package design intended to identify the goods or services of either one seller or a group of sellers, and to differentiate those goods or services from those of competitors. The brand reflects the complete experience consumers have with products and protects both the customer and the producer from competitors who would attempt to provide products that appear to be identical (Anwar, Gulzar, Sohail & Akram, 2011). A brand name is an intangible signifier of the physical entity, acting as a surrogate for the individual characteristics of products or services, related

more to the company's reputation than to the lines it sells. Strong brand name is considered as a pillar of both the brand equity formation and the branding process. In traditional brand measuring the familiarity, attitudes and knowledge are priorities (Solja, 2012). Familiarity shows how well the brand is recognized, attitude tells if the brand has a positive or negative image in the market and knowledge tells if consumers can relate the brand to correct products or business field and what they know about the brand.

A good corporate image stimulates purchase by simplifying decision procedures for customers. A strong brand can deliver for a company market leadership, a stable or sustainable competitive advantage, international reach, a platform from which to expand activities and long-term profit (Severi & Ling, 2013). The common link between image and satisfaction is perceived quality (Solja, 2012). For consumers brands are vital because they provide them of the product maker and thus allow consumers assign responsibility to a particular manufacturer or distributor. A good corporate image for high quality means 15 more customers, fewer dissatisfied customers and invariably, increases in profits which put the organization on a favorable competitive advantage. Brands also ease the consumers' decisions of which product/brand to use (Sirapracha & Tocquer, 2012). If the consumers can recognize or recall a brand (brand awareness) it is more likely that they will also use a product of that certain brand.

The advantages of brand for companies are that brands help to organize inventory and accounting records. Brands also provide companies legal protection for features and aspects of a product. Brands give consumers a signal of the quality level of its products and brands are powerful tools to secure a competitive advantage. Saleem and Naintara (2014) claim that, high customer satisfaction, develops positive corporate image because they will provide positive word of mouth. Thus, corporate image is seen as microeconomic consequences of satisfaction. Sever and Ling, (2013) defines customer loyalty as a deeply held commitment to re-buy or re-patronize a preferred product/service consistently in the future, thereby causing repetitive patronage, despite situational influences and marketing efforts having the potential to cause switching behaviour. It is the possibility of a returning customer repurchasing from company and willing to behave with them as a partner. The service brand name is the most important component of the brand and an important source of information to the customer, because service attributes are difficult to communicate via other means (Sirapracha & Tocquer, 2013).

Loyalty according to Saleem and Naintara (2014) occurs when customers purchase only from a certain company in the future and recommend the company to others. Andreassen (2013) found that corporate image is positively correlated with customer loyalty but no relationship was found between satisfaction and loyalty based on his measurement asking executives of a particular organization to rate their own company on six items which includes; offering good services, having competence, being inventive, having long-run perspectives, adjusting to the needs of customers and the overall image. Wu (2011) also found a relationship between measures of satisfaction and corporate image. Corporate image is a mirror reflection of an organization as a person and its products. It is what people believe about an organization and includes their thoughts, feelings and expectations (Sachdev & Verma, 2012).

CHAPTER THREE

RESEARCH METHODOLOGY

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

3.1. Data Source and Sampling Method

Normally, research works rely on primary and secondary data separately or combining them depending upon what the research demands and this study is no exception. Primary and secondary data were employed. This is to ensure that the relevant information necessary for the study with the desired manner was obtained. Primary data is collected through questionnaires and interviews by contacting relevant actors related to the study conducted.

The study is focused on identifying the determining factors that influence credit customer of CBE to be remained loyal. Since the last seven years, CBE has started processing credit requests of customers centrally. This implies that almost all customers cases are processed at CBE's head office and the researcher can easily get information from most of the customers. Customer relationship managers are assigned to process the credit requests of the customers who know a lot about the customer credit behaviors. Therefore, the data source is the credit customers of CBE whose cases are located at head office credit processing center and CRMs.

There are three types of customers which are classified based on the different parameters stipulated in the credit process procedures. Based on the recent classification made in the year 2012, the number of customers in each classification was depicted in the following table:

	Customer Classification			
	Business	Corporate	Commercial	Total
Number of Customers	89	138	900	1,127

The survey population comprises different types of credit customers of commercial bank of Ethiopia. Since it is challenging to cover all population through survey, this study has used sampling techniques to arrive at representative sample using the following manner.

The sampling design followed in this study was a one stage stratified sampling. The different classification of credit customers had formed the strata. The list of each business classification of the customer was used as the primary sampling unit for each stratum (PSU's). Customers in each classification were used as a secondary sampling unit (SSU's).

In order to identify the samples, the study has employed simple random sample size determination and sample selection procedures. A list of almost 90 % of the Bank's credit customer request is processed centrally in Head office-CPC. The study has focused on the customers whom we believe remain in the Bank for long. And from this perspective, since the researcher is one of the employees in credit department and responsible to perform monthly and quarterly reports, it is known that 60% of the number of commercial customers listed above is a onetime customer (i.e. borrowed the loan for the first time and will not continue after settlement). Therefore, taking this fact, I took from the total population that is used in this study, 40% was taken from the commercial customers.

$$\begin{aligned}
 \text{Population size} &= \text{Business Credit Customers} + \text{Corporate Credit Customers} + 40\% \text{ of Commercial Credit Customers} \\
 &= 89+138+40\% (900) \\
 &= 587 \text{ Credit Customers} \\
 \text{Sample Size (n)} &= 587 * 30\% = \mathbf{176 \text{ Customers}}
 \end{aligned}$$

Moreover, according to the information obtained from Credit portfolio management, based on the amount of loan they take, almost 90% of the profit of the Bank with respect to credit transaction comes from Business and corporate customers and the remaining is from commercial customers. Based on this fact weight is given to the three types of customers and sample size is allotted to each as follows:

Sample size of business customers (n_1)

$$= \text{weight} * \text{sample size (n)} = 90\% * 50\% * 176 = 79$$

Sample size of corporate customers (n_2)

$$= \text{weight} * \text{sample size (n)} = 90\% * 50\% * 176 = 79$$

Sample size of commercial customers (n_3)

$$= \text{weight} * \text{sample size (n)} = 10\% * 176 = 18$$

The defined sample size is sufficient for statistical procedures that was identified and employed in this study.

Using simple random sampling the structured questionnaires were distributed to the credit customers through CRMs (since CRMs are single point of contact for the customers under

their domain). The sample groups are expected to represent the target population of the study, while analyzing the determinate factors that influence customers to be retained loyal in the Bank for long.

Moreover, 20 CRMs from Business and Corporate credit customers were interviewed.

3.2. Data Collection instruments and techniques

Different books indicated three primary data collection methods; these are observation, experiment and survey. In survey research, the researcher selects a sample of respondents from a population and distributes a standardized questionnaire to them. Surveys can be divided into four major types: personal interviews, telephone surveys, mail surveys and self-administered surveys.

Data for this study was gathered through self-administered questionnaires for credit customers and interviews for CRMs. Self-administered questionnaires are research questionnaires personally delivered to the respondent by the interviewer but completed by a respondent with no interviewer involvement.

The questionnaire that was used in this study has three parts. The first part was designed to collect the demographic information from each respondent. In the second part of the questionnaire respondents were asked for their banking preference and banking history which is much concern area of the study. In the last part some influencing factors on their selection decision of commercial banks, using a five-point Likert-scale type importance scale ranging from "very important" to "Least important (not at all important)" was conducted. Moreover open-ended questions were included in the questionnaire to get more opinion.

3.3. Data Presentation, Analysis and Measurement of Variables

As noted by Kothari (2004), data has been analyzed in line with the purpose of the research. Accordingly this study utilized descriptive analysis using table and percentage of data and analysis of variance using SPSS version 20 computational software.

ANOVA was used to identify whether there is a relationship between credit customer type of the bank and the reduced seven factors that could affect customers' choice. To prioritize the reduced seven and all the thirty factors and examine the frequency of the choices, the paper employed mean value and percentage is computed to.

In general, in this study, descriptive and econometric methods of data analysis have been employed to explain the major determinants of becoming loyal customer to the CBE. In the descriptive analysis, tabulation and cross tabulation, frequencies, percentages, means, standard deviations, minimum and maximum statistical techniques have been used for the quantitative analysis.

3.3.1. Measurement of Variables

Literally, variables are objects, events, ideas, feelings, time periods, or any other types of categories that are to be measured. Depending on previous literatures and existing facts, for this analysis the following variables are identified as dependent and explanatory variables and explained. In terms of measurement of variables, the dependent variable which is customer loyalty is measured by longevity, i.e., the number of years that the credit customer remains real customer to CBE. The independent (explanatory) variables are measured by taking the average of vector of variables that represent each of them. In this regard, customer satisfaction which is one of the explanatory variable is measured by taking in to account the average of proximity to work/home, more number of branches, welcome reception of the bank, security arrangement of the bank, access of loan other than priority ones, convenient of bank location, and competency of the employees to process credit request. The second explanatory variable, quality service is measured by taking the average values of availability of large branch network, ease of foreign currency for import business, fast and efficient service, and good complaint handling mechanisms. The last and third basic explanatory variable, brand image is also measured by taking the average value of having different correspondent banks, bank’s reputation, early establishment, being governmental bank, interior & exterior appearance of bank, ease of contacting managers, and prize attached bank services.

3.4. Model Specification & Estimation Strategy

Since the objective of the study is to identify the factors that make credit customers’ of CBE remain loyal, it can be predicted by multivariate regression model that uses an OLS estimation technique. The following simple specification plays the purpose:

$$L = \theta_0 + \theta_1 X_{1i} + \theta_2 X_{2i} + \theta_3 X_{3i} + \epsilon_i \dots \dots \dots \text{eq (1)}$$

Where

- L stands for customers loyalty;
- X_1 stands for customer satisfaction;

- X_2 stands for quality service;
- X_3 Stands for brand image of the bank; and ε_i set up to demonstrate unexplained portion of the dependent variable through the above three important exogenous variables.

Besides θ_0 indicates constant which shows the magnitude or the value of loyalty when the coefficient for the above three explanatory variables become zero. Whereas the coefficient θ_1 , θ_2 , and θ_3 are acquainted with the extent of change in the dependent variable when the explanatory variable changes by one unit, Ceteris Paribus. Further more from the expression of independent variables ' X_i ', i stands for the number of observation included in the data.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSIONS

The sample data collected from selected respondents are analyzed using descriptive data analysis. In this section detail analysis results of the study are presented.

4.1. Data Analysis on Survey Questionnaire of Credit Customers

4.1.1. Descriptive Analysis

This section explains and discusses the results of findings based on the analysis made on the collected data descriptively. The results of the study are discussed here by triangulating the different instruments i.e. questionnaire, interviews and the literature survey results. The discussion attempts to accomplish the objectives of the study and answer the research questions.

Descriptive analysis is made on customers responses on each factor and the overall picture of respondents are discussed on section one and section two, presents detail information on customers banking behavior and finally section three explains the factors that influence the bank's credit customer to stay for long years enjoying the credit services. A total of 176 questionnaires were distributed and all are returned since the customers are active borrower and requested to fill the questionnaire with the help of their single point of contact at (CRM). As per the survey result, the returned questionnaires were carefully checked while assessing the response rate of respondents, from those with distorted data and excessive data missing were not found, hence all the questionnaire can be used for analysis as they are properly filled. This shows that the response rate of the survey was 100 percent and such a response rate is considered sufficient for statistical reliability and drawing of logical conclusion and it is most satisfactory especially when compared with earlier research works on bank selection decisions (Ahmed, 2011).

4.1.1.1. Customers Profile

Assessment made on customers profile of participated respondents using variables such as gender, age, position in the business, form of business, level of education and sector engagement indicated the following results.

Gender participation of respondents was inclined to male with a proportion of 88 percent and 12 percent females (Appendix 3) indicating that most of them are reluctant from giving responsibility to females. The age distribution of respondents, as depicted on the same table specifies that majority of respondents (about 56 percent) range below 35 years of age, while 33.5 percent of respondents fall between the age brackets 36 to 45 and the remaining falls above 45 years. This might concede with the reality that majority of the respondents are young and part of the dynamic population of the country who are vital for the economic growth by running businesses energetically. Position distributions of the respondents in the business were in a percent of 85 and 15 of General Manager and finance manager respectively. And among them 51 percent are owner of the business, showing that the owner of the business are also General Manager or Finance Manager.

Looking at the forms of business that the respondents are engaged or employed, the highest population of the respondents (about 64.2 percent) were private limited company and continued by sole proprietorship scoring 24.4 percent leaving the remaining 11.4 to share company's. This shows that majority of the credit customers of Commercial Bank of Ethiopia has formed Private Limited Company form of business.

When we consider the education level of the respondents', majority of them (about 87.5 percent) possess higher level education which is a bachelor degree and above. About 7.4 percent of the respondents have attained diploma and 9 percent of the respondents have completed 12 grade. This indicate that majority of the credit customers business are run by well educated Managers and we can convinced that all the questionnaires are filled with due care.

The sector distribution of respondents business shows that majority (about 76.67 percent) are engaged in export business and as the customers are allowed to involve in a multi sector business, 73.3 percent of the customers are also engaged in import business. From the total number of respondents 44% are engaged in manufacturing Sector. More over only 20% of the total are customers from agriculture sector and 39% are engaged in other business. As we can see from the ratio, a credit customer of commercial bank of Ethiopia is performing business in at least two sectors and most of export customers are also having an import license.

4.1.1.2. *Banking Behavior of Customers*

In this study, customers' credit relationship experience of banking product and services is properly assessed and interpreted as follows. The survey revealed that around 39.8 percent of the respondents have more than ten years of banking relationship with CBE as depositor or creditor. This is followed by 42.6 percent of respondents with the bank experience of five to ten years. Such a long term relationship indicates the bank's capability in customers' retention or may have no choice to switch because there is no other bank which was able to meet the required level of satisfaction. Despite the above fact 17.6 percent of respondents have less than five years of experience indicating smaller proportion of the respondents started working with banks in recent years (Table 1).

Table 1: Respondents Banking Relation Periods

	Categories	Frequency	Percent
For how long have you been using commercial bank of Ethiopia credit services?	0-5 years	31	17.6
	5-10 years	75	42.6
	10 years and above	70	39.8

Sources: *Computation from field survey data, 2015*

CBE's credit procedure requires classification of credit customers based on total credit exposure, credit risk grade, annual sales volume and income generated from the credit customer and depending on the score obtained using the above criteria, the customer is classified as Business, Corporate or commercial customer. In the analysis, most of the respondents are business and corporate that is about 90 percent and almost 10% was commercial customers. This means that as per the credit customer classification, commercial customers have almost minimal value to the Bank and they will develop gradually to the next classification. Business customers are the most valued customers and the bank has tried to give exceptional service to them. More over almost 90% of income related to credit service is obtained from business and corporate customers. Therefore it is appropriate to consider the composition of the respondents.

On the other hand, the proportion of respondents who are using different bank products is found on a better position. A customer is allowed to enjoy different type of loans as per the license that he/she possess. Accordingly, 81.3 percent of the respondents are enjoying term loan of different type like: manufacturing, export, import, agriculture etc. while the remaining 18.7 percent are not using the term loan. Pre-shipment export credit is a type of loan that is given to exporters for the purchase of exportable items based on sales contract or export letter of credit. Out of the total respondents 58.5% were using this type of loan as well. Letter of credit facility is a credit type which is designed to be given for importers to import goods by opening import letter of credit with some percent margin payment based on the approval. In this regard, almost 73.9 percents are users of this type of credit to import merchandises for resale, raw materials purchase for their manufacturing business etc. However, regarding letter of guarantee facility only 19.3percent were entertained with it. Letter of guarantee facility is a letter of under taking given to a beneficiary in favor of our customers. It could be advance payment, performance or bid bond. From the type of credit availed to the customer currently 6.3percent only are users of merchandise loan. This may be due to the difficulty of enjoying the loan. Merchandise loan is a loan given to credit customers by possessing the raw material, work in process of finished goods as collaterals for three months.

Table 2: The Respondents Credit type/product utilization¹

	Number of users	Percent
Term Loan	143	81.3
Pre-shipment export credit	103	58.5
Letter of Credit	130	73.9
Letter of guarantee	34	19.3
Merchandise Loan	11	6.3

Sources: *Computation from field survey data, 2015*

4.1.1.3. Customers Service Need

As portrayed in table 3, those respondents who need additional credit services are more than those who do not want other services. Accordingly about 53.4 percent of the respondents need extra service from banks. The additional bank services proposed to be added for customers include: E-banking facilities (such as, Internet and Mobile Banking, ATM services in all branches, Credit Card Banking and International VISA Card services), provisions of

¹ One respondent may used more than one credit service offered by the banks

services during weekends and Inter-bank networking. In addition, respondents want to have Door Steps banking services. Door steps banking is a customized service that allows customers to securely conduct banking transactions without leaving their home, which mainly saves their precious time.

Table 3: Respondents need of additional bank services

Question	Response	Number (176)	Percent
Do you need any other credit services/products apart from the credit services/products currently rendered by the bank	Yes	94	53.4
	No	82	46.6

Sources: *Computation from field survey data, 2013*

4.1.1.4. Customers Satisfaction with Banking Services

While looking at table 4 the survey indicated that only 30.1 percent of the respondents are satisfied with the current services of the banks. Nevertheless, 69.9 percent of the respondents are not satisfied by the services provided in banks.

Table 4: Respondents degree of satisfaction with the existing credit services

Question	Responses	Number = 176	Percent
Are you satisfied with banking/credit services that you are currently provided?	Yes	53	30.1
	No	123	69.9

Sources: *Computation from field survey data, 2015*

4.1.1.5. Intention of Customers to see the credit service of other Banks

The figures on table 5 shows that majority (71 percent) of respondents have a plan to see the service of other Banks. Nonetheless, there are some customers who have no intention to see the service of other Banks as the informal discussion conducted, this is due to the reason that they believe that CBE has played a great role for the growth and advancement of their business as most of them are long time customers.

Table 5: Future intention of customers with their customer banks

Question	Response	Number = 176	Percent
Do you have an intention to change your banking service provider?	Yes	125	71
	No	51	29

Sources: *Computation from field survey data, 2015*

4.1.1.6. Multi bank credit service user customers

As per the information revealed on table 6, majorities (79 percent) of respondents were multi bank credit service users and the remaining 21 percent were the customers of Commercial Bank of Ethiopia only. Nonetheless, there are some customers who have no intention to see the service of other Banks due to satisfaction of the bank's service, feeling that they reached to current level by support of the bank, aiming future success etc.

Table 6: Respondents multi bank user

Question	Response	Number = 176	Percent
Are you enjoying the credit service of other Banks also?	Yes	139	79
	No	37	21

Sources: *Computation from field survey data, 2015*

4.1.1.7. Periods when the existing credit customers started to use the service of other Banks

From the above table 6 and 5 we can deduce that most of the customers of CBE have an intention of changing the credit service provider and currently they are using the credit service of other banks simultaneously. It was not a major problem for CBE before some years ago. However as expressed in table 7 here under, (58 percent) or majority of respondents have started thinking of using other Bank's service recently before a year and (13.6 percent) were before three years. However, only 6.8% were before five years. The remaining 21.6% were not willing to answer for this specific question due to their own reasons. The finding has shown that, before five years most of the customers had no intention of using the service of other banks but recently they started showing an intention to look the service of other banks. From this result, we can deduce that something wrong that has been going in the credit service of CBE recently to private credit customers.

Table 7: Periods customer started to use the service of other Banks

Question	Response	Number = 176	Percent
Since when you have started to use the credit service of other Banks?	5years	12	6.8
	3Years	24	13.6
	1Year	102	58
	Missing	38	21.6

Sources: *Computation from field survey data, 2015*

4.1.1.8. Reasons for being multi bank credit service user

Most of the customers have started using the credit service of other Banks due to reasons which are identified by the Bank or not. Borrowing the same type of loans (i.e pre-shipment) from different banks is dangerous from the point of view of banks. The money given by one bank is exposed to be used for other bank's obligation putting the customer integration that will have negative impact in risk grading, loan approval etc. In connection with this, customers were requested to reply on the reasons that enforce them to see the service of other banks simultaneously. Among the respondents majority (59.4percent) were shifted to use the credit service of other banks on the reason of not getting adequate foreign currency for their import businesses. As we saw from sector engagement of the customers, majority of them are exporters as well as importers. So far CBE has been giving loan to exporters after assessing that the business is valid and profitable. According to CBE's assessment report of the last five years (Annex 10), Major part of the foreign currency has been given for mega projects that will serve the private sector in the future and import of raw materials for manufacturing firms to exercise corporate thinking. This seems that such an action by CBE is at the expense of foreign currency obtained from private exporters. More over some exporters are started the export purpose solely to get foreign currency for their import business where most of the imported item can be substituted by manufacturing in the country. 6.5% reasoned out that they are not feeling that equivalent export proceeds was given either to use for their import or by selling to other importers as has been exercised by other banks even though it is an illegal practice. 10percent claims that their request has been delayed. This may be due to so many reasons which are either internally or externally. The second basic higher reason (16.7percent) that was pushing credit customers to use the service of other banks was that they thought the collateral valuation of the Bank doesn't reflect the market value. In this

regard, the bank has a procedure manual on how to estimate collateral building, machinery, agricultural plantation and it should try to adjust it to be consistent with the market periodically as explained by some of credit relationship managers however the market is turbulent. Few of the respondents put lack of knowledge to process credit request as a reasons to make them other banks credit service user. Lack of skill might emanate from different credit performers of the Bank (CRM who is a single point of contact, CRA who is responsible to make credit analysis on the requests of the customer based on the data provided by the CRM, Engineers who are responsible to make on time valuation of the collaterals, Attorneys, who are responsible to prepare legal documents and give legal advices on the request and format ion of the business, Credit Administrators who are responsible to accomplish the collateral registration process and proper keeping of security and loan files)

As can be seen from the information obtained from the bank (annex 4) the banks NPL status is less than 2 percent. This implies that most of the loans are repaid regularly whether the collateral value is more than the approved loan or not. Therefore, it is appropriate to give due attention on the capacity of the business rather than focusing indirectly on collateral by making the manual conservative. Moreover, the figure shows that huge amount of foreign currency has been given for public (government) as the bank is engaged in developmental lending. This implies that private borrowers were not adequately served in availing foreign currency to them.

Table 8: Reasons to start using the credit service of other Banks

Question	Response	Number = 176	Percent
What are the possible reasons that enforce you to use the service of other Banks also?	Not getting adequate FCY	82	46.6
	Delay in approval of my request	15	8.5
	Not getting equivalent FCY from export proceeds	9	5.1
	Collateral estimation doesn't reflect market as other Banks	23	13.1
	Lack of adequate knowledge from performers in credit cpc	9	5.1
	Not responded	38	21.6

Sources: *Computation from field survey data, 2015*

4.1.2. Determinants for Choice of Commercial Banks

In order to define the most important factors that bank credit customers consider in their choice of a bank, a ranking order was produced showing the mean score of each (thirty) factor. Accordingly the findings are analyzed with respect to relative importance of bank selection factors and the study assessment identified some factors that head the list. These include “Collateral estimation practice”, “Access of loan for sectors other than priority ones”, “ease of getting foreign currency for import business” and “ease access for loan” each with a (mean=5). These factors tells us directly or indirectly about influential factor of availability of loan that enforces credit customers to stay long in a bank but shortage of currency and loan with huge collateral are situations of Ethiopian Banking. Availability of loans were very important as per the study made in Sweden, Zineldin (1996) that tried to prioritize 19 factors which have impact on customer choice to select and remain in a bank. “Welcome reception of the bank” (mean = 4.62) bank selection factor was rated as the fifth most important criterion influencing customers while prioritizing and undertaking decisions. Fast and efficient services provision found to be the sixth most important factor in the study, which is fourth place on the results of Omo (2011), which research is made on communities in Nigeria. The seventh factor according to the assessment is “competency of the employees to process credit request” (mean=4.53). Cicic et al. (2004) point out that incompetence and lack of courtesy of banks’ personnel are major reasons for customers exit their banks. It is also instructive to observe that good complaint handling, easiness of accessing managers, availability of ATM services in several locations, appearance and attire of staff and security arrangement of banks found to be important factor that has large importance in banking choice of respondents. The factors which are identified with lowest means include “being a governmental bank” and “recommendation of friends/relatives for customers”, this shows that customers are less likely to consider these factors while choosing commercial banks and prioritizing banks of their interest. The least important criteria for bank selection is recommendation of friends or relatives which may indicate that, customers are more confident to act independently while selecting their bank rather than relying on recommendations of others.

As the above listed factors are large in number, it is important to reduce the factors in to a manageable and more meaningful numbers so that it is possible to identify the principal factors.

4.1.3. Mean of Determinants Analysis

As stated in the paper, all analyses were conducted using SPSS statistical software versions 20. Since the researcher is an employee of the bank and has ample experience, the thirty factors are reduced/ reclassified to seven factors by regrouping those with identical components without using data reduction analytical tool of SPSS version 20.

The analysis yielded seven groups of factors which hold different interrelated sub factors in them. The seven factors identified during the analysis are Financial Advantage, Credit Service provision, Location Convenience, Accessibility; Technology aided service, Image & reputation and Promotion. The sorted factor mean for the items is shown in table nine.

To assess the internal consistency of each factor group, the factors were subjected to reliability test. The assumption behind this approach is that the items work together as a set and should be capable of independently measuring the same construct. The items should be consistent in what they indicate about the concept being measured here. The Cronbach's alpha was used as measure of reliability. In this model the alpha coefficient ranges from 0 to 1. The higher the score, the more reliable scale is, Cooper and Schindler (2003) noted that a score of 0.7 is acceptable reliability coefficient. Accordingly, the analysis made on this study produced an alpha coefficient of 0.918 indicating high internal consistencies and reliability.

Table 9: Reliability Test

Reliability Statistics	
Cronbach's Alpha	N of Items
.918	30

Computed by SPSS

4.1.3.1. Explanation for Bank Selection Factors

As the aforementioned signifies, the seven factors are identified through the knowledge of the researcher since he has ample experience. The seven factors for choice of commercial banks are presented in Table 10 in order of importance as indicated by their mean value. The titles given to each factor group is named and described below

Table 10: Result of Factor Analysis

Factors And Items	Mean sub factor	Factor Mean
Factor 1: Financial Advantage		4.74
Low Interest rate and service charge	4.48	
Ease of getting FCY for import business	5.00	
Factor 2: Credit Service provision		4.55
Welcome reception of the Bank	4.62	
Favorable estimation manual of the Bank	5.00	
Access of loan for sectors other than priority one.	5.00	
Fast and efficient service	5.00	
Competency of the employees to process the request	4.53	
Liquidity position of the Bank	4.09	
Good compliant handling	4.22	
Ease of opening an account	4.27	
Ease of contacting managers	4.23	
Ease of access for loans	5.00	
Factor 3: Location & Convenience		4.04
Proximity to home/work	4.14	
Convenience	3.94	
Factor 4: Accessibility		4.03
More number of branches	4.34	
Branch opening hour	4.42	
Security arrangement of the bank	4.04	
Availability of parking space	3.64	
Having different correspondent bank	3.23	
Availability of large branch network	4.49	
Factor 5: Technology aided service		3.86
Availability of ATM in several location	4.12	
Connectivity to other bank's ATM	3.77	
Internet and mobile banking facilities	3.68	
Factor 6: Image and reputation		3.51
Bank's reputation	3.85	
Established early	3.41	
Being a government bank	2.99	
Interior & exterior appearance of bank	3.81	
Factor 7: Promotion		3.22
Mass Media Advertisement	3.53	
Recommendation of friends	2.62	

Sources: *Computation from field survey data, 2015*

The *First* factor in Table 10 delineates a selection factor based on Low interest rate and service charge and ease of getting FCY for import business. The aggregated mean value of factors under this group is 4.74. This factor may be labeled as “Financial Advantage”. Mylonakis et al., (1998) concluded that the most important bank selections criteria are quality of products and services, interest rates and fees. Aish et al., (2003) indicated that small business customers in Egypt and UK consider financial benefits (fees, interest rates and credit availability) as the most important factors in bank selection decisions. As per the data collected most of the credit customers are exporters as well as importers. This implies that these customers are the source of foreign currency for the country and also needs significant amount of FCY for their import. Therefore availing foreign currency for credit customers especially for those who engages in import and export is a very important factor to make customer loyal.

The *second* factor identifies a dimension based on welcome reception of the bank, favorable collateral estimation manual of the bank, access of loan for sector other than priority ones, fast & efficient services, liquidity position of the bank, good compliant handling ease of opening an account, ease of contacting managers and ease access for loans. This factor may be categorized as “Credit service provision” factor. Within this factor, the most important attributes are Favorable estimation manual of the bank, access of loan for sectors other than priority ones, fast & efficient service and ease access for loans (each with a mean = 5.00), while the least important item is liquidity position of the bank (mean = 4.09). The result reveals that, Credit customer of the bank requires clean loan lending, loan for all sectors in addition to the priority ones that the bank is currently lending and fast & efficient service beyond the service given by other banks.

The *third* factor is labeled as “Location Convenient” which has two items called Convenient of Bank Location and Proximity to home/work. These items were chosen by most credit customers as important bank selection criteria with mean values of 3.94 and 4.14 respectively. Cicic et al. (2004) point out that factors like close proximity to home and work, and price of the product are perceived to be the most important criteria on the choice of banks.

The *fourth* factor containing, more number of branches, availability of large branch network, branch opening hours, availability of parking space, having different correspondent banks and security arrangement of banks have been named as “Accessibility”. It can be understood that availability of large branch network (mean = 4.49) and branch opening hours (mean = 4.42) are the two criteria which have highest means value among other criteria included in this factor, which may indicate that these criteria are the most important determinates for bank selection. In Nigeria, Ahmed (2011) found that factors such as size of total asset and availability of large branch network have a great influence in customers’ choice.

The *Fifth* factor in Table 10 delineates a selection factor based on availability of ATM in several locations, connectivity to other bank's ATMs and internet and mobile banking facilities. This factor may be labeled as “Technological aided service”. This contends that electronic services relatively importance than other factors. It can be understood that Availability of ATMs service in several location is found as the factor with highest means, indicating the most important in determining bank selection. Omo (2011) points out that availability of technology based service(s) are the major reasons for customers’ choice of banks.

The *Sixth* factor includes items associated to “Image and reputation”. This factor constitutes factor like bank’s reputation, established early, being a government bank and internal and external appearance of bank. Among the list of items included in this factor Bank’s reputation and interior & exterior appearance of bank are the most important factor while being a government bank scores the lowest mean. The finding of different studies (e.g. Mason et al., 1974; Khazeh et al., 1993; Yue et al, 1995; Almosawi, 2001) emphasize that bank reputation as important factor.

The *Seventh* factor comprises items related to “Marketing Promotion” including mass media advertisement, recommendation of friends/relative and prize attached bank service. Advertisement is the most important attribute within this factor whereas recommendation of friends/relatives is the least important. This may indicate that, banks marketing campaign is seen as more influential and likely to provide a major stimulus for bank selection decision.

4.1.4. Identified Factors Across Credit Customer Type

Analysis of variance was employed to assess how the seven identified factors operate across the three type of credit customer type as per the classification of CBE. Business, Corporate and Commercial customers type were considered in order to test the hypothesis. The null hypothesis which was hypothesized was:

Ho: there is no statistically significant difference between credit customers' classifications on determining factors affecting customer choice to be remained loyal in a bank.

To test the hypothesis, one way analysis of variance has been made based on the three credit customers' classifications and the result has shown that even though the hypothesis is accepted with respect to the seven factors but only financial advantage is operating with significant difference across the different credit customer classification. The List Significance Difference (LSD) mean separation procedure was used to compare the financial advantage factor performance in the three customer classification namely, Business, Corporate and Commercial. The pair wise LSDs test infers that Financial Advantage performance has significant difference between the customer classification Business, Corporate and Commercial, The most affected classification by this factor found to be business classification while the list affected being corporate (Annex 8). This means banks should consider their customers classification while they design financial advantage.

4.1.5. Analysis & Interpretation of the Regression Results

This section explains and discusses the results of findings based on the analysis made on the collected data descriptively. The results of the study are discussed here by triangulating the different instruments i.e. questionnaire, interviews and the literature survey results. The discussion attempts to accomplish the objectives of the study and answer the research questions.

DESCRIPTIVE STATISTICS

Under this section mean and standard deviation are the major tools to describe the data. As shown below the table from the overall responses (176) the mean satisfaction rate of the customer is 4.47 with a 0.604 deviation. These figures indicate that credit customers obtained higher level of satisfaction from the current credit service given by CBE.

Customer satisfaction of the bank

	N	Mean	Std. Deviation
customer satisfaction	176	4.47	.604
Valid N (listwise)	176		

Sources: *Computation from field survey data, 2015*

On the other hand the quality of credit service exhibits a mean value of 4.204545 and a standard deviation of 0.604. Likewise customer satisfaction, here also responses give an idea about how respondents are enjoying the quality service given by CBE. On the extent to which commercial bank of Ethiopia's quality service motivates me to continue banks with them, the respondents said to a great extent with a mean stated above.

Descriptive Statistics

	N	Mean	Std. Deviation
quality service	176	4.204545	.7658286
Valid N (listwise)	176		

Sources: *Computation from field survey data, 2015*

In similar fashion; though it shows lesser in magnitude as compared with the first two explanatory variables (customer satisfaction and quality service), still brand image shows the mean value of 3.556818 having a standard deviation of 0.9663830. This figure shows how much brand image of CBE promote credit customers to continue loyally.

Descriptive Statistics

	N	Mean	Std. Deviation
brand image	176	3.556818	.9663830
Valid N (listwise)	176		

Sources: *Computation from field survey data, 2015*

CORRELATION ANALYSIS

To figure out the relationship between customer satisfaction, brand image, service quality and customer loyalty, a Pearson product moment correlation analysis is conducted. Correlation is a number between -1 and +1 that measures the degree of association between two variables. Here if the correlation coefficient is greater than 0.5 then the association between these variables could be considered as strong.

Correlations

		customer satisfaction	quality service	brand image
customer satisfaction	Pearson Correlation	1	.596**	.415**
	Sig. (2-tailed)		.000	.000
	N	176	176	176
quality service	Pearson Correlation	.596**	1	.471**
	Sig. (2-tailed)	.000		.000
	N	176	176	176
brand image	Pearson Correlation	.415**	.471**	1
	Sig. (2-tailed)	.000	.000	
	N	176	176	176

Sources: *Computation from field survey data, 2015*

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

Here the two tailed Pearson correlation coefficient shows that there is a significant relationship between customer satisfaction and quality service, customer satisfaction and brand image, and quality service and brand image even at 1% significant level. According to the above correlation matrices there is a strong positive association between customer satisfaction and quality service valued at 59.6% in less than 1 percent significance level. Once the bank boosts its quality on service provision, then its credit customers will be satisfied more.

Equally, there is also a positive but medium relationship between customer satisfaction and brand image. The correlation between the two illustrates a value of 41.5% at 1 percent significance level. Here as the bank increase its reputation its customer's satisfaction will increase and the opposite is also true.

The last but not the least is the correlation between quality service and brand image. The quantitative result demonstrates a positive medium correlation between the two variables at 1% significance level. This statement has a message that increase in quality on service provision has a great importance to build the bank's brand image and vice versa.

EMPERICAL RESULTS OF THE REGRESSION

As indicated in the former secessions the model specified to conduct multiple regression analysis so as to find out the extent to which the factors influenced customer loyalty at commercial bank of Ethiopia. To carry out such task statistical package for social sciences (SPSS) to code, enter and compute the measurements of the multiple regressions for the study is applied. Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (customer loyalty) that is explained by all the three independent variables (customer satisfaction, brand image and Service quality).

Now it is better to remind the model formulated earlier to best realize the output.

$$L = \theta_0 + \theta_1 X_{1i} + \theta_2 X_{2i} + \theta_3 X_{3i} + \varepsilon_i$$

Where

- L stands for customers loyalty;
- X_1 stands for customer satisfaction;
- X_2 stands for quality service;
- X_3 Stands for brand image of the bank; and ε_i set up to demonstrate unexplained portion of the dependent variable through the above three important exogenous variables.

According to Bain & Company, Inc., the power of customer loyalty is clear and compelling: It leads to more profitable growth. **Loyal customers stay longer with banks that treat them well.** They buy more of their products, and they cost less to serve. They recommend their bank to their friends and colleagues, becoming, in effect, a highly credible volunteer sales force. Investing in loyalty can generate more attractive returns than rolling out an ambitious new marketing plan or building new branches. Therefore here the number of year where the credit customers stay in relation with commercial bank of Ethiopia is taken as a proxy to measure the magnitude of loyalty.

Therefore based on the above specified model it is better to look at first how much variation the dependent variable (customer loyalty) is explained by the variation in the three explanatory variables named as customer satisfaction, quality service and brand image of the bank. Consequently, looking at the value of R square shall give first rate information. By this if the value of R square is greater than 50 %, the regression could be taken as best and well fitted.

Coefficient of determination (R^2) is another statistical technique, which could measure the model adequacy. R^2 (0.829) and Adjusted R2 (0.826), which is the penalized or the modification for the limitations of R^2 indicates that the incorporated explanatory variables ((customer satisfaction, quality service and brand image of the bank) strongly explains the variation on the dependent variable. This empirical outcome indicates that the independent variables in this study are the major determinants of credit customer's loyalty to the CBE. Of course, the rest 17.1% need to be explained by other variables other than what is specified in the above model.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.911 ^a	.829	.826	.2747685	.829	278.393	3	172	.000	1.952

Sources: *Computation from field survey data, 2015*

a. Predictors: (Constant), customer satisfaction, brand image, quality service

b. Dependent Variable: customer loyalty

Multiple Linear Regression Analysis

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
-(Constant)	.165	.158		1.050	.295	-.146	.477
-Brand image	.174	.025	.255	7.009	.000	.125	.223
-Quality service	.461	.035	.535	12.985	.000	.391	.531
-Customer satisfaction	.331	.044	.303	7.586	.000	.245	.417

Sources: *Computation from field survey data, 2015*

a. Dependent Variable: customer loyalty

The above table shows the coefficients, t statistics and significance values of the coefficients. The output confirms that except the constant (θ_0), all the variables are significant at 1 percent. This is to mean that no customer stays loyal in the absence of quality service, their satisfaction and deficiency in brand image.

One of the first explanatory variables included was customer satisfaction. Customer satisfaction significantly and positively affects customers to be loyal to CBE. The data findings analyzed also shows that taking all other explanatory values constant, a unit increase in customer satisfaction will lead to a 0.331 increase in the customer loyalty. When the bank works and improves on factors which influence customer satisfaction, then credit customers loyalty has also get enhanced.

The second variable included was also brand image which is found to be significantly and positively affecting customer's to be remained loyal. In similar fashion; *Ceteris Paribus*, one unit increase in brand image will lead to an increase in 0.174 customer loyalty among customers at Commercial Bank of Ethiopia (CBE).

The third factor included as an explanatory variable was service quality and is found to significantly and positively influence loyalty of customers to CBE. Equally likely a unit increase in service quality will lead to behave a 0.461 success in customer loyalty among customers. The same result is also achieved by Karambu Kabira (2015) in his study on factors influencing customer's loyalty among commercial banks in Kenya.

From this result one can infer that quality service contributes more to the customer loyalty among credit customers at Commercial Bank of Ethiopia (CBE). Though the sign is the same the result contravenes the findings of Karambu Kariba (2015).

4.2. Data Analysis on Interview Questionnaires of CRM

As explained, in CBE there are fifty Customer relationship managers assigned to handle the credit case of business, corporate and commercial customers. The procedure empowers them as a single point of contact to discuss on credit cases of customers assigned under their domain. Out of the total CRM twenty three's are business and corporate customers' manager. These CRM have long years of experience and are qualified for the post. They know the customers behavior very well and the credit customers are also used to discuss their intention before the credit request had handed. Most of the CRMs have adequate knowledge of the credit exposure of the customer. Therefore the researcher has found that it is logical to interview the CRMs who have at least twelve credit customers under them. In connection with this, the researcher designed an interview questionnaire for twenty corporate and business CRMS. The interview questionnaire has three parts that is CRMs background information, banking behavior and six questions to identify the factors which makes the customer under their domain loyal to CBE.

4.2.1. Customer Relationship Managers profile

Out of the twenty CRMs, eight were female indicating that CBE is paying its share in capacitating female employees. And all of them are between the ages of thirty to forty implying that they are capable of giving genuine answers for the questions. More over ten of the respondents have MA/MSc degree and the remaining are having BA degree & doing their MA/MSc.

4.2.2. Respondents Banking Behavior

Nineteen of the respondents have more than ten years of working experience in CBE. Sixteen of the respondents have been working in credit department for more than five years and each CRM is handling 11-15 customers on average. The fact that they are qualified, having an age of more than thirty years with banking experience of more than ten years including in the credit areas, could evidence us the CRMs have posses ample knowledge about the customers intention to be remained loyal or leaving the Bank.

4.2.3. Factors which make credit customers loyal

In order to assess the factors that influences credit customer of commercial Bank of Ethiopia in the eyes of CRMs, the researcher pinpointed six questions and interviewed the CRMs himself. The summary of the responses of the respondents for each questions are depicted here under:

Question No. 1-Do you think that the customers under your domain are satisfied with the service offered by the Bank?

- ✚ Most of the customers were satisfied until recent years however recently most of the customers are complaining about the credit services.

Question No. 2- Do the credit exposure of the customers under your domain increasing or decreasing?

- ✚ The credit exposures of most of the private customers are showing a decreasing trend however the exposure of public and governmental organization is increasing.

Question No. 3- Do you notice that the customers under your domain are inclined to use the credit services of other Banks?

- ✚ Commencing from the previous two years, most of the customers have started to use the credit service of other Banks and some of them were already quitted the relationship with Commercial Bank of Ethiopia. This indicates that any dissatisfaction regarding the aforementioned factors, will lead to a high cost of losing exiting and additional potential customers due to the spillover effect of bad words of mouth from defecting customers.

Question No. 4-What types of customers are showing the inclination to shift to other Banks?

- ✚ Exporters are the major type of customers who started to use the service of other Banks.

Question No. 5-What are the reasons for them to look for the service of other Banks?

- ✚ Different reasons were mentioned by the CRMs that enforced credit customers to look the service of other Banks, among these:
 - CBE couldn't avail enough foreign currency for private borrowers to facilitate their import business,
 - Other banks avail foreign currency for exporters almost equivalent to the proceeds whether the exporters are importer or not,
 - In principle the credit procedure of CBE says it is not following collateral based lending, however indirectly it is collateral based by making the collateral estimation manual conservative. It is far from the reality,
 - The credit request of the customer passes through many sections of the Bank while it is sometimes approved by the branch Manager in case of other private Banks,
 - Some performers have no appropriate skill to process the credit requests specially project loans,
 - The Bank is not patient to wait beyond the shipment period for pre-shipment export loan. However enlarged period is given by other Banks etc

Question No. 6- Since when they are started to use the service of other Banks?

- ✚ Majority of the CRMs responded that the situation of the credit customers under their domain have started to simultaneously use the service of other Banks since two years ago. This response coincided with the credit customers' response hence it is a signal to the Banks top management to give focus for the customer compliant.

CHAPTER FIVE

SUMMARY, CONCLUSION AND POLICY IMPLICATION

5.1. Summary

Ethiopian banks are now operating under a more competitive financial atmosphere and rendering a wider variety of financial services. This study was investigated the determinants of banks preference and selection criteria by CBE Credit customers. The study motivated by the need to address the issue in Ethiopian context by providing recent and extensive evidence collected from bank customers on the determinants of banks preference and selection in CBE credit customers. As a result, the findings of this study can add to the body of knowledge in the bank marketing literature and can serve as a starting point on which future studies can be built. On the practical side, this study can assist bank managers to identify the important factors that may determine bank selection decisions among credit customers. Such information will help the management of banks specifically CBE in devising suitable marketing strategies for reaching, attracting and retaining customers. A total of 176 respondents from CBE head office credit department were sampled. Their responses on the importance of 30 different factors while choosing banks to be remained loyal were collected and analyzed.

The descriptive analysis result of the study revealed that most respondents fall in the age group of below 35 years. Concerning their education, about 87.5 percent of the sample respondents have passed at least a first degree. While assessing about bank selection by different customer type, the classification of respondents matters more. In this regard, almost 90 percent of the respondents are either business or corporate customers. Looking at affiliation of respondents with the respective banks, results show that about 17.6 percent of the customers have less than five years of bank experience in enjoying credit service of CBE. About 42.6 percent of the respondents have indicated a credit relationship that lasts for 5 to 10 years. Furthermore, 39.8 percent of respondents have more than 10 years of credit experience with CBE. The assessment showed that most of the customers are stayed for more than five years in CBE.

Looking at the specific credit services, customers are widely noticed while using a term loan, pre-shipment export credit and letter of credit. Apart from the existing products or services, majority of the respondents (53.4 percent) proposed additional products or services to be added. Among the list of services or products proposed by majority of the respondents include loan to sectors other than priority ones, foreign currency for import business and door step credit banking services.

While looking at the satisfaction level of respondents, the survey result revealed that about 69.9 percent of the respondents are not satisfied with the current services of the banks. Almost 58 percent of the respondents are responded that their dissatisfaction has been started since a year ago. Indicating more effort should be made to enhance customers' satisfaction by assessing the banking environment in recent periods.

There are different reasons for the respondents not to be satisfied since recently. According to the result from the study, most of the respondents specifically the business customers reason out the following:

- Adequate foreign currency has not been given since recently while they are enjoying with other banks,
- Equivalent or at least 20percent of the export proceeds is not given back to exporters either to import or sell to importers,
- The collateral estimation does not reflect the reality and
- Some of the performers have not adequate knowledge to process their request.

Result on the mean score of the thirty factors reveal that the most important factors considered to be retained loyal, is found to be the existing collateral estimation practice, ease access of loan for sectors other than priority ones, ease of getting foreign currency for import business, ease access for any type of loans, welcome reception of the bank and fast and efficient services as the top six most important ones (table 10).

The factor analysis revealed seven important factors which are responsible for credit customers bank preference and selection decisions. These factors are listed in the order of importance like financial advantage, Credit service provision, convenience bank location, accessibility, technology aided service, image and reputation and promotion. Among the above listed factors financial advantage plays an important role in the selection of banks

specially business credit customer of CBE. This entail that customers want financial advantage more than any factors to remain loyal in a bank.

However there are some factors which have least influence on bank preference and selection decisions of respondents such as having different correspondent bank, being a government bank, recommendation of friends and relatives.

The analysis result of ANOVA reveals that different types of customers do not generally have statistical differences in a way that customers ranked the importance of determinates of bank preference and selection. There are, however, business customers consider financial advantage as important attributes in their patronize decisions. Financial advantage factor is highly sensitive to Business customers than corporate and commercial ones.

One of the first explanatory variables included was customer satisfaction. Customer satisfaction significantly and positively affects customers to be loyal to CBE. The data findings analyzed also shows that taking all other explanatory values constant, a unit increase in customer satisfaction will lead to a 0.331 increase in the customer loyalty. When the bank works and improves on factors which influence customer satisfaction, then credit customers loyalty has also get enhanced.

The second variable included was also brand image which is found to be significantly and positively affecting customer's to be remained loyal. In similar fashion; *Ceteris Paribus*, one unit increase in brand image will lead to an increase in 0.174 customer loyalty among customers at Commercial Bank of Ethiopia (CBE).

The third factor included as an explanatory variable was service quality and is found to significantly and positively influence loyalty of customers to CBE. Equally likely a unit increase in service quality will lead to behave a 0.461 success in customer loyalty among customers.

5.2. Conclusion

- ✚ Customer's satisfaction, brand image and quality services are found to significantly and positively affect customer's loyalty to the CBE.
- ✚ Credit customers' choice is influenced by several factors. The factors as per their priority order: Financial Advantage, Credit service provision, Location and convenient, accessibility, Technology aided service and Marketing promotion are influential for credit customer to choose their Bank and being loyal.
- ✚ Credit customers of CBE are not satisfied with the foreign currency granting mechanism of the Bank. Especially business customers those engaged in export as well as import businesses need FCY, the current export market is not profitable for exporters and they are compensating with the income from the import business. However these customers are given priority to take the FCY proceeds for their import business in other private Banks. When compared to other private Banks, the CBE collateral estimation is not reflecting the current market (far from the reality), there is lack of adequate experience in processing the customer's request by credit performers of CBE.
- ✚ Financial advantage is highly sensitive for business customers of CBE in order to make them loyal to the Bank.

5.3. Policy Implications

Based on the findings of the study, the following policy implications are forwarded.

- ✚ Factors in the order of significance such as financial advantage, Credit service provision, Location & convenience, Accessibility, Technology aided services, Image & reputation and promotion strategy are influential in persuading the Commercial Bank of Ethiopia credit customer to be remained loyal for long years. The empirical finding also support this as customer's satisfaction, brand image and quality services are found to significantly and positively affect customer's loyalty to the CBE. Therefore management should pay attention to these factors while designing strategies in credit areas.
- ✚ A financial advantage is one of the important factors identified for customer preference and selection of banks and has statistical significance by business customers. According to Rosenberg and Czpeil (1984) cited in Robert. E and Marc. V. (2008) it is between five

to ten times more expensive to win a new customer than to retain an existing one. The bank should acknowledge that some customers are more profitable than others (i.e Business customers) and it is prudent from business perspective to give more attention especially in financial advantage to them.

- ✚ It is evident that Commercial bank of Ethiopia has paying its corporate value by providing loan and foreign currency to the government projects in which that will lay a better ground for private business men in the future. However some part of the foreign currency is secured from private customers who are in a desperate need of the FCY for their import business and or commission to compensate the losses occurred from export businesses. But the customers used to get the FCY from private banks through different means. Therefore, CBE's top management should design a strategy on how to give some part of the foreign currency to importer exporters from their proceeds, enforce NBE to avoid if there is any malpractices in import and export business or design a proposal that FCY to be given by NBE until the shortage of FCY become solved.
- ✚ Customers propose the need for clean loan and in principle the Bank is adopting non collateral based lending by giving priority to the business viability. However it is found out that the collateral estimation manual couldn't reflect the current market price and as per other Bank's estimation. And even though the loan is approved irrespective of the collateral value, the customer feels discomfort that their property is being undervalued by the Bank. Due to this reason only the customers couldn't accept the approved loan. Therefore the top management should revise the collateral estimation manual by assessing the current practices throughout the Country.
- ✚ The results of the study reveals that customer satisfaction and loyalty should be enhanced by improving customer satisfaction, quality service and brand image of the Bank. This makes bank customers to be more satisfied with the services they have acquired and become loyal to the bank. Therefore the top management of the Bank should have a focus on the three variables while designing marketing strategy that have direct impact on customer loyalty.

5.4. Suggestion for Further Research

- ✚ The study is confined only to one Bank. However it would have been more fruitful if it considers other banks' credit customers. Thus the researcher suggests a comparative study to be made in further research. The researcher also proposes further researches to be made to assess and identify facts associated with geographical variation versus customer preference of bank selection and considering the choice between private and public banks in patronage situation.

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Annex 1: Survey Questionnaire to credit customers

Dear Respondent,

My name is Deksios Bezabih. I am a student in the post graduate program of the Addis Ababa University. I am conducting a research on the topic: Determinants of Credit Customers Choice of Banks, to fulfill the partial requirements for the Executive Master of Business Administration (EMBA) degree. This questionnaire is, therefore, designed to collect firsthand information/data on the topic under caption. Since the information acquired is for academic purposes the anonymity of the respondent is guaranteed. Hence, it is not necessary to write your name on the questionnaire. This is, therefore, to kindly request you to take a few minutes to fill out the questionnaire as genuinely and completely as possible.

I remain grateful to you for your kind cooperation.

Deksios Bezabih

August 2015

Addis Ababa

Part I: Respondent Profile

Please put a “√” mark in the appropriate space to indicate your answer.

1	Gender	Male	
		Female	
2	Age	18-30	
		31-35	
		36-45	
		>45	
3	Position in the business (you can mention more than one)	General Manager	
		Owner	
		Finance Manager	
		Other	
4	What form of business you are engaged	Sole proprietorship	
		Private Limited Company	
		Share Company	
		other	
5	What is your qualification	MA / MSC and above	
		Degree	
		diploma	
		12 grade	
6	What sector your company/business engaged with (you can mention more than one)	Export	
		Import	
		Manufacturing	
		Agriculture	
		Other	

Part II: Banking Behavior of Respondent

1. What is your business classification as per Commercial Bank of Ethiopia classification?

1, Business 2, Corporate 3, Commercial

2. For how long have you been using Commercial Bank of Ethiopia's credit services?

1, 0-5Years 2, 5-10Years 3, 10Years and above

3. What type of loan do you enjoyed in the bank? (Multiple answers possible).

1	Term Loan		5	Letter of Guarantee facility	
2	Pre-shipment export Credit		6	Merchandise Loan	
3	Letter of Credit facility		7	others	
4	Overdraft facility				

Other, Please specify

4. Do you need any other services/products apart from the services/products currently rendered by Commercial Bank of Ethiopia?

Yes No

5. If your response for Q3 is yes, what type of service/products (credit type) do you need to get?

6. Are you satisfied with credit services that you are currently provided?

Yes No

7. If your response for Q5 is No, what could be done to solve these problems?

8. Do you have an intention to change your banking service provider?

Yes No

9. If your answer to Q7 is yes, please elaborate why?

_____.

10. Are you enjoying the credit service of other Banks also?

Yes No

11. Since when you have started to use the credit service of other Banks?

1. 5 years 2. 3 years 3. 1year

12. If your answer to question No. 10 is “yes” which is/are the possible reason/s?

- 1, not getting adequate foreign currency to your import business from CBE
- 2, prompt approval of my request even though the interest rate is high in other Banks
- 3, equivalent foreign currency is obtained for your import business from the proceeds obtained from your export business.
- 4, the collateral estimation value is much more less than the market value in CBE unlike other Banks
- 5, lack of adequate knowledge of employees while processing your credit request in CBE

13. If you ever changed your customer bank, does the current bank solve your banking service problems? Yes No

Part III: Bank Selection Factors (factors which makes customer loyal)

This section will try to assess the importance of different factors considered to have an effect on Commercial Bank of Ethiopia’s credit customer bank selection (remain loyal) based on respondents rating. Here you are expected to rate the significance of the following listed factors in selecting to be remained loyal in Commercial Bank of Ethiopia using a five scale measurement criteria. Please circle one number representing your rating for a particular factor by using the following scale: **5= Very Important, 4= Important, 3= Moderately Important, 2=somewhat important and 1=Least Important (Not important at all).**

No	Factors	Rating Scale				
		5	4	3	2	1
1	Proximity to home/work					
2	More number of branches					
3	Availability of large branch network					
4	Welcome reception of the bank					
5	Branch opening hours					
6	collateral estimation manual of the Bank					
7	Security arrangement of the bank					
8	Availability of ATM in several locations					
9	Connectivity to other bank's ATMs					
10	Internet and Mobile banking facilities					
11	Availability of parking space					
12	Mass Media Advertisement					
13	Recommendation of friends/relatives					
14	Having different correspondent Banks					
15	Low Interest rate and service charges					
16	Access of loan for sectors other than priority ones					
17	Bank's reputation					
18	Established early (the oldest bank)					
19	Ease of getting FCY for your import business					
20	Fast & Efficient services					
21	Being a governmental bank					
22	Convenient of bank Location					
23	Competency of the employees to process the request					
24	Liquidity position of the Bank to get long term loans					
25	Good complaint handling					
26	Ease of opening an account					
27	Interior and Exterior appearance of bank					
28	Ease access for loans					
29	Ease of contacting managers					
30	prize attached bank service					

Annex 2: Interview Questionnaire to CRMs

Dear Respondent,

My name is Deksios Bezabih. I am a student in the post graduate program of the Addis Ababa University. I am conducting a research on the topic: Determinants of Credit Customers Choice of Banks, to fulfill the partial requirements for the Executive Master of Business Administration (EMBA) degree. This questionnaire is, therefore, designed to collect firsthand information/data on the topic under caption. Since the information acquired is for academic purposes the anonymity of the respondent is guaranteed. Hence, it is not necessary to write your name on the questionnaire. This is, therefore, to kindly request you to take a few minutes to fill out the questionnaire as genuinely and completely as possible.

I remain grateful to you for your kind cooperation.

Deksios Bezabih

August 2015

Addis Ababa

Part I: Respondent (Customer Relationship Manager) Profile

Please put a “√” mark in the appropriate space to indicate your answer.

1	Gender	Male	
		Female	
2	Age	18-30	
		31-35	
		36-45	
		>45	
5	What is your level of education	MA / MSC and above	
		Degree	
		diploma	
		12 grade	

Part II: Banking Behavior of Respondent

14. For how long do you have work experience in CBE?

- 1, <1year 2, 1-5years 3, 5-10years 3, 10-15years
4, >15

15. For how long have you been working in credit department?

- 1, 0-5Years 2, 5-10Years 3, 10Years and above

16. How many credit customers do you serve as a relationship manager?

- 1, 1-5 2, 6-10 3, 11-15 4, 16 and above

Part III: Bank Selection Factors (factors which makes customer loyal)

1. Do you think that the customers under your domain are satisfied with the service offered by the Bank?
2. Do the credit exposure of the customers under your domain increasing or decreasing?
3. Do you notice that the customers under your domain are inclined to use the credit services of other Banks?
4. What types of customers are showing the inclination to shift to other Banks?
5. What are the reasons for them to look for the other Banks services?
6. Since when they are started to use the service of other Banks?

Annex 3: Results of Profile Data of the Respondents (Credit Customers)

			Frequency	Percent	Valid	Cumulative
	Gender	Male	155	88.1	88.1	88.1
		Female	21	11.9	11.9	100.0
	Age	18-30	62	35.2	35.2	35.2
		31-35	37	21.0	21.0	56.3
		36-45	59	33.5	33.5	89.8
		>45	18	10.2	10.2	100.0
Position in the business	General Manager	yes	150	85.2	85.2	85.2
		no	26	14.8	14.8	100.0
	Owner	yes	90	51.1	51.1	51.1
		no	86	48.9	48.9	100.0
	Finance Manager	yes	25	14.2	14.2	14.2
		no	151	85.8	85.8	100.0
Other Position	no	176	100.0	100.0	100.0	
	Form Of business	sole proprietorship	43	24.4	24.4	24.4
		Private Limited	113	64.2	64.2	88.6
		Share Company	20	11.4	11.4	100.0
	Education	MA/MSC and above	73	41.5	41.5	41.5
		Degree	81	46.0	46.0	87.5
		Diploma	13	7.4	7.4	94.9
		12 grade	9	5.1	5.1	100.0
Sector engaged	Export	yes	135	76.7	76.7	76.7
		no	41	23.3	23.3	100.0
	Import	yes	130	73.9	73.9	73.9
		no	46	26.1	26.1	100.0
	Manufacturing	yes	44	25.0	25.0	25.0
		no	132	75.0	75.0	100.0
	Agriculture	yes	20	11.4	11.4	11.4
		no	156	88.6	88.6	100.0
	Other Sector	yes	39	22.2	22.2	22.2
		no	137	77.8	77.8	100.0

Source: Computation from field survey data, 2015

Annex 4: Status of NPL

In million of Birr

Particulars	2009/10 Base line	2010/11	2011/12	2012/13	2013/14	2014/15
Sub-standard	73	56	211	1,242	205	770.3
Doubtful	46	9	31	74	158	415
Loss	279	228	188	251	933	802.6
Total NPL	398	293	430	1,567	1,296	1,987.9
Total Loan & Advances	22,859	34,217	58,327	70,432	89,665	111,435
NPL Ratio	1.7%	0.9%	0.7%	2.2%	1.4%	1.8%
NPL Plan		1.2%	1.14%	1.08%	1.02%	1%

Source: *Corporate Strategy Implementation assessment Report 2010/11-2014/15*

Annex 5: The Mean Score of Each Criterion

Factors	Mean
F6_Collateral estimation practice	5.00
F16_Access of loan other than priority ones	5.00
F19_Ease of foreign currency for import business	5.00
F28_Ease access for loans	5.00
F4_Welcome reception of the bank	4.62
F20_Fast & Efficient services	4.57
F23_Competency of the employees to process credit request	4.53
F3_Availability of large branch network	4.49
F15_Low Interest rate and service charge	4.48
F5_Branch opening hours	4.42
F2_More number of branches	4.34
F26_Ease of opening an account	4.27
F29_Ease of contacting managers	4.23
F25_Good complaint handling	4.22
F1_Proximity to home/work	4.14
F8_Availability of ATM in several locations	4.12
F24_Liquidity position of the Bank to get long term loans	4.09
F7_Security arrangement of the bank	4.04
F22_Convenient of bank Location	3.94

F17_Bank's reputation	3.85
F27_Interior and Exterior appearance of bank	3.81
F9_Connectivity to other bank's ATMs	3.77
F10_Internet and Mobile banking facilities	3.68
F11_Availability of Parking space	3.64
F12_Mass Media Advertisement	3.53
F30_prize attached bank service	3.51
F18_Established early (the oldest bank)	3.41
F14_Having different correspondent Banks	3.23
F21_Being a governmental bank	2.99
F13_Recommendation of friends/relatives	2.62

Annex 6: ANOVA results for Business, Corporate & Commercial customers

		Sig.
	Between Groups	.427
	Within Groups	
Technology_Aided_Services	Total	
	Between Groups	.082
Credit_Service_Provision	Within Groups	
	Total	
	Between Groups	.294
Promotion	Within Groups	
	Total	
	Between Groups	.691
Accessibility	Within Groups	
	Total	
	Between Groups	.085
Location	Within Groups	
	Total	
	Between Groups	.027
Fiancial_Advantage	Within Groups	
	Total	
	Between Groups	.601
Image_and_reputation	Within Groups	
	Total	

Significant at P<0.05

Annex 7: Anova results for Financial Advantage only

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.737	2	.368	3.697	.027
Within Groups	17.240	173	.100		
Total	17.977	175			

Annex 8: Post Hoc Tests

Multiple Comparisons

Dependent Variable: Fiancial_Advantage

LSD

(I) What is your Business classification as per Commercial Bank of Ethiopia classification?	(J) What is your Business classification as per Commercial Bank of Ethiopia classification?	Mean Difference (I-J)	Std. Error	Sig.
Business	Corporate	.13291*	.05023	.009
	Commercial	.11568	.08245	.162
Corporate	Business	-.13291*	.05023	.009
	Commercial	-.01723	.08245	.835
Commercial	Business	-.11568	.08245	.162
	Corporate	.01723	.08245	.835

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

Annex 9: Lists of Banks operating in Ethiopia

S.N	Name of the Bank		
1	Development Bank of Ethiopia	11	Lion International Bank S.C
2	Commercial Bank of Ethiopia	12	Zemen Bank S.C
3	Construction and Business Bank	13	Oromia International Bank S.C
4	Awash International Bank S.C	14	Buna International bank S.C
5	Dashen Bank S.C	15	Berhan International Bank S.C
6	Bank of Abyssinia S.C	16	Abay Bank S.C
7	Wegagen Bank S.C	17	Addis International Bank S.C
8	United Bank S.C	18	Debub Global Bank S.C
9	NIB International Bank S.C	19	Enat Bank S.C
10	Cooperative Bank of Oromia		

Annex 10: FCY Payment by sector

In millions of USD

Particulars	2009/10 Base line	2010/11	2011/12	2012/13	2013/14	2014/15
1. Total Import (A+B)	3,361	3,661	6,429	5,846	6,190	6,661
A. Public Import		3,158	5,423	5,004	4,642	4,783
B. Private Import		504	1,006	842	1,548	1,878
2. Transfers		268	428	218	197	239
others		521	295	197	232	281
Total Payments	3,361	4,450	7,151	6,261	6,619	7,181

Source: *Corporate Strategy Implementation assessment Report 2010/11-2014/15*

Annex 11: Loan and Bond disbursement

In million of Birr

Particulars	2009/10 Base line	2010/11	2011/12	2012/13	2013/14	2014/15
Term Loan	10,351	17,780	37,373	34,632	45,824	45,031
Private	4,622	4,919	8,696	6,956	11,136	10,132
Public	4,967	11,946	27,813	26,839	33,321	33,713
Cooperative	762	915	864	837	1,367	1,186
Bond	8,936	18,167	23,501	21,875	33,200	44,550
Total	19,287	35,947	60,874	56,507	79,024	89,581

Source: *Corporate Strategy Implementation assessment Report 2010/11-2014/15*

Annex 12: FCY earning

In millions of USD

Particulars	2009/10 Base line	2010/11	2011/12	2012/13	2013/14	2014/15
Export	657	1,041.0	1,274	1,071	1,126.1	972.8
Remittance	2,013.3	3,060	3,627.4	3,740.9	4,406	4,628.1
FCY Purchase	925.9	456.6	462.9	318.1	416.8	199.1
Service Receipts		1,134.4	1,364.5	1,323.2	1,478	1,517.5
Private Transfers	778	914	1,183.4	1,600.1	1,852.3	2,030.3
Official Transfers	309.4	555	616.6	499.5	658.9	881.2
Total Inflow	2,670.3	4,101	4,901.4	4,811.9	5,532.1	5,600.9

Source: *Corporate Strategy Implementation assessment Report 2010/11-2014/15*