Addis Ababa University

College of Business & Economics

Department of Management

Factors Affecting Customer Preference of Financial Service: Evidence from Micro Financial Institutions operating in Bishoftu Town

By

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Factors affecting customer preference on financial services of Micro financial Institution of Bishoftu Town

A Thesis submitted to Addis Ababa University Department of Management in Partial Fulfillment of the Requirements for the Degree of Masters of Arts in Business Administration.

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Approved by: Board of Examiners

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Declaration

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

Declared by;

Name: _______________

Signature: _______________

Date: _______________

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Acronyms

ADCSI	Addis Credit and Saving Institution
AEMFI	Association of Ethiopian Microfinance Institution
AVFS	Africa Village Financial Service
MFIs	Microfinance Institutions
NBE	National Bank of Ethiopia
NGO	Nongovernmental Organization
OCSSCO	Oromia Credit and Saving Share Company
SFPI	Specialized Financial and Promotional Institution
SPSS	Statistical Package for the Social Sciences

Abstract

Microfinance is the provision of financial services and the management of small amounts of money through a range of products and a system of intermediary functions that are targeted at low income clients. So far very few studies have been conducted in the area of customer satisfaction of microfinance services. This study therefore sought to identify the factors affecting customers' preferences on choosing and using Financial Services of Micro Finance Institutions. Both qualitative and quantitative research methods were employed to achieve the objective of the study. In order to make the preference of the customers more representative; random sampling procedure was used for selection of respondents from the customers of the selected Microfinance Institutions found in Bishoftu Town by selecting their active customers from their files. The questionnaire survey was employed on a sample size of 393 customers. However, 384 questionnaires were returned with important information. Descriptive and inferential statistic such as frequency, percentage, and regression analysis were used to analyze data. The result of explanatory and regression analysis showed that five factors named as service quality, price of products and services, convenience, governments regulations and financial literacy explained 32% of variation in the preference of respondents. The Questionnaire was piloted so as to improve its validity. From the findings, customer preference (choice) on financial services of a microfinance institution affected by service quality, price of products and services, convenience and government regulations. Whereas, financial literacy flexibility and culture do not influence customer preference of a microfinance institution customers. As customers place more emphasis on these factors, the Micro Financial Institutions should considered seriously on service quality, price, convenience and polices and regulations in designing their marketing strategies by strengthening their customer relationship management and providing good customers services to customers.

Keywords: Customer preference, Micro financial Institutions, Bishoftu town, Ethiopia

CHAPTER ONE

1. Introduction

1.1. Overview of Microfinance, Financial Services and Customers' Preferences for Microfinance

Microfinance is the supply of loans, money transfers, insurance, and other financial services to low-income people. Microfinance institutions (MFIs) Which encompass a wide range of providers that vary in legal structure, mission, and methodology offer these financial services to clients who do not have access to main stream banks or other formal financial service providers (Latourcade et al.,2005). Similarly Parka et al., (2000) defined microfinance as provision of small loans (called "micro-credit") or savings services for people excluded from the formal banking system.

MFIs financial services:- As its literally meaning, microfinance refers to the whole range of financial services being offered to mostly low-income people. This may include microcredit, microfinance and saving deposits from low-income households (micro savings). Sometimes, it even involves helping clients business and financial advices (Bramono etal.na). The inclusion of saving services to the poor is important as it allows the microfinance institutions to do banking like activities to community. According to Armendarize and Mordven(2010), this is more important than the role of microfinance giving a microcredit. Compared to financial services from bank, there are distinctive features of microfinance services. As noted by Syaikhu et al.(2004), the micro finances are small in size both for credit and saving services. No collaterals requirements are another distinctive feature.

The terms microcredit and microfinance are actually two different concepts. However as the two terms are very closely related, they are often misuse interchangeably. Micro-credit refers to small amount of credit (loans) disbursed by microfinance institutions (MFIs) to customers that are not served by the regular financial system. Usually the repayment is short and no collateral is required. Also, the typical borrowers are from low income individuals and households who have no or very few assets that can serve as collateral (Bousman 1989 cited in Janssen (2009).

Other characteristics are that micro-credit is usually in the scheme of group lending with rigorous monitoring and progressive lending to lower the risks of default and to lower the cost of monitoring and administration (Bramone et.al.,na). The reason is that the selection of borrower is done group members. This to ensure that trustworthy and creditworthy of the borrower is admitted in to the group. Furthermore, other group members know their fellow villager best.

According to Dejene Aredo(1998) MFIs are often defined interns of the following characteristics:-

i. Targeting the poor (especially women),

ii. Promoting small business,

iii. Building capacity of the poor,

iv. Extending small loans without collaterals,

v. Combining credit with saving;

According to Joan Parker (2000), poverty has always been a concern of microfinance; and some microfinance institutions are methodologies that target the poor as separate client groups, while others are based on non-targeted financial services for all those who lack access to formal credit institutions.

Customer preferences for financial services- customer preferences are expectations, likes, and dislikes, motivations and inclinations that drive customer purchasing decisions. Customer preference for financial service of MFI is an individual customer likes and dislikes to use the products and services of microfinance institutions. Preferences refers to certain characteristics any customer wants to have in a good or service to make it preferable to him. This could be the level of happiness, degree of satisfaction, utility from the products and services. Preferences are the main factors that influence consumer demand. Preferences can be affected by a person’s surroundings and upbringing interns of geographical location, cultural background, religion beliefs, and education.

Microfinance in Ethiopia

Ethiopia is one of the poorest countries in the world. Even if Ethiopia is said to have the sound largest microfinance users in sub-Saharan Africa, there is still a lot to be done to increase the service of micro-finance and improving the quality of service and outreach of microfinance institutions. According to Wolday Amha(2000), the delivery of financial services by MFIs in Ethiopia has been viewed as the strategy to secure food, poverty reduction and development of the economy. There are now a growing number of new microfinance institutions in Ethiopia. The National Bank of Ethiopia (NBE) supervises MFIs in Ethiopia. The Ethiopian government has laid down a regulatory framework for the establishment of MFIs by issuing proclamation No. 40/1996 that provides for the licensing and supervision of MFIs. Since then issuance of this proclamation in July 1996, 36 Microfinance Institutions have legally been registered and started delivering microfinance services.

The capacity of the conventional banking sector in Ethiopia has been too weak to serve the need of the rural community. Few Weradas in the country have bank branches. Even if there are banks in these Weredas, due to collateral requirement the rural poor have limited access to the conventional banks. Since micro enterprises have very limited access to formal finance credit from banks, specialized financing schemes must be designed to facilitate specialized financing access to the poor, enhancing their productivity and income generating capacity.

In Ethiopia, the rural financial landscape essentially is dominantly informal. Supply of formal services is still very weak or inexistent. Very few banks operate, there is little lending activity and virtually no savings mobilizations, mainly because of the high transaction costs, involved. For a number of reasons for instance lack of accessibility or cultural specificities. Demand for these financial services is also remain constrained. Money is borrowed or lent by individuals and households hoard or saved at home, in rotating savings and credit associations (the Equib system), social insurance system (such as Iddirs) etc.

Equib is the local version of rotating saving and credit associations whereby group members meet regularly to collect contributions of equal amount from the members and to allocate the amount. This allocation is based on a lottery system as a loan to one member.

On the other hand Iddir is a local insurance mechanism whereby members regularly contribute to a pool from which they are entitled to a lump-sum to meet expenditures mainly related to burial ceremonies in the case of death of a family member. These informal sources however, do not generate enough affordable finance for business to stimulate economic development.

In Ethiopia, MFIs are concentrated in the capital city of Addis Ababa and other major regional cities which leaves many poor people in demand of small scale financial services (AEMI, 2007), however this situation should not be considered as the mere weakness of the MFIs, it has to do with the role of the government and other concerned organizations to improve infrastructure status of remote areas which definitely restricts MFIs from opening branches in the regions.

1.2. Problem Statement

Many researchers (e.g. Deribe et al, 2013; Hurissa R., 2012; Wale Le., 2009; Wolday Amaha, 2003; Yenesw A.,2014) have conducted different research on the MFI side in relations to the impact of microfinance financial service in poverty reduction, their performance, challenges, success factors of these institutions in various countries including in our country. However, this researcher believes that the factors affecting the customer's preferences for financial services of MFI (the customer side) is overlooked, this can be observed by the fact that a little researches have been done in this regard especially no research in our country.

Vamir Ahmed, Muhammad Wasim (2017) conducted a research on the determinant factors of consumer preference toward the financial service of Pakistan microfinance institutions. Their research was conducted based on the key determinant factors of consumer preferences such as MFIs approach, Terms and Conditions, Loan and Interest rate. And their research was focused on loan product-microcredit only related to the determinate factors of customer preferences towards microfinance services: A customer perspective from Pakistan. Their study shows that all the determinate factors are statistically significant with positive relationship with that of consumer preferences. Which means if MFIs fail to deliver or fail to deal with their customers fairly will result in lower customers' preferences. Similarly their result shows that any tightness in terms and conditions of microfinance institutions will result in lower consumer preferences. Their study also shows that the amount of loan and the interest charged by the MFIs is negatively related but less significant on the consumers' preferences of microfinance products.

The current research, however, focus on the following determinate factors on customer preferences towards microfinance financial services: Financial service quality, convenience, flexibility, price of products and services, government regulation, culture and financial literacy of customers. And this research also focuses on other microfinance products and services like saving, money transfers and micro insurance services. The current literatures on microfinance in Ethiopia lack studies on customers' preferences on Microfinance institutions' products and services and this study is an attempt to bridge this gap. So, this research will assess the factors affecting the preferences of the customer on financial services of MFI in Ethiopia in order to recommend the mechanisms by which their challenges could be addressed, it will also look into the experience of other countries that are benefited from the link between MFIs financial services and their customers preferences so as to share this experience in Ethiopia's context.

1.3. Research Questions

1. What are the factors that affect customers preferences of financial services regarding MFI's'?
2. What is the extent of influence of flexibility, convenience, service quality, price of MFIs' products and services, culture, financial literacy and government regulation on customers' preferences for financial services of MFIs?

1.4. Research Objectives

1.4.1. General Objective

Preferences are the main factors that influence consumer demand. Economists study preferences to perceive the demand for each commodity and the future implications it may cause. Microfinance started in Ethiopia in 1996, but has not been able to meet the need of the poor. Demand study also indicates that people are also unaware of the potential of microfinance. Poor households are in a continual need of the financial tools to improve their productivity and secure the best possible consumption and investment choices. So the objective of the study is to identify the factors affecting customers' preferences for financial services of MFIs and to determine the relationship between customer preferences for financial services and the identified factors, at the end to conclude and suggest.

1.4.2. Specific Objectives

- To identify the factors that are affecting customers' preferences for financial services of MFIs.
- To determine the relationship between the customers' preferences and the identified factors

1.5. Significance of the Study

The study conducted on the title of factors affecting customers' preferences for financial service on MFIs in Ethiopia is expected to be used and be applied both by the academicians and MFI's managements.

Accordingly, the following are the two significances that the researcher tries to address by the study.

- The study will help MFIs to manage their financial services by letting them know what affects their customers and which variable is the most important so that should be given due emphasis.
- The study adds knowledge on the field of MFIs. The study that are conducted on the factors affecting MFIs customer presences for financial services are rare, then the study will be an important reference material on the field of financial services of MFIs.

1.6. Limitation of the Study

During the study the researcher may face some uncontrollable (external) variables such as time constraint, lack of relevant and up to date published literatures mainly in the context of Ethiopia, and absence of full information displayed on websites are the major constraints during the study.

1.7. Scope

The study is limited to Oromia regional state, Bishoftu town as research setting. The survey appears to concentrate only on those MFIs that are partially and fully operating in the town. Thus, the scope of the assignment included identification of sample units and filling of the questionnaires with the maximum quality. The scope of the work extends further to processing these questionnaires with necessary diligences and includes the task of an in-depth analysis.

1.8. Organization of the paper

The general structure of this study consists of five chapters. The first chapter is introduction part which built upon background of the study, statement of the problem, objectives of the study, importance of the study, scope and limitation of the study. The second chapter presents literature review that had systematically organized from different books, journals, MSEs establishment proclamations and directives and company records..The third chapter dealt with method of the research which consists of description of the study area, research approach, research design, population and sample, data sources and types, data collection procedures, ethical consideration and data analysis. The fourth chapter consists of analysis of data and interpretation of findings. Finally, conclusions and recommendations are presented in the fifth chapter.

CHAPTER TWO

Literature Review

2.1. Introduction:

A literature review of journals and research was discussed in this chapter which is related to factors that influence the customer's preferences on choices of MFIs for microfinance products and services. In this chapter, numerous of empirical researches have been reviewed to determine the relevant variables to strengthen the reliability of this theoretical model, empirical and conceptual basis of the study.

2.1.1. The Evolution of Microfinance

According to Capurro (2017) quoting Becchetti (2008); and Pizzo et al. (2013), the history of microfinance can be traced back to the medieval institutions called Mounts of Piety in Italy during the 15th century. They were managed by the Catholic Church and aimed to give small cash loans at low interest rates to the ones in need: it was an early form of institutionalized aid and charity. However, to access the money, the person was required to deposit to valuable item (pledge), both in economic and emotional terms. The amount disbursed was proportional but usually small compared to the item actual economic value; while the attachment to the item guaranteed the borrower's commitment to pay back the debt. Since the Mounts of Piety were depend on the charity and donations of well-off individuals, they were not however economically sustainable

He also said that the modern concept of microfinance was theorized and implemented by M.Yunus during the 1970s, when some regions of Bangladesh were hit by a pervasive flooding and subsequently suffered from famine quoting (Armendariz et al.2010; Beccheti 2005; Pizzo et al. 2013). On that occasion Yunus started lending small amount of money to women in Jobra, a village close to the Chittagong University campus, who managed to pay back these informal loans. The success of both such experiments and the ones that followed leads to the foundation of Grameen Bank in 1976 by the Bagladish economist. It was the first bank to address directly and exclusively the financial constraint of the poor and this strategy was based on trust and commitment rather than main stream solvency requirements such as collateral, steady employment, veritable credit history and others (Armendariz et al. 2010; Bauchet et al. 2011; Pizzo et al. 2013).

The pioneer Grameen Bank experience showed that making profits and pursuing social goals (eg. Credit access to the unbanked, gender empowerment, education promotion etc) were not exclusive but actually compatible objectives. Such “win-win” conditions therefore attracted the attention not only of scientists and actors interested in development like governments and international agencies but also of financial players interested in profit maximization. Consequently in the following decades, the 80s and 90s, microfinance established itself as a new bottom-up alternative, compared to the widespread top down multilateral aid transfers and programs for poverty alleviation in particular in developing countries (ISPF course 2014; Pizzo et al. 2013). Concurrently since microfinance was a relatively new and small market offering room and profit opportunities, financial institutions and investors whose priorities were detached from social and economic development goals, joined the sector. The increasing flow resources and notoriety of the microfinance industry also eased a process of “commercialization” that has created some ideological turmoil, because it has been identified with a “miss-drift” and brought to spit light by many experts. The win-win proposition was in part responsible for this shift because MFIs (Microfinance Institutions) initially were subsidized through public funds, but afterwards they were progressively required to become both socially and economically viable. This pressure has modified their internal (mission, services, practices, etc) and external (depth and breadth of outreach) structure, thus distancing MFIs from their original characteristics: small loans, serving the poorest of the poor, etc (Armendarize et al. 2010), Ausbling et al. 2013; Bauchet et al 2011; copestake 2007: Mersland et al. 2010; Murdoch 2000; Sinha 2006).

However, nowadays microfinance involves a set of financial constraints of households and small business that are unqualified to access the formal credit market. Such financial tools allow these vulnerable economic actors to cope with consumptions needs, exogenous shocks, investment projects etc., thus promoting their financial inclusion (Armendarize et al. 2010; Bauchet et al.2011; Pizzo et al. 2013; Van Rooyen et al.2012). Each of these services materializes itself in panoply of different financial arrangements depending on the context, the mission of the MFI, the type of borrowers etc. Wolday (2001) stated that although microfinance alone cannot provide infrastructure such as roads, housing, health, water supply and education services, it contributes important role in order to realize the above interventions. In addition, it empowers the poor and provides them with the financial resources to increase income and access to social services.

2.1.2. Microfinance and Microcredit

In most research papers, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. Though it is true that the two are similar in nature and tends to perform similar functions, microcredit it obviously a small part of subset of microfinance. The main difference among terms is about the range of servic d the targeted clients. For example APB (2000) defines microfinance as the provision of a broad range of financial services such as loans, deposits, payment services, money transfers and insurance to poor-income households and their micro-enterprise.

In general, microfinance is a broader term than microcredit and covers financial services that provide a greater scope of access for the poor. Microfinance also includes imparting entrepreneurial skills and trainings, along with advice on many matters for a better living such as health, nutrition, educating children and improving living conditions. Tolosa (2011) states that most people think of microfinance as providing very small loans to entrepreneurs to start small business. This is what is known as microcredit and forms a large part of what is considered microfinance but as mentioned above; microfinance is the provision of a broad range of financial services to the poor, including credit.

2.1.3. Characteristics of Microfinance

Microfinance makes easy access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generating activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be “bankable” that is, they can repay both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary. According to Mohamed (2007) quoting Murray, U. and Boros, R. (2002) stated the characteristics of microfinance products which include but not limited to:

- Small amounts of loans and savings and application procedure are simple.
- Short-term loan (usually up to the term of one year).
- Payment schedules attributes installments(in frequent deposits)
- Easy entrance to the microfinance intermediary sales the time and money of the clients and permits the intermediary to have a better idea about the clients financial and social status.
- Short processing periods (between the completion of the application and the disbursement of the loan).
- The clients who pay on time become eligible for repeat loans with higher amounts.
- The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time.
- No collateral is required contrary to formal banking practices. Instead of collateral, microfinance intermediaries use alternative methods like, the assessments of clients' repayment potential by utilizing social information rather than cash flow analyses.

2.2. The Overview of Financial System in Ethiopia

Finance refers to the process by which markets deal with cash flows overtime. Financial markets make possible for individuals partnerships and governments to borrow and lend. Institutions that perform this sort of market function, matching borrowers and lenders or traders are called financial intermediaries. Financial intermediaries include banks, insurance companies, and MFIs. Financial sector can play a significant role in improving resource allocation, food security, alleviating poverty and economic growth of a country (Yitay, 2011).

The Ethiopian financial system, generally speaking falls into two categories. These include; formal and informal system. The formal financial system is a regulated sector which is well organized and provides financial services mainly to urban areas with the exception of MFIs. This formal financial system in Ethiopia is mainly composed of financial institutions such as Banks, Insurance Companies and Microfinance Institutions. The informal financial system includes Equib (Rotating saving and credit association), Eddir and others, which are not regulated by NBE (Kassa, 2010). Currently there 16 private and 2 government owned banks, 14 private and 1 government owned insurance companies and 31 microfinance institutions owned by regional governments (NGOs), individuals and associations as may, 2012(NBE, 2012).

According to Yitay (2011) the capacity of the conventional banking sector in Ethiopia has been too weak and bureaucratic to serve the need of rural community. The majority of the rural poor get access to financial services through the informal channels. Much of demand for rural finance is met through the informal sector (Yitay, 2011). The inability of traditional banks to address the financial demand of the rural poor is the initiation to design new strategies for delivering financial services to the poor. The microfinance institutions are mainly designed to provide low income urban and rural banking services and mobilizing small savings.

2.2.1. Overview of Microfinance Institutions Development in Ethiopia

Microfinance development in Ethiopia is a recent phenomenon in institutionalized form. But it has a long history in different forms. Government efforts of delivering financial services especially credit to accelerate socio-economic development in Ethiopia may date back to the immediate post Italian occupation period with the establishment of the ministry of agriculture in 1943 and agricultural bank of Ethiopian in 1945. The main objective of the bank was to assist small land holds whose farms had been divested during the Italian occupation through loans to purchase agricultural inputs and repaired houses (Abebe 2006 quoting Assefa et al , 2005).

During the Derg regime, a large share of credit was given to the state sector and marginalizing the private sector and the poor. Due to this, the private sector including the poor was forced to depend on self-financing and non-institutional credit. During the 1986-90 the share of domestic credit to the private sector and cooperatives averaged 4.7 and 1.1 percent respectively and the rest going to the government and public sector (Wolday, 2001 Quoting World Bank, 1991). NGOs have been delivering relief and development services like emergency food, health, education and water in Ethiopia since 1970; (Woldy, 2001). Following the failure and un- sustainability of financial services by NGOs and governments proclamation which provides for the establishment of microfinance institutions, was issued in July 1996. Since then, various microfinance institutions have legally been registered and started delivering microfinance services.

2.2.2. The Regulatory Framework for the Microfinance Institutions in Ethiopia.

The delivery of efficient and effective microfinance services to the poor required conducive microeconomic policies and the establishment and enforcement of legal and regulatory frameworks of a Country. An effective financial system provides the foundation for a successful poverty alleviation program (AGMFI 2000). The microfinance institutions are a part of the formal system that are regulated and supervised by national back of Ethiopia. However, regulations in the microfinance industry do not only mean government regulations; it also involves self-regulations and code of conducts introduced by networks or associations.

There are a number of regulations which affect the development of microfinance industry in Ethiopia. The most relevant and recent regulation affecting the industry is proclamation No. 40/1996 which aims to provide for the licensing and supervision of the business of micro financing clearly indicates the requirements for licensing microfinance institutions by empowering the National Bank of Ethiopia to license and supervise them. The National Bank of Ethiopia has also issued directives, which have been consistent with proclamation. These included setting a loan ceiling of 5000 birr and loan duration of one year. The interest rate has been waived and MFIs are now free to set their own interest rates ceiling (Yitay, 2011).

Further, in an attempt to enhance the development and soundness of the micro financing business; micro financing business proclamation No. 626/2009 was ratified by the house of people's representative. According to the proclamation No. 626/2009, the main purpose of a micro-finance institution shall be to collect deposits and extend credit to rural and urban farmers and people engaged in other similar activities as well as micro and small scale rural and urban entrepreneurs, the maximum amount of which may be determined by the national Bank. In line with the above mentioned proclamation, a micro-financing institution my engage in some or all of the following;

a. Accepting both voluntary and compulsory savings as well as any deposit.
b. Extending credit to rural and urban farmers and people engaged in other similar activities as well as micro & small-scale rural and urban entrepreneurs.
c. Drawing and accepting drafts payable within Ethiopia.
d. Micro-insurance business as prescribed by directive to be issued by the Bank.

e. Purchasing income-generating financial instruments such as treasury bills and other short term instruments as the National Bank may determine as appropriate.
f. Acquiring, maintaining and transferring any movable and immovable property including premises for carrying out its business.
g. Rendering managerial, marketing, technical and administrative advice to customers and assisting them to obtain services in those heeds.
h. Managing funds for micro and small scale business.
i. Providing local money transfer services.
j. Providing financial leasing services to peasant farmers, micro and small-scale urban and rural entrepreneurs in accordance with the capital goods leasing business proclamation No. 103/1998; and engaging in other activities as specified by directives of the National bank from time to time (Deribe et al.,2013).

2.2.3. Saving and Credit Services in Ethiopia

Need for credit is very high among the poor in Ethiopia. According to Mugarak(2006) quoting Reneechao et al(2000) economically active poor people in Ethiopia who can potentially get financial services are about 5.2 million. However, it should be noted that MFIs meet only less than 20 percent of the demand for financial services of the poor in the country (Ayelech, 2010).

In the case of rural and urban areas, the poor require credit basically for four reasons. First, women and small businessmen in rural and urban area need short term credit for their pretty trading or other income generating activities. Secondly, innovations in farming like improved seed and fertilizers increase the capital requirements of the farmer. Thirdly, most rural households remain at subsistence level and therefore, there is no surplus that can be used for the future and hence they need credit to bridge the gap of food shortage, for consumption smoothing. Lastly, people also need credit to meet their social obligation like weeding, holidays.

Similarly the need for saving is high despite the wide spread belief that the poor cannot save. One can observe that a lot of saving is taking place in different forms in rural and urban areas that are prone to risks. People save for various purposes; to manage their daily household finance, as insurance for unexpected crisis, to meet social obligations and to accumulate for future needs. People save outside the financial system in many forms, including jewellery, animals, etc. (Mubark, 2006). These forms of saving are very risky as they are subjected to pests, disease, theft, drought and loss. As a result there is good ground to say that people will take opportunity of saving in financial terms when available in trussed microfinance institutions.

2.3. Microfinance as a Financial Service

Microfinance is banking the unbankable; brining credit, savings and other essential financial services within the reach of the millions of people having no sufficient collateral who are too poor to be served by regular banks. Microfinance is an economic development approach which provides financial services through institutions to low income clients. In other words microfinance is defined as any activity which consists of the provision of financial services such as credit, savings, and insurance to persons of low income individuals.

Microfinance is recognized worldwide as the provision of financial services (savings, credit and insurance) to low- income persons carrying out productive activities and excluded by standard financial system because of their socio-economic conditions and high risk profile. Therefore, Microfinance represents one of the main tools for poverty reduction and socio-economic growth especially in developing countries like Ethiopia. Together with other similar tools, microfinance especially with the microcredit supply but also with the relevant impact of savings and insurance programs represented a new approach for poverty alleviating. It approaches the target population without creating a dependency relationship, but looking at beneficiaries as micro-entrepreneurs that need a specific tool to empower their conductions with their own work and commitment. However, meeting and exceeding expectations of clients and customers is a perspective that must gain significant efforts of service providers in order to retain the customers and their business survival. This concept is all inclusive and cuts across service domains, but expectations change and experience with alternate service providers could shape the customers' expectations.

Financial inclusion is the easy access to safe savings, appropriately designed loans for poor and low-income households and for micro, small and medium-sized enterprises, and suitable insurance and payments services (United Nations, 2006). A well-functioning financial systems empowers people economically and socially, especially the poor, and allows them to better integrate into their country's economy, actively contribute to their development and protect themselves against economic shocks. According to Githaiga P. (2004), Microfinance products and services are identified as basic financial services like savings, loans, payments, remittance facilities and also life and non-life insurance services.

2.3.1. MFI Services

MFIs have been known to offer different services that include: deposit mobilization (savings), micro credits, money transfers and micro insurance.

2.3.1.1. Deposits

The Oxford English Dictionary defines a deposit as ‘a sum of money placed with some other entity’. It is a credit for the party who placed it, and it may be taken back (withdrawn), transferred to some other party, or used for a purchase. People deposit their moneys into financial institutions for safekeeping, interest earning, or in the hope of borrowing more at a future date.

2.3.1.2. Lending

To lend is to grant someone the use of something on the understanding that it shall be returned (Oxford English Dictionary). In finance, a borrower initially receives an amount of money, called the principal, from the lender, and is obligated to pay back an equal amount of money to the lender at a later time. Typically, the money is paid back in regular installments of the same amount. The loan is generally provided at a cost, referred to as interest, which provides an incentive for the lender to engage in the loan (CGAP, 2006). The financial services sector plays a big role in channeling funds for fruitful purposes, mobilizing and controlling flow of funds from surplus to deficit units supporting financial and economic policies of a government (Freixas and Rochet, 2008).

2.3.1.3. Other MFI Services

Some microfinance institutions also offer a form of insurance, so-called “micro insurances”. The spectrum of these services include life insurance, property insurance, health insurance and disability insurance. Insurance enable micro-entrepreneurs to withstand major life events. Microfinance institutions get involved in insurance for a variety of reasons, and their motivations could have a significant bearing on what products they offer and how they offer them. Some are concerned about the well-being of their clients and offer insurance to protect the poor, to ensure that workers in the informal economy have access to an appropriate menu of affordable social protection, risk prevention and coping mechanisms. Others want to protect themselves by offering insurance from the death or illness of borrowers (Roth, Churchill, Ramm and Namerta 2005).

To avoid carrying cash for the purchase of goods or for relatives, the customers of some microfinance institutions are able to conduct transfers. These are services of transferring money without opening a current account and therefore offered to both members and non-members. Remittances are also an important source of income for many developing countries including India, China and Mexico, all of which receive over 20 billion dollars each year in remittances from abroad (World Bank, 2013). In Ethiopia however, there is no known MFI that offers these services

2.3.2. Financial Inclusion Importance & Common Barriers

Financial Inclusion refers to ensuring access to tailored financial products and services needed by low-income individuals in particular and society in general. Access to financial services can be achieved through offering appropriate financial products for low income individuals by Microfinance Institutions. The importance of financial inclusion stems from various factors. First; an inability to access financial services could lead financially excluded entities to deal mostly in cash, with its attendant problems of safe-keeping. Second; the lack of access to safe of formal saving avenues could reduce their incentives to save. When saving occurs, safety and interest benefits may not be to the extent available in the formal system. Inadequate savings could lead to households to depend on external sources of funds, in times of need. Often these sources are unregulated and carry high interest rates. High interest rate increases the risk of default by borrowers. Third, the lack of credit products means inability to make investment and significantly affect to their livelihood. As a result, small entrepreneurs often lack an enabling financial environment to grow. Fourth, the lack of remittance products leads to money transfers being cumbersome and high risk. Fifth, the lack of insurance products means lack of opportunities for risk management and wealth smoothening. Saving products enable consumption smoothing over time. Remittance products are safer than cash payments, not only prevent theft, but also to document proof of payment.

Financial inclusion barriers were studied by Beck et al., 2007a found that MFI customers could be excluded from financial services (access barriers) by both demand side barriers & supply side barriers. Demand side barriers are psychological, cultural, lack of financial literacy and supply side barriers are physical barriers, lack of suitable products, documentation barriers (account opening, minimum account balance annual fee charges).

The supply side factors include non-availability of suitable products, physical barriers and non eligibility on account of documentation issues. On the demand side, financial literacy refers to the basic understanding of financial concepts, financial capacity refers to the ability and motivation to plan financials, seek out information and advice and apply these to personal circumstances.

2.4. Theoretical Literature Review

2.4.1. The Consumer Behavior Theory

Meaning and Importance of Consumer Behavior

Consumer behavior refers to the buying behavior of final consumers. It is the behavior that consumers display when searching for, when purchasing, using, evaluating, disposing the product or the idea that they have for the commodity and if it will satisfy their need. The study of consumer behavior therefore seeks to understand how the consumers make decisions on how to spend their available resources in regard to purchase (Kotler,2006).

Consumer behavior is of importance to the marketers as it helps them understand why and how individuals make decisions so that they can make better marketing decisions to have a great competitive advantage at the market place (Armstrong, 2006). Consumer behavior is not only influenced by external factors as financial benefits, but also by attitudes and expectations. These attitudes and expectations are constantly changing in response to a continuous flow of events, information and personal experiences. Customer behavior is the process individuals or groups go through to select, purchase, use and dispose of goods, services, ideas or experiences to satisfy their needs and desires (Sells, n.d.). Consumer behavior is not only influenced by external factors, but also by their attitudes and expectations.

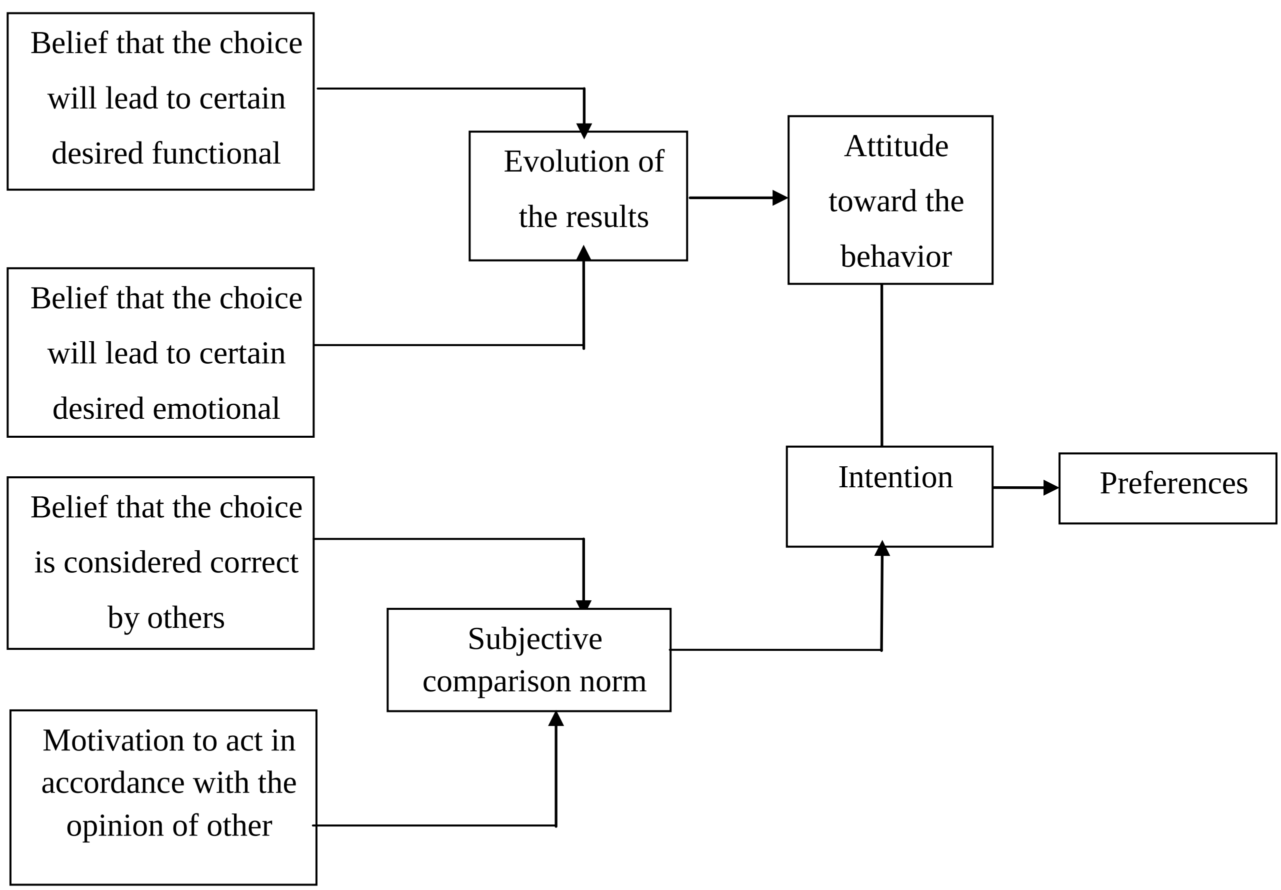
2.5. The Rational Choice Theory

2.5.1. Fundamentals of Studying the Consumers' Preferences

The theory of rational choice comprises attitude components which, in the end, represent the basis of forming a preference. This theory gives us a model contributing to better understanding of the way consumer's preferences are formed and providing us, in an appropriate way, with the necessary means of researching and foreseeing the evolution of the consumers' preferences.

After analyzing the way consumers' preferences are formed from the point of figure1, we can sate that in order to understand the consumers' preferences, it is necessary to determine their demand and desires regarding the performance (functionality) involved in the purchase, the expects emotional results as well as the subjective standards consumers use to identify the tendency for a product or service as against the others.

Figure 1.1 structural model of how consumer preferences are formed.



Source: international communication research, W.W.W icr survey com.

2.5.2. Consumers' Preferences for Financial Services

Customer Preferences:-are exceptions, likes, dislikes, motivations and inclination that drive customer purchasing decisions. The underlying function of demand, therefore, is a model of how consumers behave. The individual consumer has a set of preferences and values whose determinations are outside the realm of economics. They are no doubt dependent upon culture, education, and individual tastes, among a plethora of other factors. The consumer's objective is to choose the bundle of goods and services which provide the greatest level of satisfaction as they the consumer define it. But consumers are very much constrained in their choices. These constraints are defined by the consumer's income, and the price the consumer pays for the goods.

Consumer preferences for financial services are what type of products or service an individual customer likes or dislikes for products and services provided by Banks & MIFs. Preference refers to certain characteristics any consumer wants to have in a product or services to make it preferable to him. This could be the level of happiness, degree of satisfaction, utility from the products and service of MFIs.

2.5.3. The Importance of Researching MFIs Customers' Needs & Preferences.

The Microfinance industry is now affected by strong competition: <<Commercial banks have begun to target MFIs' traditional customers, new MFIs have continued to be created in microfinance industry, the microfinance clients are becoming more sophisticated concerning the quality of service they require or expect>> (Daub et 2002; Chen, 2006). These factors may negatively affect the MFIs. The microfinance industry is losing customers because of both aggressive competition and MFIs' weakness to satisfy their clients (Urguizo, 2006). This description shows why MFIs must "pay attention to understand their customer preferences and priorities" (IFAD, 2007) to survive in competitive environment. The microfinance industry has been slow in being more market oriented and it seems that customer preference is one of the most important tools to run a business and to achieve the mission statement (on sustainability and outreach) in this sector. In this perspective, MFIs must focus on customer's preference, studying and determining as soon as possible customer satisfaction level, to adjust the product to customer needs.

Preferences are the main factors that influence consumer's demand. Knowledge of consumer preferences is especially important with respect to the various activates carried out at organizational level which is necessary for its survival. Microfinance is a service giving company with different product types. The level of preference for each service of MFIs is one of the variables that need to be taken in to account when identifying the strong and weak points of the competitors. By measuring the consumer preferences before and after carrying out an advertising campaign, the MFIs may evaluate their success or failure. Identifying their customers' needs and preferences allow them to shape the strategy and methods they use in their marketing plan. This will help them with:-

- Attracting a great amount of customers
- Setting the best price for their products
- Increasing the amount of their customer spend
- There by increasing their sales
- Decreasing their costs
- Enhancing their customer service.

2.6. Customers' Preferences and Theoretical Viewpoints

Customers' preference is a marketing term that means the likelihood to choose one thing over another. In economic, consumers' preferences are defined as individual taste and being measured by the utility of various bundles of goods (Sowunmi, Omigie, and Daniel, 2014; Thiyagaraj, 2015).

Preference defined as the power or ability to choose one thing over another with the anticipation that the choice will result in greater satisfaction, greater capacity or improved performance. With the changing trend and fashion of current Microfinance industry, it is important for the organization to adapt to the changes in accordance with the expectation of the consumer. This paper gives a view on various factors that plays a vital role in selection of financial services of MFI and the preference that customer has when they use financial services of MFIs.

Psychologically, preference is viewed as an individual's attitude towards a set of objects that stimulates, his or her behavior in the decision making process (Lichtenstein & Slovic, 2006). The customer is making a choice decision in many ways, from the simple decision to a complex decision. It is a process by which customers are collecting relevant information regarding products' attributes; evaluate the information according to their preferences before assigning a value to choose between alternatives (Hawkins and Mothersbaugh, 2010). In some cases, nominal decisions do not need extensive evaluation, for example, repeat purchase, a decision made in a hurry or product that possesses few attributes. The decision will be simple and require less time without comparisons between alternatives. The normative theory of decision making states that customers would evaluate the options before making a decision that maximize the value of choice (Abelso & Levi, 1985, Lau 1955).

The normative theory of 'value maximization' has been criticized heavily due to its ignorance on human limitation (Moorthy, Ratchford, and Talukdan, 1997; Thalen, 1985). Bounded rationality theory by Simon (1975) assumes that customers have limited processing capability and will end the search once suitable solutions have been identified. Typically, in the consumer decision process, they tend to follow the traditional five step evaluation process. The process includes problem recognition, information search, alternative evaluation, choice and outcome evaluation (Erasmus, Bshoff & Rousseau, 2001; SHiffman and kanuk, 2007). According to Engel, customers' process decision comprises of defining problem; generating alternatives, evaluate alternatives, decide on the options, implement the decision and finally monitor the solutions (Engel, Blackwell and Minored (2001), the theory of reasoned action by Fishbein and Aajzen (1975) and the theory of planned behavior by Ajzen (1985) are amongst the four extensively cited models in customer behavior. However; Solomon and Bamossy (2006) argue on the relevancy of the underpinning assumptions of other cultures. These findings were in line with the study by Bagozzi (2000) that commented the inclusion of few cross- cultural studies. However, to some extent, all the four cited models and theories fail to address the role of ethics, social responsibility and philanthropy given in the intense rise in customer's behavior issues (Bray, 2008).

According to Melody (2001) where the demand for a good or service is considered a common necessity for the public at large and the supply conditions are such that the public may not be provided with reasonable service at reasonable prices. Experience and research indicates that defining and measuring intention and ability of consumer to choose is extremely difficult. Duk and Basu (1994) suggested that favorable attitude and repeat purchase were required to define patronage or intention to use. The intention to use/ buy is defined as a specific desire to continue relationship with a service provider (Czepiel & Culmore 1987). However, in service industry such as MFI, the ability of a service provider to use responsiveness, assurance and empathy in defining, developing and delivering services will most likely increase customers perceptions of value; which may lead to higher customer satisfaction (Sureshchander 1995, Sureschander, Rajendran & Ananthanaman, 2002).

Simamora (2004) stated that consumer preference is an act of the consumer in selecting an item in accordance with the level of need. preferences can be formed through the mind-set of consumers is based on several reasons (a) the experience gained where consumers feel satisfaction in buying the product and felt good in consuming the products, then the consumer will continue to use the product (b) of inhered due to the habit of using the product from one generation to another generation, always loyal to the product because of the benefits in the use of the product. Hawkins & Mothersbaugh (2010) stated that consumer preference is the knowledge, attitudes and values that cause consumers to evaluate products, brands and outlet retailers. Consumer makes further decisions generally involve a variety of brands, a variety of attributes, and a number of resources. Moreover Kevin Lancaster in Nugroho (2008) stated that the approach based on attributes that are considered consumer is not a physical product, but the attributes contained in the product. Attributes are the characteristics possessed by a product that will be selected by the consumers. Consumers usually determine the choice of a product on the qualities of the product itself. So the consumer preference is the tendency of a person to choose the use of certain products to be felt and enjoyed. In the end, consumers are satisfied for the use of the product and loyal to certain brands than similar products.

Finally based on the definition of consumer preferences above can be formulated that consumer preference is an act of consumers to choose the use of the product, brand and outlet particular retailer based on knowledge, experience, attitude, and value its possession that involve a variety of brands, a variety of attributes and number of resources.

Despite the increase in the number of microfinance service providers, the competitions among these service providers as well as the introduction of varieties of services packages that are used to attract customers to join their company, customers' preference and satisfaction still defers from customers to customers based on certain attributes, the financial services needs and wants of customers which MFI must anticipate its changes from time to time.

2.7. Empirical Review

According to Decin (2002), choosing a microfinance institution on the basis of professional advice is the most frequently chosen criterion closely followed by interest rates. However, difference in the importance of choice criteria with respect to gender class, income, education, ethnicity, and financial maturity are apparent. Lee and Marlow (2003) observed that consumer value convenience is one of the most important decisions making criteria, their definition of convenience vary across consumers. Boyd et al. (1994) revealed that the reputation, interest changed on loan and saving amounts are considered as more important than other criteria such as friendliness of employers, modern facilities, and drive in service. Rjchards (2011) found that advertising institutions, cost, consumer income and available substitutions are the factor affecting consumer preferences.

Studies that investigate customer preference in microfinance using structure scale measurement are still rare. IFAD (2007) studied customer satisfaction in rural microfinance institution in Uganda, Kenya, and Tanzania combing qualitative (14 focus group of 71 clients) and quantitative approach (209, interviews), the study assessed the determinants of customer preference by accessing both credit and saving facilities. Results revealed that "customers prefer unlimited access to their saving while on credit facilities, customers want to have access to loan amounts they actually apply for at reasonable price and on flexible repayment condition".

Murray (2001) concentrated his study on customer satisfaction level using data from four MFIs affiliated to women's world banking in three countries Colombia (America), Bangladesh (Asia) and Uganda (Africa) with a total sample of 3000 clients. Using Likert's scale, the Author took in to account expectations and preferences items plotting results on a two axis grid. Results proved that customers are more satisfied by accessing higher loan amounts, faster turnaround times, lower loan requirements and lower prices. However, it seemed that customers preferring to develop a long term relationship with the MFIs want to be given preferential treatment while all customers are demanding increasing levels of customer services.

Previous studies suggest that a lot of work has been done on MFIS from different perspectives. However, there is a little work done on customer preferences on Microfinance Institutions' financial services. Thus, present study has been proposed and entitled as the "factors that influence customer preferences towards financial services provided by MFIs in Ethiopia". Therefore, it is important that this study provides empirical evidence to show the linkages that exist between the determinate factors such as Convenience, Flexibility, Service quality, price of products and services of financial services and Customers' preference in our country context which is an under-researched area.

2.7.1. The Determinant Factors that Influence the Customers' Preferences.

2.7.1.1. Influence of Convenience of Financial Services and Products on Customer Preference

Convenience of financial services and products to the poor is another measure of how accessible financial services and products are to customers. Convenience refers to how simple and how quickly it takes to access the financial services and products. Batra and Sumanjeet, (2011) observe that the rural poor perceive bank services and products as lacking convenient accessibility and flexibility. They also feel that bank services are costly, cumbersome and full of time consuming procedures. The Alliance for Financial Inclusion (AFI) defines access as the ability to use the services and products offered by formal financial institutions. Another hindrance to accessibility of financial services and products by customers is the problem of financial capability which refers to people's skills, knowledge and confidence on financial matters and psychological barriers such as the perception among poorer customers that mainstream products are not for them, (Blake and de Jong, 2008). Financial capability is however exogenous to the MFI

2.7.1.2. Influence of Quality Customer Services of Financial Services and Products on Customer Preference

The financial industry is a service industry. Because of this, the success of individual financial institutions as well as the industry as a whole is built upon meeting the needs of customers. The purpose of this study is to evaluate the determinant factors of customers' preference of the services their microfinance financial institution provide.

Customer preferences describe the reasons for the choices people make when selecting products and services. Analyzing the factors that determine customer preferences helps businesses target their services towards specific customer groups, develop new services and identify why some services are more successful than others. Customer preferences for a service can make or break an organization. If customers generally like a service, it can stay around for years.

Microfinance has evolved due to competition and it is therefore paramount for any microfinance institution (MFI) to evolve products and improve upon quality customer services if the company would like to retain its customers (Urguizo, 2006). Customer service is basically anything we do for a customer which improves upon a customer's experience while satisfaction of a customer is their overall feeling of content meet after a customer interaction (Harris,2007). It is therefore important to identity customers' perception of the kind of products and services offered to them by MFIs and also elicit information on how from their point of view be satisfied as customers.

Customer preferences describe the reasons for the choices people make when selecting products and services. Analyzing the factors that determine customer preferences helps businesses target their services towards specific customer groups, develop new services and identify why some services are more successful than others. Customer preferences for a service can make or break an organization. If customers generally like a service of an organization, it can stay around for years and earn milliner/billions. However, if customers do not like the service, it could disappear very quickly if the organization cannot figure how to solve the problem. Therefore MFIs routinely test the market to find out what customers like and dislike about their services and competitors services.

Key Elements of Quality Service

The service quality is an antecedent for customer satisfaction, and customer satisfaction has a strong influence on purchase intention. Customer satisfaction is also influenced by factors like price, convince, and availability.

There are five elements of quality customer service:- Reliability, Assurance, Tangible, Empathy, and Responsiveness

Reliability:- The ability to provide what is promised, dependably and accurately

- Action strategy: make sure that you currently identify customers promise only what you can deliver, and follow through to ensure that the product or services was received as promised.

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

- Action strategy: take the time to serve customers one at a time. Provide service assertively by using positive communication techniques and describing products and services accurately.

Tangible:- The physical facilities and equipment and the appearance of personnel.

- Action strategy: maintain workspaces in a neat, orderly manner, dress professionally, and maintain excellent grooming and hygiene standards.

Empathy:- The degree of caring and individual attention provided to customers.

- Action strategy: listen for emotions in your customers' messages. Put yourself in their place and respond compassionately by offering service to address their needs and concerns.

Responsiveness:- The willingness to help customers and provide prompt services

- Action strategy: project a positive, can-do attitude. Take immediate steps to help customers and satisfy their needs.

2.7.1.3. Influence of Price (Affordability) of Financial Products & Services on Customer Preference

For the purpose of this study the term financial service affordability refers only to those aspects of financial service that are directly charged a monetary cost. These include both the interest charged on credit and other financial service transaction charges. Any other cost incurred indirectly will be considered either as part of the flexibility aspect or the convenience aspect as the case may be. Fernando (2006) argues for low interest rates and explains that only those who can generate a sufficiently high surplus of funds can afford high interest rates on microcredit since a borrower's realized rate of return on investment needs to be greater than the interest rate to service the loan.

Blake & de Jong, (2008) observe that lack of access to affordable financial services by any segment of the society matters because its direct and indirect costs hurt individuals, disrupt families and burden society. According to Gonzalez-Vega (1998) the cost of accessing financial services incurred by customers indicates how expensive these products are for the clients, once both interest and transaction costs are considered. The rate of interest charged on credit as well as other financial service transaction charges is therefore a good measure of the affordability of financial services in terms of cost to the customer.

2.7.1.4. Influence of Flexibility of Financial Services and Products on Customer Preference

According to Laureti & Hamp (2011), flexible microfinance products for the poor are those that allow transactions adapted to their cash-flow. Microfinance institutions have generally preferred to use rigid repayment schedules because of their perceived benefits of reduction of transaction costs as well as delinquency monitoring. Rigid repayment programs have however been observed to harbor substantial drawbacks. First a case study of three microfinance institutions in India by Shavitar, (2006) showed that regular repayment in small amounts increases the number of transactions and hence the transaction costs for both the borrower and the microfinance institution alike. Field and Pande, (2008) used data from a field experiment which randomized client assignment to a weekly or monthly repayment schedule and found no significant effect of type of repayment schedule on client delinquency or default. They concluded that among MFI clients who are willing to borrow at either weekly or monthly repayment schedules, a more flexible schedule can significantly lower transaction costs without increasing client default. These studies therefore support the theory that a more flexible repayment schedule would benefit clients and potentially improve their repayment capacity. Another drawback of rigid repayment schedules as Laureti and Hamp (2011) note is that they do not factor the seasonal production and seasonal cash flow that bring about liquidity constraints to the typical MFI client which leads to underinvestment, sale of productive assets, failure to smooth consumption, or default on loan repayments. Laureti and Hamp however argue that the major drawback of flexibility is that it increases MFIs' costs but does not seem to bring with it a broadening of their client base.

Thirdly, as Meyer (2002) noted fixed repayment schedules limit the types of activities and investments that can be financed by micro loans. Birkenmaier and Watson (2005), Shonchoy and Kurosaki (2013), Zerai and Rani (2012), and Severino (2013) all point out that, for lack of more appropriate options, the poor often resort to inflexible and expensive informal finance such as credit from pawn brokers which often leaves them much poorer than before.

Indicators of flexibility of financial products as summarized by Collins, Morduch, Rutherford and Ruthven (2009) include allowance for grace periods in loan repayment; adaptable installment schedules that allow clients to make lower repayments in difficult times; allowance for loan prepayment, loan renegotiation and loan refreshing at some point during the loan cycle. In the same way they allow flexible saving services, do not have a minimum savings balance requirement, are voluntary, and allow making deposits and withdrawals of variable amounts at any time.

2.7.1.5. Influence of Culture on customer preferences of MFIs

Culture- is the social beliefs, shared norms and values of a group or a society. It is the most basic cause of a person's want and behavior. Human behavior is largely learned. Every group or society has a culture and it has influences on individual customer's preferences on buying/using MFIs products & services. So, the culture of a society or a group can influences the usage and the choice of microfinance financial services by its customers.

2.7.1.6. Influence of Financial Literacy on customers of MFIs

Financial literacy- in many cases low income people does not have complete information and knowledge about the financial services of MFIs. Awareness about financial services needs to be raised through different programs including advertisement and campaign. It helps the customer to make informed decision. MFIs and governments have the responsibilities to increase the customers' awareness on family finance planning, how saving is worth and where a loan is found and wide range of financial services and customers rights & duties.

According to Brigird A. Schaffer (2016), financial education is the process by which financial consumers/investors improve their understanding of financial products and concepts and, develop the skill and confidence to become aware of financial risks and opportunities, to make informed choices, to know where to go for help, and to take other effective actions to improve their financial well-being and protection.

2.7.1.7. Influence of Government Regulations on customer preferences for financial services of MFIs

Nowadays, microfinance institutions play an important role in the development of a country's economy especially in the fight against poverty by allowing poor households to raise their income and assets. They involve in financial services activities such as lending money, collecting deposits and money transfers services.

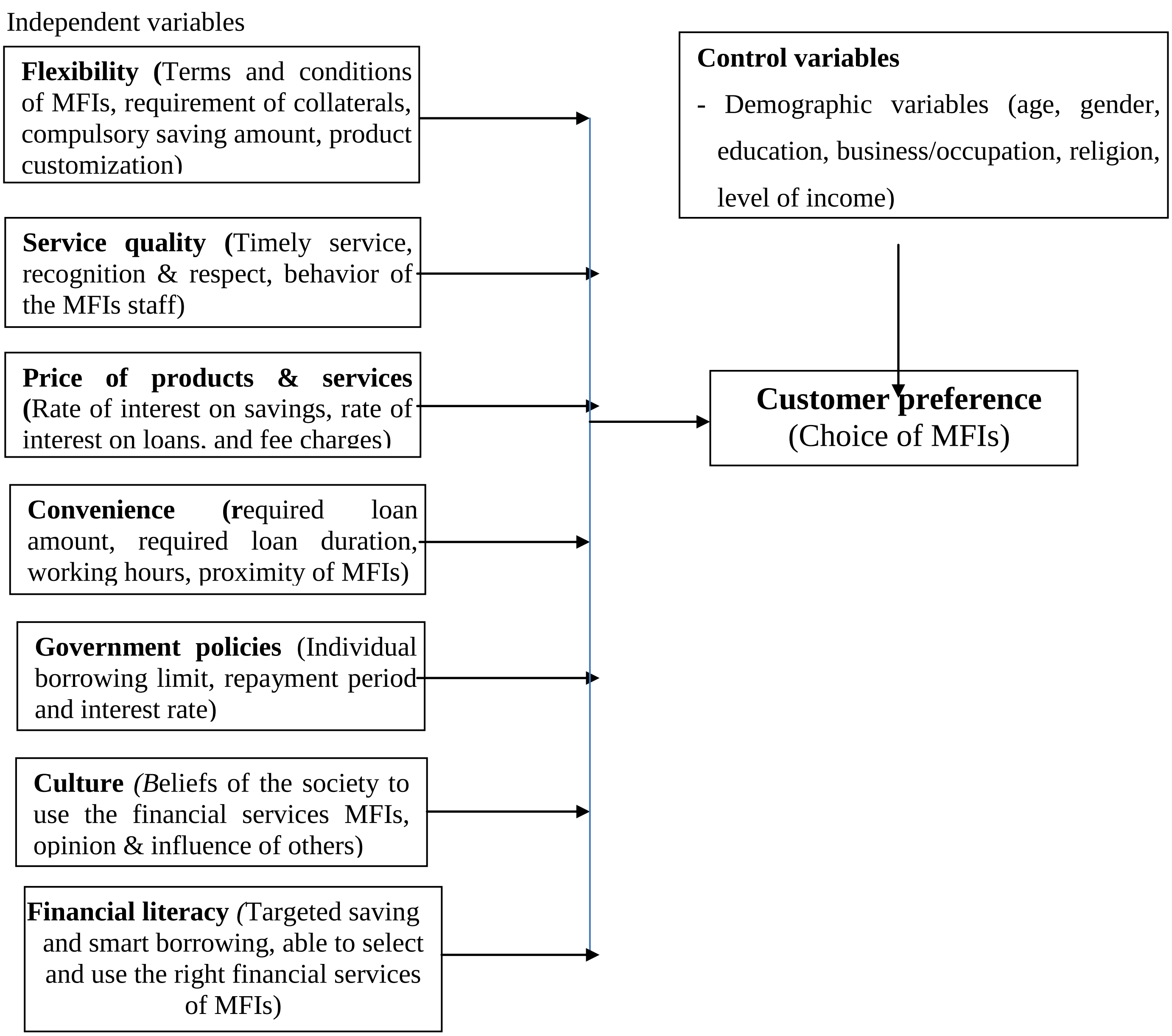
The government has concern & interest of the well-being of these institutions by issuing regulations & policies. Government plays an active role in microfinance: setting policy for the microfinance industry, providing lump sun grants to NGO or microfinance institutions (MFIs) or lending directly to the poor, and controlling and monitoring their activities.

So, government policies can affect positively or negatively the financial services of MFIs which also affect the MFI customers' preferences. As National Bank of Ethiopia is a regulatory body of financial industry, its policies and regulations can affect the preferences of customers of MFIs such as policies on savings and loans, regulations on minimum capital requirement on MFIs.

2.8. Conceptual Framework

From the theoretical and empirical literature review it is observed that the main factors which affect customer choice of financial services of micro finance institution are convenience, flexibility, service quality and price of products and services. These constitute the independent variables in my conceptual framework and customer preference constitutes the dependent variable.

Fig. 2.1 Conceptual framework (Source: Own literature review)



The above figure illustrates the determinants of customer preferences for financial services of MFIs using convenience, flexibility, service quality and price of products and services, culture, financial literacy and government regulation as input factors. There are positive relationships between customer preferences of MFIs and factors which are convenience, service quality, flexibility, and culture and government regulation. While negative relationships are expected between customers' preferences and price of products and services.

The positive relationship between customer preferences and convenience can be explained if a MFI with widespread branches costs less its customers than MFIs with a more limited range. Positive relationship between customer preferences and service quality is related to the difference between the dimensions in customers' perceived service and expectations of services. It means that, if there is little difference between the customers' expectations and customers' experiences the customers will tend to choose that MFIs. In additions flexibility and customer preference is expected to be positively related as the rational that customers usually put more emphasis on the factor which allows them quick and convenient access to the MFI services.

On the other hands, MFI customer preferences and price of products and services are expected to be inversely related as the rational that the price of products and services acts as a primary reason of customer choice of MFIs. It means that, when the price of products and services are better for customers of MFIs, the probability to choose the particular MFI will be higher.

The relationship between financial literacy and MFIs customers preferences are expected to be positively related because financial literacy leads to a decline in the average number of days it takes to repay debt and also improves financial well being of the customers as individuals start thinking about their financial decisions in terms of interest rates and the time value of money and the saving habit of the customer.

The relationship between government regulation and MFIs customers preferences are expected to be positively related because government regulation protection has been at the forefront of the regulatory framework and has built massive confidence in borrowers who would otherwise have refrained from participating in credit transactions. Microfinance clients have been benefited from better access to financial services, in terms of quantity, quality and variety of products; while at the same time, have been introduced to a culture of credit discipline.

CHAPTER THREE

Research Methodology

3.1. Introduction

This chapter is a blue print of the methodology that is going to be used by the research to find answers to the research question. This chapter will discuss the methodology to be used in gathering, planning the data and reporting the results. It describes the type and sources of data, the population and the sampling methods and techniques to be used to collect the sample size. Further, it describes how data is going to be collected and analyzed and concludes with the ethical issues deemed likely to influence the implementation of the study and how they are dealt with.

3.2. Research Design

This study will adopt a descriptive survey research design aiming at identifying the factors influencing the preferences of financial services among MFIs customers at Bishoftu town and its surrounding. Descriptive and explanatory research design were chosen for this study because it allows the researcher to study the phenomena that do not allow for manipulation of variables (Kombo and Tromp, 2006). The researcher will collect information on the state of affairs of customers' preferences on financial services MFIs found at Bishoftu town.

Descriptive research design as a systematic empirical inquiring into which the research doesn't have a direct control of independent variables as their manifestation has already occurred or because inherently cannot be manipulated (Mugenda and Mugenda, 2003).

3.3. Area of Study

As it was discussed in the previous chapters, in Ethiopia, there are 35(thirty five) microfinance institutions which entered into the microfinance industry and providing their financial services to the low income people who lack financial services due to inaccessibility of banking services and collateral requirements.

These institutions provide their financial services in all nine national regional states of the country (namely Amhara, Tigray, Oromia, SNNP, Affer, Hareri, Somali, Gambella, and Benishangul Gumuz) and two city administrations (namely Addis Ababa and Dire Dawa city administration).

Among these microfinance institutions, the study is mainly focus, on microfinance institutions that are either partially or fully operating in Oromia regional state. The main reason for selecting this region is due to the fact that large numbers of microfinance are mainly operating in this particular region compared to other regions. According Abreham G, (2017) citing AGMFI (2015), Thirteen MFIs which consist of 1(8%) government owners MFIs and 12(92%) non-government and private owned MFIs are providing their financial services in Oromia National Regional States.

The following table presents the list of MFIs which are fully or partially operates their financial services in Oromia Region.

Table 3.1- List of MFIs that are operating either fully or partially in Oromia Region.

Ser. No	Name of MFIs	Ser. No	Name of MFIs
1	Aggar	8	OCSSCO
2	AVCS	9	Peace
3	Bussa Gonoffa	10	SFPI
4	Eshet	11	Shasheme
5	Gasha	12	Wasasa
6	Harbu	13	Vision fund
7	Meklit		

Source:- Abreham G. (2017)

3.4. Population of the Study

According to Cooper and Schindler, (2003), population refers to the entire group of individuals or objects to which the researcher wishes to generalize the result of the research study (Borg and Gall, 1989).

Although the locations in Oromia regional state are segmented with different topologies, the study mainly relied on Adea Woreda-Bishoftu town and its surrounding. The population of interest in this study comprises customers of all MFIs operating partially or fully at Bishoftu town. The choice of Bishoftu Town is due to its uniqueness in that it hosts large number of business sectors such as manufacturing, tourism, poultry, dairy and vegetable farming businesses than other city in the region meaning that the area has a mix of people from a variety of economic activities that have a wide variety of MFIs financial services demand of customers.

This study conducted in central highland of Ethiopia that fall in the administration territory of Oromia National Regional State. With 12 Administrative Zones and 180 districts, Oromoa National Regional State is the largest regional state of Federal Democratic Republic Ethiopia. Household data is to be collected from Bishofotu Town..Bishoftu town is one of the so-called rail way towns of Ethiopia established following the constitution of Ethio-Djibuti railway in 1917. Bishoftu is located at 47 km from capital city of the country south-east of Addis Ababa main asphalt round and 52 km from capital city of Oromia regional state Adama and surrounded by Adea district Kebeles.

3.5. Sampling Design

Sampling means selecting a given number of subjects from a defined population as representative of the population. Any statement made about the sample should also be true of the population (Orodho, 2002).

According to Bishoftu city administration (2009 Ethiopian Calendar), the estimated population of Bishoftu is 207,050 and it is divided into nine urban and five rural kebeles. Of the total population, 164,311 people live in the urban kebeles and the rest lived in rural kebeles. The major components of the city inhabitants are small and large scale merchants, civil servants, very small traders and daily laborers. Bishoftu is one of the highly populated cities in Ethiopia. The city‘s population is increasing rapidly as a result of its increased attractiveness in terms of improved road infrastructure, water supply, health facilities, sanitation infrastructure, and greenery development.

As reported in Ethiopia cities association (2016), Bishoftu has various investment potentials of which Resort development, Manufacturing industry, Tourism venture, Poultry, Dairy farming are some of the most important investment sectors Amente, (2017). This study employed a purposive and random sampling. The respondents were selected from each branch of MFIs found at

Bishoftu town and its surrounding because of the knowledge and information they posses or active customers. Bishofitu is one of the commercial cities in Ethiopia and has heterogeneous population which ensures a wide spread of potential respondents to the study. Out of the 13(Thirteen) MFIs operating in Oromia Regional State, 6(Six) MFIs are found at Bishoftu town providing financial service to their customers.

In the study the researcher employed a multistage random sampling technique in order to arrive at sample target respondents to be used for the study. From the Seven microfinance customers, 395 active sample customers from Urban and Rural areas of branch on MFIs as shown below in table 2. In determining the representative sample size of the households, the researcher used 95% confidence (p=0.05) of samples.

Yamane (1967) as cited in (Abera 2018) provides a simplified formula to calculate sample sizes.

This formula will be: n = N/[1+N(e)2],
Where n is the sample size, N is the population size, and e is the level of precision or confidence interval (0.05). Thus, according to the formula the sample size is 393 clients of these MFI.

Table 3.2 Proportional allocations of sample clients.

S.N	MFIs	Population	Sample size	
			Urban	**Rural**
1	Gasha (22%)	7,120	52	34
2	SFPI (16%)	5,180	38	25
3	OCSSCO (24%)	7,500	56	38
4	Bussa Gonfa (15%)	4,660	35	24
5	AVFS (6%)	1,880	14	10
6	ACSI (13%)	4,100	31	20
7	Keresh MFI (4%)	1,400	10	6
Total	100%	31,840	236	157

3.6. Source of Data

In this study both primary and secondary sources of data is to be collected through open ended questionnaires to the MFIs' clients. Questionnaire is to be prepared in English and necessarily to be translated into local language for the purpose of clarity to facilitate the data collection process.

In addition to this method, semi structure interviews and observation are going to be used in order to gather additional information, for crosschecking the opinion given by the clients. The study is also involves the use of secondary data and review of various documents, journals, bulletins and other sources relevant to the research problem.

The questionnaires are used to collect the respondents' background information covering household demographic & economic variables (eg age, sex, income, and marital status), institutional variables (lending method, interest rate,) customer services, variety of MFIs products & services and others. Besides a wide variety of variables relatively the respondent's conditions are included.

3.7. Measurement and Operationalisation of Variables

The dependent variable in this study is customer preference. Customer preference means the power or ability of a customer to choose one thing over another with the anticipation that the choice will result in greater satisfaction, greater capability or improved performance.

Customer service is not just about reacting to what the customer wants. Anticipating a customer's needs is as important as reacting. Knowing and understanding our customer's preferences before they buy allows us to create an even stronger experience. Adapting to customer preferences is about giving the customer what they want, the way they want it, and being easy to do business with.

Table 3.3: Operationalization of variables

Variable	Definition	Measurement	Expected effect on customer preference
1.Flexibility	Refers to suitable or easy working policies & practices and providing variety of products by MFIs	Five point Likert type scale (1=strongly disagree, 5=strongly agree)	+
2.Service quality	Prompt response to the service need of customers, Politeness , respect and consideration for the customer	Five point Likert type scale (1=strongly disagree, 5=strongly agree)	+
3.Price of product and services	Customers expectations and willingness to pay for better product and services quality for it	Five point Likert type scale (1=strongly disagree, 5=strongly agree)	-
4.Convenience	Proximity of MFIs branches, hours of operation, waiting time for services	Five point Likert type scale (1=strongly disagree, 5=strongly agree)	+
5.Government regulation	Safeguard the public savings, bring stability to the financial system and preventing abuse of financial service customers	Five point Likert type scale (1=strongly disagree, 5=strongly agree)	+
6.Culture	Customization of products towards the shared norms and values of the group or society	Five point Likert type scale (1=strongly disagree, 5=strongly agree)	+
7.Financial literacy	Knowledge and skill necessary to make sound financial decision, and ultimately achieve individual financial wellbeing	Five point Likert type scale (1=strongly disagree, 5=strongly agree)	+

3.8. Data Analysis Techniques

After the collection of both primary and secondary data, information gathered from clients & institutions are going to be tabulated. Results are going to be reported in both tables and a written form. Frequency and percentage are also reported. The data is to be analyzed using the statistical package for social science (SPSSS) and Ms.Excel.

In addition to the descriptive statistics, the study used the multiple regressions to analyze the data.

The proposed model $CP = B_0 + B_1FL_1 + B_2SQ_2 - B_3PR_3 + B_4CO_4 + B_5CL_5 + B_6FL_6 + B_7GR_7 + E$

Where, Cp= Customer preference, dependent variable

B_0= Constant term

B_i = Coefficient of the independent variables

FL_1= Flexibility

SQ_2= Service quality

PR_3= Price of product & services

CO_4= Convenience

CL_5 = Culture

FL_6 = Financial literacy

GR_7 =Government regulation

E= Error factor

3.9. Validity

One of the most important criteria of research is its validity. According to Yichiwork, (2013) Validity is concerned with the reality of the conclusion that will be drawn from a piece of research.

For this study, data is to be collected from respondent via questionnaire and field observations by researcher and secondary sources. Further getting comments and judgment from supervisors and colleagues is another important way for cross checking for validity.

3.10. Reliability

The reliability criterion evaluates how careful a study has been conducted regarding the selection of data and choices made of which methods to use when measuring the data. A high level of reliability is achieved when repeatedly measurements of the same data, using the same methods to measure, gives the same or almost the same results.

The reliability of a measure concerns its ability to produce similar results when repeated measurements are made under identical conditions. If the questionnaire showed highly similar results in testing, this means you have a reliable instrument (Boarden & Abbott, 2013).

In order to measure the consistency of the questionnaire and the overall reliability of constructs that it is measuring, the reliability test was carried out based on Cronbach‘s Alpha coefficient.

Cronbach‘s Alpha can be interpreted like a correlation coefficient. Its coefficient range lay on the value from 0 to 1. A reliability coefficient (alpha) higher than or equal to 0.7 is considered as acceptable. That means the targeted questions raised in the questionnaires are capable to meet the objective of the study.

Therefore, the reliability test accomplished that all the items of the questionnaire has been reliable since the scores of the test was higher than 0.7, as indicated in the below table 3.4. Hence, the responses generated for all of the variables used in this research are reliable enough for the data analysis.

Table 3.4: Internal Reliability Result

	Cronbach's Alpha	No. of Items
Flexibility	0.782	7
Convenience	0.816	7
Service Quality	0.786	7
Price of products and services	0.721	5
Culture	0.828	3
Financial Literacy	0.787	4
Government Regulations	0.721	4

Source: Own Analysis, 2019

3.11. Ethical Considerations

This study was entirely devoted to identify factors affecting preferences of Micro financial Institution customers in the Town and determine how these factors significantly affecting their choices and to forward possible recommendation for future improvements of customer satisfaction. It was not interested to defame or abuse or expose secrets (if any) in any way to the public. To realize this fact, formal letter was written from Addis Ababa University, Department of Management for permission of the Micro finance Institutions from which the information is required. The study participants were informed about the purpose of the study and the informed verbal consent was obtained from each participant before data collection. Customer preferences of MFIs is measured objectively, based on information collected from respondents. Finally confidentiality was assured and the data made to be kept by avoiding personal identifiers.

CHAPTER FOUR

Data Analysis and Interpretation

4.1. Introduction

This chapter presents analysis and findings of the research. The objective of this study was to identify the determinant factors of customers' preferences on financial services offered by Micro financial Institutions in Bishoftu.. From the data collected earlier, the reliability test has been conducted to determine whether the variables used for the research is dependable and accurately measured. The entire test was run by using statistical package for social science (SPSS) version 20 and the results has been generated. Furthermore T-test was also being used to determine the relationship between demographic variables and the variables will be investigated in this research. The Pearson correlation coefficient was used to calculate the correlation coefficient between the variables.

4.2. Descriptive Analysis

The research targeted 7(Seven) microfinance institutions known to operate in Bishoftu in collecting data on customers' preferences. The data collected was in line with the general and specific objectives of this study. Descriptive analysis consist of the respondent gender, age, education level attained, personal average monthly income, the most frequently used MFI and the satisfaction level towards the products and services offered by them. These have been described using frequencies, percents, mean and standard deviations

4.3. Response Rate

Respondents were randomly chosen from 7(seven) MFIs found at Bishoftu town based on their customer base. 21.9%, equivalent to 84 respondents were from Gasha MFI customer, 15.6% equivalent to 60 respondents were SEPI customers, 23.4% equivalent 90 respondents were OCSSO customers, 15.6% equivalent to 60 respondents were Bussa customers, 6.3% equivalent to 24 respondents were Africa village MFI, 12.5% equivalent to 48 respondents were Addis credit & saving MFI customers, and 4.7% equivalent to 18 were Kereshi MFI customers. From the total of 393 questionnaires distributed among the seven MFIs customers, 384 questionnaires were returned. The returned questionnaires were carefully checked and coded. The response rate was

97.7 percent and such a response rate is considered sufficient for statistical reliability and generalability (Mokhlis, 2003). This was achieved by use of personal contacts and references and frequent visits to ensure the respondents filled the questionnaires

The below table shows the composition of the respondent based on their MFI affinity. It was revealed from the data collected that the majority of the customers are from OCSSO MFI followed by Gasha MFI according to their customer base.

Table 4.1 Most frequently used micro financial institutions

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Gasha MFI	84	21.9	21.9	21.9
	SFPI MIF	60	15.6	15.6	37.5
	OCSSCO MFI	90	23.4	23.4	60.9
	BUSA GONFA MFI	60	15.6	15.6	76.6
	AVFS MFI	24	6.3	6.3	82.8
	ACST MFI	48	12.5	12.5	95.3
	KERESH MFI	18	4.7	4.7	100.0
	Total	384	100.0	100.0	

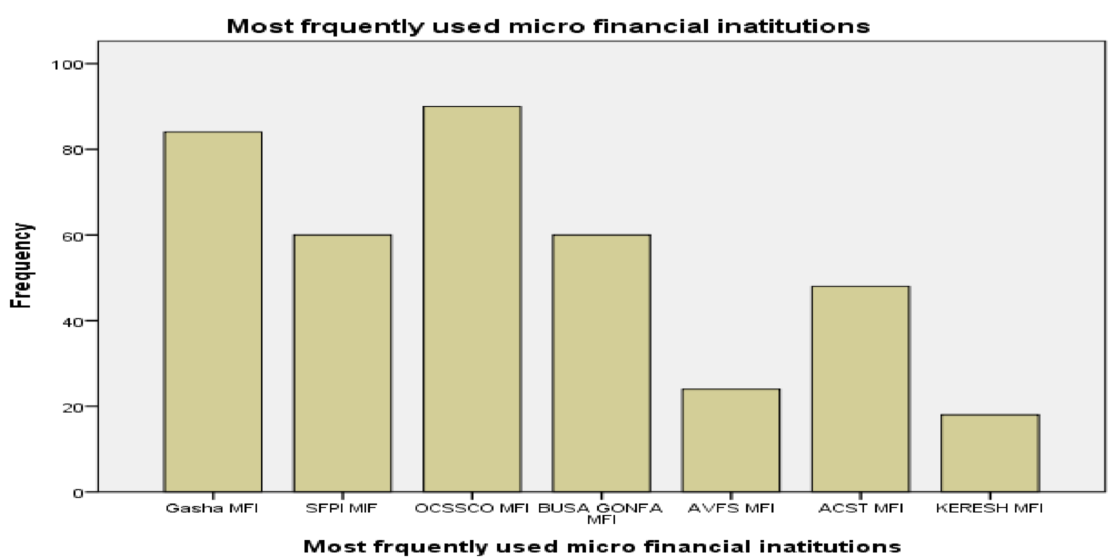


Figure 4.1 Respondents relationship

4.4. Profile of the Respondents

4.4.1. Gender of the Respondents

As revealed in the figure below, females comprise 53.1 percent and males with 46.9 percent of the respondents respectively. This is may be due to the fact that most MFI focus on female empowerment and females are also wise to use the money and responsible to repay the loan as MFIs focus mostly on credit services. According to Diallo-Sahli2003:ii, micro credits are often believed to be an ultimate source of empowerment for poor people and especially for women. As Dialli-Sahli points out, women's roles in Eastern Africa are diverse: They are responsible for their children in terms of reproduction and for raising them. Further, women are active in trading the products of their business profit. Thirdly, women take care of community work. It is important to understand this gender role when dealing with microfinance and the gender aspect. Moreover, strongly connected to the aspect of gender empowerment there is the potential of establishing gender equity. And the officers of the MFIs in Bishoftu have also shared their opinion to the researcher that men are irresponsible, unreliable, and do not take business enough.

Table 4.2.Gender composition of respondents

	Frequency	Percent	Cumulative percent
Female	204	53.1	46.9
Male	180	46.9	100
Total	384	100	

Source Research Findings

4.4.2. Age Distribution of Respondents

The research findings revealed that most of the respondents as shown by 37.5 % were aged between 34-41 years, 25% of the respondents were between 42-49 years, 21.9% of the respondents were aged 26-33 aged years, 9.4% of the respondents were aged more than 50 years while 6.3% of the respondents aged between 18-25 years. This shows that most of the sample respondents belong to the productive age bracket between 26 and 49 years old. Since one of the common objectives of microfinance is to provide increased access to financial services to the productive poor, both physically and mentally active. Respondents aged between 34 to 41 years old are the dominant group in the sample. The second largest group is between the ages of 42 and 49 years old and the third group ages more than 50 years followed by groups aged 25 and younger.

Table 4.3 Age(in years)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-25	24	6.3	6.3	6.3
	26-33	84	21.9	21.9	28.1
	34-41	144	37.5	37.5	65.6
	42-49	96	25.0	25.0	90.6
	more than 50	36	9.4	9.4	100.0
	Total	384	100.0	100.0	

4.4.3. Distribution of sample respondents by marital status

Table 4.5 below depicts the distribution of sample respondents by marital status. About 75 percent of sample respondents are currently married. In addition, about 20.3 percent are single, no divorced, and 4.7 percent divorced.

This indicates that majority of the sample respondents are married and evidences from the study area tells that loans to urban and rural households who do not have acceptable collateral are mainly directed to married clients who are believed socially secure and more responsible than unmarried and divorced clients. This could be to minimize the default rate and maximize the repayment rate. It is also be due to group exclusion of those clients during group formation to minimize risks of defaulter's penalty to the group.

Table 4.4Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	288	75.0	75.0	75.0
	un married	78	20.3	20.3	95.3
	Divorced	18	4.7	4.7	100.0
	Total	384	100.0	100.0	

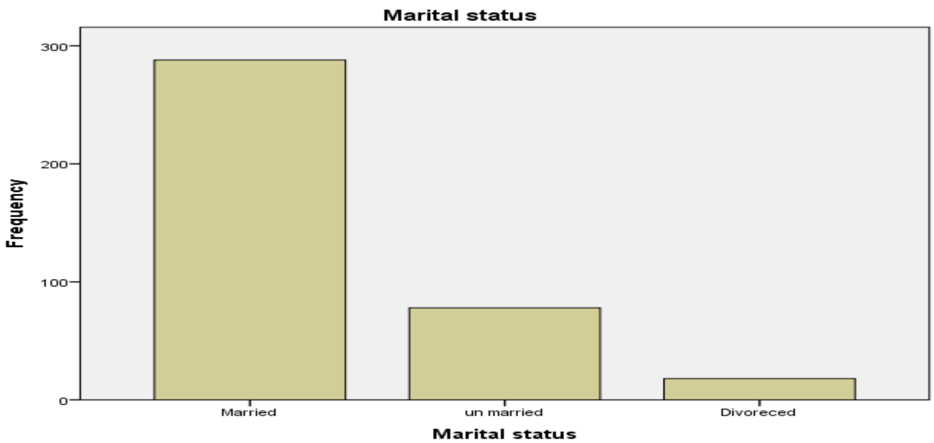


Figure 4.2 marital status

4.4.4. Education Level of the Respondents

Majority of the respondents completed elementary school (1-4) was 37.5% and no schooling and junior (5.8) were 25% and 26.6% respectively while secondary and higher education is 7.8% & 3.1 respectively. This shows that the use of micro financing services have some kind of correlation between educational levels with low income people.

Table 4.5 Education level of the respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no schooling	96	25.0	25.0	25.0
	elementary (1-4)	144	37.5	37.5	62.5
	Junior (5-8)	102	26.6	26.6	89.1
	secondary (9-12)	30	7.8	7.8	96.9
	Higher education	12	3.1	3.1	100.0
	Total	384	100.0	100.0	

4.4.5. Sample respondents residence

The tables below revealed that majority of the respondents were residence of Bishoftu Town. Of the total sample of the study 252(65.6) of the respondents/customers were Bishoftu Town residents and the rest 132(34.4%) were resident rural areas in the surrounding kebeles of Bishoftu town who uses MFIs services found at Bishoftu Town. This was due to cost and time constraint

Table 4.6 Residence of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Urban	252	65.6	65.6	65.6
	Rural	132	34.4	34.4	100.0
	Total	384	100.0	100.0	

4.4.6. Occupation of the Respondents

The table below illustrates the composition of the respondents by their job occupations. It was revealed that majority about 90.6% of the respondents are self-employed and 9.4% were employees of amount are government and non-organizations.

Table 4.7 Occupation of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Salaried	36	9.4	9.4	9.4
	self employed	348	90.6	90.6	100.0
	Total	384	100.0	100.0	

4.4.7. Average Monthly Income of the Respondents

The table below reveals that majority of the respondents who are using MFI services have average monthly income between 3,000-5,000.

Table 4.8 Average monthly income distribution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1001-3000	12	3.1	3.1	3.1
	3001-5000	60	15.6	15.6	18.8
	5001-10000	150	39.1	39.1	57.8
	more than 10000	162	42.2	42.2	100.0
	Total	384	100.0	100.0	

4.4.8. Respondents Religion

The table below reveals that majority of the respondents who are using MFI services are Christians (95.3%) while 4.7% are Muslims. This shows that most of the resident of Bishoftu Town & its surrounding kebeles are Christians. The 1994 national census reported from the total population for East Shewa- Adea Worda 97.86% were Christians & were 1.33% Muslims.

Table 4.9 Religion of respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Christian	366	95.3	95.3	95.3
	Muslim	18	4.7	4.7	100.0
	Total	384	100.0	100.0	

4.4.9. Micro financing Behavior of the Customers

All respondents are activities users of micro financing services. Most customers of MFI use mix of financial service provided by MFIs such as credit, compulsory savings and voluntary savings.

Table 4.10 financial seemed offered by the MFI

Response	Frequency	Percent
Voluntary saving services	51	13.2
Forced/compulsory & credit services	533	86.7
Total	384	100

As shown in the above table MFI customers are mostly use only credit, compulsory and voluntary savings services. For example 13.2% of the respondents are voluntary saving suns users and 86.7% of the respondents are both credit & savings(forced) services of MFI services. This implies that all credit customers are forced to make deposits with the MFI.

4.4.10. Period of Relationship of the Respondents

The customer’s practice in micro financing is demonstrated in figure below about 67.2% of the respondents have more than 3 years of micro financing relationship with their MFIs. Such a long permanent status of relationship indicates the capability of customer satisfaction by MFIs. This is followed by 25% of the customers with an experience of 1 to 3 years and 7.8% of the customers with an experience of less than one year with their respective MFIs.

The overall perception of the customers on the importance of MFIs and the satisfaction level of the respondents show that all the respondents perceive the importance of the MFIs very positively with yes satisfaction level of the respondents.

Table 4.11 Length of relationship with MFIs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than one year	30	7.8	7.8	7.8
	1-3 years	96	25.0	25.0	32.8
	3-5 years	150	39.1	39.1	71.9
	more than 5 years	108	28.1	28.1	100.0
	Total	384	100.0	100.0	

4.4.11. Sources of inforamtion to MFIs' services

Respondents were requested to indicate their immediate source of information about the services of MFIs. In this case from the research findings, 75% of the respondents indicated they received the information from their friends and relatives, 21.9% of the respondents indicated that they have received from MFI staff, whereas 3.1% of the respondents indicated they have got the information kebele administrators. This implies that majority of MFIs wouldn't offer the marketing activities especially via media such as radio and tv.

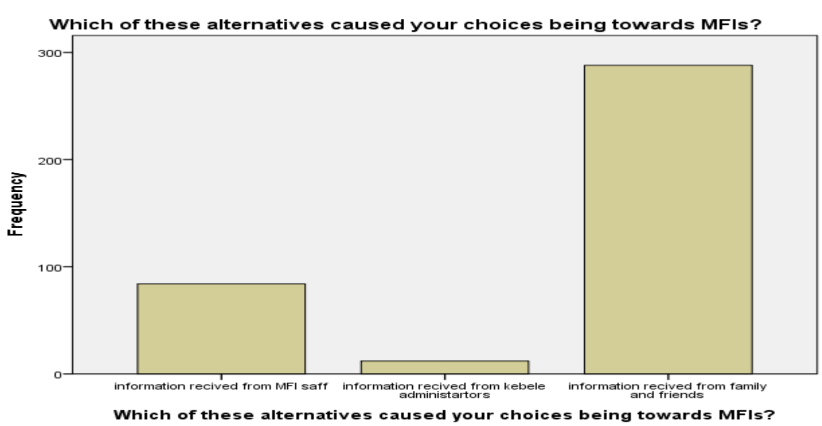


Figure 4.3 Sources of information

4.4.12. Respondents satisfaction level

From the research findings, all the respondents as shown below by 100% indicated that they have satisfied with the overall performance of their respective microfinance institutions for financial services delivered to them for personal or business activities.

Table 4.12 Satisfaction level of the respondents

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	384	100.0	100.0	100.0

4.5. Inferential Statistics

Inferential analysis consists of t-test, Pearso

n correlation analysis and regression analysis. The test is used to examine the relationship between variables and the relationship between demographic variables and dependent variables. The study used inferential statistics to make inference based on probability.

4.5.1. Customer Preference Correlation Coefficient Analysis

After the descriptive analysis, the researcher conducted Pearson Correlation Analysis to indicate a linear association between the predicted and explanatory variables or among the latter. It, thus, help in determining the strengths of association in the model, that is, which variable best explained the relationship between the determinant factors and customers preferences on financial services of MFIs in Bishoftu Town and its surroundings.

It helps to identify important factors which are capable to affect the dependent variable. The results of the correlation analysis show all independent variables are correlated with the dependent variable customer preference (CP) with a 0.05 level of significance. However, Flexibility, culture, service quality and government regulation are moderately correlated while the remaining variables convenience and financial literacy are weekly correlated.

Table 4.13. The Pearson correlation analysis.

Correlations

		Customer prefernces	FLEXMEAN2	CONVIMEAN2	QualityMEAN2	PRICEMEAN2	CULTUREMEAN2	LiteraceyMEAN2	RegulaMEAN2
Customer Preferences		1							
	Sig. (2-tailed)								
	N	384							
FLEXMEAN2		.026	1						
	Sig. (2-tailed)	.615							
	N	384							
CONVIMEAN2		.179*	.056	1					
	Sig. (2-tailed)	.000	.271						
	N	384	384	384					
QualityMEAN2		.418*	.006	.139*	1				
	Sig. (2-tailed)	.000	.913	.007					
	N	384	384	384	384				
PRICEMEAN2		.378*	.004	.092	.156*	1			
	Sig. (2-tailed)	.000	.935	.071	.002				
	N	384	384	384	384	384			
CULTUREMEAN2		-.003	-.057	.073	-.039	-.047	1		
	Sig. (2-tailed)	.954	.269	.153	.446	.358			
	N	384	384	384	384	384	384		
LiteraceyMEAN2		.114*	.032	.021	.047	.052	-.041	1	
	Sig. (2-tailed)	.026	.532	.675	.353	.312	.419		
	N	384	384	384	384	384	384	384	
RegulaMEAN2		.348*	-.010	.055	.202*	.363*	.028	.070	1
	Sig. (2-tailed)	.000	.843	.283	.000	.000	.578	.173	
	N	384	384	384	384	384	384	384	384

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

4.5.2. Regression Analysis

Regression analysis was conducted to examine the causal and strengths of relationships between the dependent and independent variables. A regression model was formulated and tested where the dependent variable represented customer preference and the independent variables: flexibility, convenience, service quality, price of products and services, culture, financial literacy and government regulation. Basically, the regression analysis is used to test how the model fits and investigate the determinant variables to the dependent ones in the model. Finally, the research questions get their proper answer based on the proposed specific hypothesis and the regression results.

The regression result explores the necessary indicators of the customers preferences by using the variables identified in the model. As indicated in the previous chapter model summary part, the appropriate indicators of the variable used to identify the customer preferences are explored.

Primarily, the study supposed to test whether misspecification problem occurred due to the model specification by using the ANOVA test. The result revealed that F-test of the p-value is 0.000 and the significant value is 0.05. Hence, the significance (sig.) value is greater than that of the p-value; therefore, accept the hypothesis showing that the model is fit or good. Having this in mind, the next question to follow is how much it is a good. The answer is given by the goodness of fit test (R2) value. That is, the value of R square used to measure how much of the variation in the dependent variable customer preferences identified by the regressioner. The larger the value of R square, the better it fits.

Table 4.14Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.565[a]	.320	.307	.40622

ANOVA

Model			Df	Mean Square	F	Sig.
1	Regression	29.140	7	4.163	25.227	.000[b]
	Residual	62.045	376	.165		
	Total	91.185	383			

The table above displays R, R square, adjusted R square, and the standard error. R is the multi-correlation coefficient which is measuring the relationship between the dependent and predictor variables. The values of R range from -1 to 1. The sign of R indicates the direction of the relationship (positive or negative). The absolute value of R indicates the strength, with larger absolute values indicating stronger linier relationship. So, the value of R is 0.565 which implies the dependent and the predictors have developed a strong positive linear relationship.

Moreover, R squared is the proportion of variation in the dependent variable explained by the regression model. It is ranged from 0 to 1. Small values indicate that the model does not fit the data well. The sample R squared tends to optimistically estimate how well the models fit for the population. Both R squared and adjusted R square somehow has the same meaning and purpose. But the adjusted R square is applicable for the small numbers of observation (n<30) or numbers of variables less than or equal to 5. So, in the case of this study, the researcher should use R square, because the numbers of variables involved in the study were eight. In this regard, the R square value is 0.320. This show that the seven independent variables of the model accounted 32% of the variation over the customer preference (the dependent variable);whereas, the rest 68.% of the variation are covered by other unknown variables which is not included in the study.

The following tables gives the coefficients which helps in establishing the regression line.

Table 4.15 Regression analysis result

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	VIF
	B	Std. Error	Beta			
(Constant)	-.017	.446		-.038	.970	
Flexibility	.020	.048	.018	.415	.678	1.008
Convenience	.102	.045	.098	2.255	.025	1.036
Service quality	.444	.060	.326	7.411	.000	1.071
Price of products and services	.244	.045	.249	5.399	.000	1.172
Culture	.009	.028	.013	.306	.760	1.019
Financial literacy	.064	.039	.071	1.652	. .099	1.009
Government regulation	.164	.042	.181	3.912	.000	1.188

F (7,383)=25.227=.000

The established regression equation was;

Customer

Preference= $-0.0170+0.020_{flex}+0.102_{con}+0.444_{serv}+0.244_{price}+0.009_{cult}+0.064_{liter}+0.164_{regul\ +\ e}$

The sign of the beta coefficient (ß) shows the +ve or –ve effect of the independent variables over the dependent variable. From the result revealed in table above, the ß sign of all the seven independent variables are positive. This means, any increase or decrease in this independent variable leads to increase or decrease in the dependent variable simultaneously.

Result of regression analysis presented in table above also provides more comprehensive and accurate examination of the research hypothesis. Therefore, the regression analysis was used to test the developed hypotheses based on the hypothesis and investigate the impact of the independent variables on the dependent ones.

The analysis was undertaken at 0.05 significance level. The criteria for comparing whether the predictor variables were significant in the model was through comparing the obtained probability value and $\alpha=0.05$. If the probability value was less than α, then the predictor variable was significant otherwise it wasn't. The predictor variables (Convenience, service quality, Price of products and services, and government regulation were significant in the model as their probability values were less than $\alpha=0.05$ whereas; the remaining predictor variables (Flexibility, Culture and financial literacy) were not significant in the model as their probability values were greater than $\alpha=0.05$

The researcher checked whether all the factors are important to determine the model or not, by using t-test statistics. If the p-value < sig value=0.05 the factor/s are important to determine the model, i.e. accepted, otherwise the factor should be rejected in the model.

So, the regression model after excluding the insignificant variables was;

Customer preference =$-0.017+0.102x_{con}+0.444_{serv}+0.244_{price}+0.164_{regu}$

4.5.3. Interpretation of the Results

The first hypothesis involved in this study was to check whether flexibility affects customers' preferences of micro financial institution or not. The result indicated in table above shows that the coefficient of flexibility was not statically significant indicating that it does not affect customer preference (Beta = 0.020, p =0.342 >0.05). Therefore, it is possible to conclude that the assumed hypothesis is rejected, i.e. the independent variable flexibility does not affect the dependent variable (customers' preferences).

The second hypothesis involved in this study was to check whether convenience was affecting the microfinance customer's preferences. The result indicated that the factor convenience affects the dependent variable customer preference of the low income people in Bishofitu ($Beta=0.102$, $p=0.025<0.05$).

The third hypothesis involved in this study was to check whether service quality affects customer preference or not. As revealed in table above, those two variables are statistically strongly significantly associated. This show that the independent variable service quality affects the dependent variable customer preference because ($B=0.444$ and $p<0.05$).

The fourth hypothesis also wanted to test whether price of products and services is statically significant determinants of the customer's preference on financial services of MFIs in Bishoftu town or not. The result indicated in table above shows that the coefficient of price of products and services was statically significant indicating that it affects customer preference ($Beta = 0.244$ $p=0.000<0.05$).

The fifth hypothesis was to test whether culture has impact on customer preference on financial services of MFIs. Culture has no a significant impact on customer preferences ($Beta = 0.009$, p $0.760>0.05$). It is possible to conclude that cultural factors do not affect customers' preference significantly. In that regard, the assumed hypothesis is rejected.

Furthermore, the study wants to test whether financial literacy is statically significant factors of the customer preference in Bishoftu town or not. The result indicated in table above revealed that the coefficient of the financial literacy was statistically not significant indicating that it does not affects customers preference for financial service of MFIs ($Beta = 0.064$, $p=0.099>0.05$).

And finally, the Table also shows that government regulation on financial services of MFIs of Bishoftu town is positively related with customer preferences with a coefficient estimate of 0.164 and the p-value of government regulation i.e., 0.000 reveals that it is statistically significant at 5% level of significance This shows that government regulations affect MFIs customers preferences of the town ($B=0.164$, $P=0.00$).

Table 4.16 Discussion of major findings

Hypotheses	Supported	Not supported
H1: There is a significant relationship between flexibility and customer preference to choose MFI financial services		✓
H1: There is a significant relationship between convenience and customer preference to MFI financial services to choose MFI	✓	
H1: There is a significant relationship between service quality and customer preference to MFI	✓	
H1,: there is a significant relationship between price of products & services and customer preference to choose MFI	✓	
H1: There is a significant relationship between culture and customer preferences to choose MFI		✓
H1: There is a significant relationship between financial literacy and customer preference to choose MFI		✓
H,: There is a significant relationship between government regulation and customer preferences to choose MFI	✓	

CHAPTER FIVE

Summary, Conclusion and Recommendations

5.1. Introduction

This chapter presents summary of the study findings, conclusion and recommendations. The statistics and outcomes obtained from chapter four also provide implications and limitation of the study. In addition to this, the recommendation is also suggest for future researches as well as conclusions are also mentioned in this chapter to offer comprehensive understanding in this research.

5.2. Summary of Findings

The study was conducted to determine the factors that influence the customer preference on financial services of their MFI choices in Bishoftu Town. Therefore, descriptive analysis was used as well as inferential analysis to determine the relationship of consumers' preference on MFI choice between flexibility, convenience, service quality, price of products and services, culture, financial literacy and government regulation.

A total of three hundred ninety three questionnaires were distributed in Bishoftu and its surroundings and three hundred eighty four. i.e 98% of the questionnaires were successfully collected for valid analysis. For this research SPSS and Microsoft Excel were used as statistical tools for measurements to both descriptive and inferential analysis.

5.2.1. Descriptive Analysis

General profile of the respondents shows that majority respondents are females, productive aged grouped and married. Sample respondents have long experience in the institutions, each joining the institutions with different reasons, the major reason and purpose being financial problem and agricultural related activities. The finding indicates that majority of customers are credit product users. Respondents witnessed some changes in their income level and experienced favorable effect of loan in their income.

The study also established that majority of the respondents were in self-employment and joined MFIs in order to borrow loans, and change their life. Similarity the beneficiaries' ability to settle their personal and family medical and educational expenses and accessibility to these services has improved after the MFI services.

5.2.2. Inferential Analysis

Table 5.1 Pearson correlation analysis of the predictor variables

	Flexibility (FL)	Convenience (CO)	Service quality (SQ)	Price of products & service (PR)	Culture (CL)	Financial Literacy (FL)	Government Regulation (GR)
Pearson correlation	0.020	0.102	0.444	0.244	0.009	0.064	0.164
Sig. (2-tailed)	0.678	0.025	0.000	0.000	0.760	0.099	0.000
N	384	384	384	384	384	384	384

(Developed for the research)

Based on the finding, service quality (0.444), Price of products and services (0.244), government regulation (0.164), and convenience (0.102) from the highest to the lowest respectively have positive & significant effect on the dependent variable customer preference. The remaining three variables (Flexibility, Culture and financial literacy) do not have effect on customer's preferences for financial services of MFI since their P-value>0.05 level of significance. Hence; these assumed variables are rejected.

5.3. Conclusion

In this study, the researcher found that affect customers preferences of financial services regarding MFIs are service quality, price of products and services, government regulations and convenience. Service quality is the most significant factor that affects the customer preference in selecting MFI. The relationship between service quality and customer preference to MFI services has the highest Pearson correlation of 0.444 implying that service quality plays a significant role of affecting a customer's preference in choosing MFI and maintaining relationship with their MFIs Service. An effective service such as speedy of transaction and the degree of friendly of MFI staff will have the effect of attracting customer of choosing a MFI. If the Micro financial institutions products and services offered are quality and customer focused compared to their competitors, it influences a customer directly in selecting micro financial institutions.

The second significant factor was that price of products and services with a Pearson correlation coefficient of 0.244 implying that MFIs should focus their priorities properly on prices of products and services in order to improve their customer satisfaction and attracting customer on selecting their MFIs. Price of products and services is serves an important factor for customer on choosing their MFIs because they would compare prices, cost or benefits from the micro financial institutions products and services at the lowest cost given to their preference. That is one of a reason for financial service providers to consider this as a priority in maintaining reasonable prices on their products and services, as customers would also willing to pay the price for better products and services. Price is something to be sacrificed to obtain certain kinds of product or services. Generally, price plays in an important role of giving a reasonable amount of charges in their products or services to retain and attract consumers. The impact of price of products and services would affect the relationship between customer satisfaction, switching behavior and MFI selection.

The third significant factor was government regulation with a Pearson correlation coefficient of 0.164 to customer preference implying that government regulation plays a role affecting a customer's preference in choosing MFI, and maintaining relationship with their MFIs Service. Customers would prefer using the MFI with the easiest ease of access for their micro financing products and services when needed. Government plays an active role in microfinance: setting policy for the microfinance industry, providing lump sun grants to NGO or microfinance institutions (MFIs) or lending directly to the poor, and controlling and monitoring their activities. The microfinance institutions are a part of the formal financial system that are regulated and supervised by National Bank of Ethiopia. Regulations of the microfinance industry do not only mean government regulations; it also involves self-regulations and code of conducts introduced by networks or associations MFIs. Their policies and regulations can affect the preferences of customers of MFIs such as policies on savings and loans. Regulation and supervision has helped to create an enabling environment for establishment of specialized formal financial institutions that provide financial services to the un-banked. They have also encouraged MFIs to offer a wide range of products, and promoted standardization and transparency in the sector. Regulation plays as a catalyst to enhance growth and development of the entire credit industry and thus, accomplishes its goal of promoting the progress of the sector within a financial system approach and increasing financial inclusion and reaching the unbanked in Ethiopia. Regulation has also impacted positively on the stakeholders, both directly and indirectly. Microfinance clients have been benefited from better access to financial services, in terms of quantity, quality and variety of products; while at the same time, have been introduced to a culture of credit discipline

The fourth significant factor that would affect customer preference for financial services of MFIs in Bishoftu Town is convenience. In the Pearson correlation analysis, convenience has the fourth highest correlation with the value of 0102. Generally consumers would prefer selecting the MFI with the easiest ease of access for their micro financing products and services when needed. Convenience is a factor that should not be neglected as it will impact the decision of a customer selecting a MFI and transactions when the MFI location is strategically better than its competitors, which includes of doorstep services, extended working hours, Efficient process of granting loans & services, and expanding braches for customers convenience.

5.4. Limitation of the Study

There are limitations found in this research. One of the limitations is the coverage of location. The survey questionnaires are mainly distributed in Bishofitu area only due to the limitations of time and other resources. Because of this, the feedback from respondents might notable to explain perspective of the whole Ethiopian on MFI choosing criteria. In order to get more accurate result future researchers are encouraged to get respondents from different regions.

In addition, the survey questionnaires were written in English and Amharic language. Some of the respondents may have some lack of understanding for the questions in the questionnaires, and they would not be able to answer the question properly and accurately. It might cause this research results to be less accurate than it should be. Even though, the society in the study area speaks well in Amharic language, the questionnaire would be more preferable if it were in Affan Oromio.

Furthermore, this study might omit some others significant factors that might influence the decision to select MFIs products and services by customers and might not fully explain the actual decision of MFI selection by customers. Thus it might not contribute as much for micro financing industries in term of enhancing the number of customers.

And finally, only three hundred ninety three questionnaires were distributed for this research which is following to sample size determinations. However; the result might be less accurate because three hundred eighty four respondents might not able to represent the overall opinion of whole Ethiopian populations.

5.5. Recommendations

Based on the analysis and findings from the research, the factors examined, such as service quality, price of products and services, government regulation, convenience and financial literacy in the research determined the preference of MFI among the customers. MFIs as a service organization must ensure that every elements of service delivery to the customer are well thought out and customer oriented.

In view of the above, the researcher recommended the following recommendations:-

- ❖ MFIs must focus on service delivery to be customer oriented to meet the needs of the customers. Attention must be given to each customer's needs which must be professionally handled and delivered in order to promote loyalty and regular patronage of such customers. Customers place more emphasis on factors like service quality, price of products and services, government regulation, convenience and financial literacy. Therefore, such factors should be considered seriously by the MFIs in designing their marketing strategies by widening their branches & providing quality financial services to their customers.
- ❖ A majority microfinance programs is intended to women as the target client. The reason, according to Food and Agricultural Organization (2002), was because the women tend to be timelier payers than men, especially in the poor community. In addition, in many cases women can be more trusted and dedicated more to their families' well being. However, concerning this gender targeting, microfinance should be carefully noticed, since gender roles in a certain society is a problematic issue. In some countries, gender role is much affected by the culture. For instance, in men lead society, a father is the owner of wealth. This fact brings a result that he can dominate in the family, including the decision to take a loan/credit from a financial institution. Women often are placed in the inferior position, and indeed many studies revealed about it. Conversely, in some places, mothers are involved in the family's decision as their choice. In this society, generally women have income generated business activities to support family.

- MFI managements should be aware that some of the microfinance selection determinants differ from one segment to another in the business firm market. These results would enable microfinance managers to identify the important microfinance attributes that affect MFI selection decisions made by each segment in the business market in Ethiopia.
- Promoting financial inclusion by empowering consumers to make better financial decisions through financial literacy training and disclosures has to be an important goal of policy of the MFIs and Government.
- Subsequent improvements in the regulatory framework include the revision of the loan size ceiling for individual borrowers, the revision of repayment periods on loans from one year to two years, and removal of the interest rate ceiling on credit. This removes some of the key regulatory problems faced by the industry. But more needs to be done. The poor still do not have enough microfinance service providers from which to choose.

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APPENDIX I

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

DEPARTMENT OF GMANAGEMENT

Questionnaire on customers' preferences on financial services of Micro financial Institutions in Bishoftu Town.

Dear Respondent:

This questionnaire is designed for studying factors affecting customer preference for financial services of Microfinance Institutions in Bishoftu town. The aim of the study is only for academic purpose. All responses are confidentially kept and used for the stated purpose only. Thus, I would kindly request you to go through all questions and respond the solid reality regarding each issue. Choose the correct one among the following alternatives.

Thank you in advance

Section I: General information

1. Gender a. Male b. Female
2. Age(in years) a. 18-25 b. 26-33 c. 34-41 d. 42-49 e. more than 50
3. Marital status a. married b. Unmarried c. Divorced
4. What school level have you completed? a. no schooling b. elementary(1-4) c. Junior(5-8) d. secondary (9-12) e. higher education(>12)
5. Where is your residence a. Urban b. rural
6. What is your religion? A Christian b. Muslim c. Other ----------
7. What is your occupation a. salaried b. self-employed c. retired d. other _____
8. What is your household's average monthly income? a. 1,001-3,000 b.3,001-5,000 c. 5,001-10,000 d. more than 10,000

Section II- Customers preferences and relationships with MFIs

9. Please choose the most frequently used micro financial institutions. Please tick(✓) one column given (The following questions will be used based on your MFI selected)

Gasha MFI	
SFPI MFI	
OCSSCO MFI	
BUSSA GONFA MFI	
AVFS MFI	
ACST MFI	
Keresh MFI	

10. How long have you been using MFIs products & services?
    a. less than one year b. 1-3 years c. 3-5 years d. more than 5 years
11. What type of MFIs products & services do you use?
    a. conventional saving b. compulsory saving c. loan facility d. insurance services e. Money transfer services f. any two or more services & products
12. Which of these alternatives caused your choices being towards MFIs? a. information received from family & friends b. information received from MFIs staff c. information reviewed from Ads, Radio, TV d. information received from kebele administrations
13. Are you satisfied with the products and services of your MFIs? A Yes b No
14. What is the level of your agreement or disagreement with respect to your preference (choice) for MFI services?
    1 very negatively 2. Negatively 3. Neutral 4.positively 5. Very positively

Section- III Factors affecting Customer preferences with in order of level of importance using Likert scale. Please choose the suitable answer and circle the number given.

Flexibility

	The MFI provide	Level of importance				
		Strongly disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
1	Ease of account opening process and opening requirements	1	2	3	4	5
2	Easy obtainable variety of financial services	1	2	3	4	5
3	Allow to pay monthly loan products using own savings or withdraw part of saving whenever a problem	1	2	3	4	5
4	Less adherence of collateral requirement	1	2	3	4	5
5	Renegotiation of repayment schedule when any shock happens	1	2	3	4	5
6	Progressive lending	1	2	3	4	5
7	Provides required loan amount	1	2	3	4	5

Convenience

	The MFI provide	Level of importance				
		Strongly disagree	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
1	Proximity to home or work place	1	2	3	4	5
2	Security and parking space arranged by the MFI	1	2	3	4	5
3	Availability of several branches	1	2	3	4	5
4	Working hours(extending operation hours)	1	2	3	4	5
5	Loan amount & repayment period	1	2	3	4	5
6	The color and logo of the MFI is easily identified	1	2	3	4	5
7	Efficient process of granting loans & services	1	2	3	4	5

Service quality

	The MFI provide	Level of importance				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Promptness of service	1	2	3	4	5
2	Friendly and courteous manner of employees	1	2	3	4	5
3	Willingness to listen and respond to your needs	1	2	3	4	5
4	Satisfied with the feedback given by the MFI	1	2	3	4	5
5	Ability to offer promised services	1	2	3	4	5
6	Customers treatment competently and with professionalism	1	2	3	4	5
7	Strong commitment to meet customers' needs	1	2	3	4	5

Price of products & services

	The MFI provide	Level of importance				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Appropriate amount of service charges	1	2	3	4	5
2	Acceptable interest rate charge on loan	1	2	3	4	5
3	Higher interest rate on saving	1	2	3	4	5
4	The product price between MFIs are acceptable	1	2	3	4	5
5	Interest charge on overdue payment is in reasonable amount	1	2	3	4	5

Culture

	The MFI provide	Level of importance				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Our culture practices do encourage use of MFIs services	1	2	3	4	5
2	Opinions & influences of friends, family and relatives matter in making decision to use MFI services	1	2	3	4	5
3	MFI provides customized products and services to its customers needs	1	2	3	4	5

Financial literacy

	The MFI provide	Level of importance				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Enabling ahead for regular and targeted saving practices, and smart borrowing	1	2	3	4	5
2	Financial counseling services to manage risk & use insurance services	1	2	3	4	5
3	My knowledge helps me to do more business with MFIs by knowing my duties and rights	1	2	3	4	5
4	Able to select and use safely the right financial services	1	2	3	4	5

Government regulation

	The MFI provide	Level of importance				
		Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Setting loan size ceiling policy for individual borrower	1	2	3	4	5
2	Repayment periods of loan from one year to two year	1	2	3	4	5
3	Removal of the interest rate ceiling on credit	1	2	3	4	5
4	Setting minimum interest rate to be paid for saving	1	2	3	4	5

የአነስተኛ ብድር እና ቁጠባ ተቋማት ደንበኞች የአገልግሎት ምርጫ የተመለከተ በአማርኛ የተዘጋጀ መጠይቅ

አዲስ አበባ ዩኒቨርስቲ

ቢዝነስና ኢኮኖሚክስ ኮሌጅ

የማስተርስ ቢዝነስ ማናጅሜንት ት/ክፍል

ለተቋሙ ተገልጋዮች የተዘጋጀ የጽሁፍ መጠይቅ

በቅድሚያ ለሚያደርጉልኝ ቀና ትብብርና ለሚሰጡኝ ትክክለኛ ምላሽ እያመሰገንኩኝ ይህ ለማኔጅመንት ቢዝነስ አድሜንስትሬሽን ማስትሬት ድግሪ ሚሟያ የሚዛናዊ ውጤት ተኮር አሰራርን በመጠቀም በቢሾፍቱ ከተማ በአነስተኛ ብድርና ቁጠባ ተቋማት ደንበኞች የአገልግሎት አሰጣጥ ምርጫን በተመለከተ ተጽዕኖ የሚያሳድሩ ጉዳዮችን ለመለየት/factors affecting customers preferences on financial services of microfinance institutions in Ethiopia Bishoftu Town) በሚል ርዕስ ሊሰራ ለታሰበ የምርምር ጽሑፍ የሚሰበሰብ ግባት ነው፡፡ በዚህ መጠይቅ ላይ የሚሰጡት መረጃ ለሌላ ለምንም አይነት አገልግሎት የማይውልና ሚስጥራዊነቱ የተጠበቀ መሆኑን ለማረጋገጥ እወዳለሁ፡፡

ክፍል 1- አጠቃላይ መረጃ

1. ጾታ፡ ሴት ☐ ወንድ ☐
2. ዕድሜ፡ ከ18-25 ☐ ከ26-33 ☐ ከ34-41 ☐
   ከ42-49 ☐ ከ50 ዓመት በላይ ☐
3. ጋብቻ፡ ያገባ ☐ ያላገባ ☐ የፈታ/ች ☐
4. የትምህርትደረጃ፡ መደበኛ ትምህርት ያልተማረ ☐ የመጀመሪያ ደረጃ ትምህርት ያጠናቀቀ ☐ ሁለተኛ ደረጃ ትምህርት ያጠናቀቀ ☐ ዲፕሎማ ☐ የመጀመሪያ ዲግሪና ከዚያ በላይ ☐
5. የመኖሪያ አድራሻ፡ ቢሾፍቱ ከተማ ☐ ከቢሾፍቱ ከተማ የወጣ ☐
6. የሚከተሉት እምነት ክርስትና ☐ እስልምና ☐ ሌላ ☐
7. የሥራ ሁኔታ፡ የመንግስት/የግል ድርጅት ተቀጣሪ ☐ የግል ስራ ☐ ጡረተኛ ☐ ሌላ ☐
8. ወራዊ አማካይ የገቢ ምንጭዎ ስንት ነው? እስከ 1000 ☐ ከ1001-3000 ☐
   ከ3001-5000 ☐ ከ5001-10,000 ☐ ከ10,000 በላይ ☐

ክፍል 2- ደንበኞች ከተቋሙ ጋር ያላቸው ግንኙነትና ምርጫዎቻቸው

9. ከሚከተሉት በቢሾፍቱ ከተማ ከሚገኙ የአነስተኛ ብድርና ቁጠባ ተቋማት የዋነኛው ተቋም ደንበኛ ነዎት
   ጋሻ ማይክሮ ፋይናንስ ☐ ልዩ እገዛ ብድርና ቁጠባ ማይክሮ ፋይናንስ ☐
   ኦሮሚያ ብድርና ቁጠባ ማይክሮ ፋይናንስ ☐ ቡሳ ጎንፋ ማይክሮ ፋይናንስ ☐ አፍሪካ ቪሌጅ ማይክሮ ፋይናንስ ☐
   አዲስ ብድርና ቁጠባ ማይክሮ ፋይናንስ ☐ ቀርሽ ብድርና ቁጠባ ማይክሮ ፋይናንስ ☐
10. በተቋሙ ለምን ያህል ጊዜ ተገልግለዋል?
   እስከ አንድ አመት ባለው ጊዜ ☐ ከ1-3 ዓመት ☐ ከ3-5 ዓመት ☐ ከ5 ዓመት በላይ ☐
11. የተቋሙ ደንበኛ ከሆኑ የትኞቹን አገልግሎቶች ይጠቀማሉ? የፍቃደኝነት ቁጠባ ☐ የውዴታ ግዴታ ቁጠባ ☐ የብድር አገልግሎት ☐ የኃዋላ አገልግሎት ☐

የመድን ዋስትና አገልግሎት ☐ ከአንድ በላይ እጠቀማለሁ ☐

12. የተቋሙ ደንበኛ ለመሆነዎት ከፍተኛ ተጽኖ ያሳደረብዎት የግንዛቤ ምንጭ የሆነዎት የትኛው ነው?

ከተቋሙ ሠራተኞች ያገኙሁት መረጃ ☐ ከቀበሌ አስተዳደር ሠራተኞች ያገኙሁት መረጃ ☐ ከጓደኛና ከቤተሰብ ያገኙሁት መረጃ ☐ በሬዲዮና ቴሌቭዥን ያገኙሁት መረጃ ☐

13. ተቋሙ በሚሰጥዎት አገልግሎት ረክተዋል? አዎ ☐ አረካሁም ☐

14. በእርስዎ አስተያየት የማይክሮ ፋይናንስ ተቋማት አገልግሎቶች መርጠው ሲጠቀሙ ምርጫዬ ምን ያክል ትክክል ነው ብለዉ ይስማማሉ?

5= በጣም ትክክል ነው 4= ትክክል ነው 3= በከፊል ትክክል ነው 2=ትክክል አይደለም 1= በጣም ትክክል አይደለም

ክፍል 3፡- ደንበኞች ምርጫዎቻቸው የሚወሰንባቸው ሁኔታዎች

ይህ የጥያቄ ክፍል እርስዎ በተቋሙ በሚያገኙት አገልግሎት እና በተቋማት መካከል ባለው አገልግሎቶች ምን ያህል ደስተኛ እንደሆኑና ምርጫዎን ሊወስኑ የሚችሉ ሁኔታዎችን ለመገምገም የተዘጋጀ ሲሆን ባመኑበት የአፈፃፀም ምልክት ያደርጉ፡፡ የቁጥሮችዎ አወካከል እንደሚከተለው ይሆናል፡-

5= በጣም እስማማለሁ 4= እስማማለሁ 3= በከፊል እስማማለሁ 2= አልስማማም

1= በጣም አልስማማም

የተቋሙን የተለያዩ አገልግሎቶች በቀላሉ መጠቀም መቻል

	እይታዎች	1	2	3	4	5
1	በተቋሙ ሂሣብ ለመክፈት ቀላልና የሒሣብ ለማንቀሳቀስ ቅድመ ሁኔታዎች አመቺ መሆን					
2	የተለያዩ አገልግሎቶች በተቋሙ መኖራቸው					
3	ተቋሙ ችግር ሰገጥመኝ ለብድርና ክፍያ ከቁጠባ ሂሳቤ መክፈል መቻል					
4	ከመያዣ ነፃ የሆነ የብድር አገልግሎት መኖሩ					
5	ተቋሙ ያልታሰበ ችግር ሲያጋጥመኝ በድርድር የብድር መክፈያ ጊዜ ያራዝምልኛል					
6	ተቋሙ የብድር ክፍያን አመላለስ ተመልክቶ እያደገ የሚሄድ ብድር ይሰጠኛል					
7	የጠየቁትን የብድር መጠን ይሰጣሉ					

የአገልግሎት አሰጣጥ፣ ሰዓትና ቦታዉ አመቺነት

	እይታዎች	1	2	3	4	5
1	ተቋሙ ያለበት ቦታና አካባቢ አገልግሎትን ለማግኘት የሚያስችለኝ አመቺ ነው					
2	ተቋሙ የቅርንጫፍ ስርጭቱ ይመቸኛል					
3	በተቋሙ ስገለገል የድህንነት ስሜት ይሰማኛል					
4	የሥራ ሰዓት አመቺ ነው					
5	የተቋሙ የቢሮ ሁኔታ አስደሳች እና አመቺ ነው					
6	በተቋሙ አገልግሎቶችን ለማግኘት የሚወስደው ጊዜ አግባብነት ያለው ነው ወይም አያጉላላም					
7	የብድር መክፍያ ጊዜ ተቋሙ በሚመቸኝ ያደርግለኛል					

የአገልግሎት ጥራትና ቅልጥፍናቸዉ

	እይታዎች	1	2	3	4	5
1	ቀልጣፋ አገልግሎት አሰጣጥ መኖሩ					
2	የተቋሙ ሠራተኞች ጓደኛዊ አቀራረብ አላቸው የምንጠይቀው አገልግሎት ለመስጠት ተባባሪና ቀና ናቸው					
3	ችግር ሲኖር አስተያየት በቀና መንፈስ ይቀበላሉ፣ ቶሎ መልስ ይሠጣሉ					
4	በሚሰጡኝ ግብር መልስ እረካለሁ					
5	ቃላቸው ይተገብራሉ					
6	ሠራተኞች አገለግሎቱን ለመስጠት እውቀትና ዲሲፕሊን ያላቸው ናቸው					
7	ደንበኞችን ለማሳደግ ጠንካራ የሆነ ፍላጎትና ተነሳሽነት አላቸው					

የወለድ እና የአገልግሎት ክፍያ ተመጣጣኝነቱ

	እይታዎች	1	2	3	4	5
1	ተቋሙ በሰጠኝ ብድር ላይ የሚጠይቀኝ ወለድ አግባብነት ያለው ነው					
2	ተቋሙ በሚሰጠኝ አገልግሎት ላይ የሚጠይቀኝ የአገልግሎት ክፍያ ተመጣጣኝ ነው					
3	በተቀማጭ ገንዘብ ላይ ያለው የወለድ ክፍያ የተሻለ ነው					
4	በተቋሙ መካከል ያለው የወለድና የአገልግሎት ዋጋ ተመጣጣኝ ነው					
5	ተቋሙ ብድር መክፈል ሲያቅተኝ የቅጣት ወለድ ክፍያውን በተመጣጣኝ ክፍያ ያስከፍለኛል					

ባህልና እምነት የሚፈቅደውን አገልግሎት መስጠት መቻሉ

	እይታዎች	1	2	3	4	5
1	በተቋሙ ያሉትን አገልግሎቶች ለመጠቀም ባህሊ(እምነት)ተጽኖ እያደረገብኝም					
2	በተቋሙ ያሉትን አገልግሎቶች ለመጠቀም ቤተሰብ፣ ጓደኞቼ ይገፋፉኛል					
3	ተቋሙ የሚሰጣቸው አገልግሎቶች የእኔን ባሕል እና እምነት ያመከሉ ናቸው					

የገንዘብ አያያዝ እና አጠቃቀም ስልጠና ስለሚሰጡ

	እይታዎች	1	2	3	4	5
1	የገንዘብ አያያዝ እና አጠቃቀም እውቀት ስለሚሰጡ ተቋሙ የሚሰጠኝ አገልግሎቶች በአግባቡ እጠቀማለሁ					
2	የገንዘብ አጠቃቀም እውቀትና ምክር(counseling) ስልጠና ስላገኘሁ ችግርን(risks) ቀዳሚ እከላከላለሁ					
3	ስለገንዘብ አያያዝና አጠቃቀም ያለኝ እውቀት ከተቋሙ ጋር ግዴታዬን በደንብ አውቄ እንድሰራ አድርጎኛል					

በመንግስት የወለድ ከፍተኛ ዝቅተኛ ጣራ እንዲሁም የብድር መጠን ጣራ መኖሩ

	እይታዎች	1	2	3	4	5
1	የሚሰጠው ከፍተኛ የብድር ጣራ መጠን ተገቢ ነው					
2	የሚሰጠዉ ከፍተኛዉ የብድር መክፈያ ጊዜ ተገቢ ነው					
3	የብድር ወለድ ጣራ መኖሩ ተገቢ ነው					
4	የተቀማጭ ወለድ ዝቅተኛ መነሻ መኖሩ ተገቢ ነው					