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**Addis Ababa University School of Commerce**  
**Department of Marketing Management**  
**Graduate Program**

**DETERMINATES OF BANK SELECTION IN ETHIOPIAN  
BANKING SECTOR: EVIDENCE FROM CUSTOMERS IN  
ADDIS ABABA**

**By: Worku Yeshitila**

**June, 2017**

**Addis Ababa, Ethiopia**

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BANKING SECTOR: EVIDENCE FROM CUSTOMERS IN  
ADDIS ABABA**

**A Thesis Submitted to Addis Ababa University School of Commerce  
in Partial Fulfillment for the Award of Degree of Master of Arts in  
Marketing Management**

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**Advisor: Dr. Mesfin Workineh**

**June, 2017**

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**DEPARTMENT OF MARKETING MANAGEMENT**

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## **DECLARATION**

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

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Date

## **Advisor's Approval**

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

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Advisor's Name

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Signature

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Date

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## TABLE OF CONTENTS

Acknowledgment .....	i
Table of Contents .....	ii
LIST OF TABLES.....	v
List of Figures .....	vi
List of Acronyms .....	vii
Abstract .....	viii
<b><i>Chapter one:</i></b>	
1. Introduction.....	1
1.1 background of the study.....	1
1.2 Statement of the Problem .....	3
1.3 Research Question .....	4
1.4 Objective of the Study .....	4
1.4.1 Specific Objective of the Study .....	4
1.5 Significant Of the Study.....	5
1.6 Scope of the Study .....	5
1.7 Limitation of the Study .....	5
1.8 Organization of the Paper .....	6
<b><i>Chapter Two:</i></b>	
2. Review of Related Literature .....	7
2.1 Theoretical Review .....	7
2.1.1 Customer Buying Behavior .....	9
2.1.2 Steps in the Customer decision process .....	9
2.1.3 Influence on Customers' Decision.....	10
2.1.4 Customer Satisfaction .....	11

2.2 Empirical Review.....	12
2.2.1 Customer Bank Selection .....	14
2.3 Conceptual Framework.....	17
<b>Chapter Three:</b>	
3. Research Methodology .....	18
3.1 Research Design and Strategy .....	18
3.2 Data type and Source of Data .....	18
3.3 Sampling Techniques.....	18
3.3.1 Target Population.....	18
3.3.2 Sampling Frame .....	19
3.3.3 Sampling Method.....	19
3.3.4 Sample Size.....	19
3.4 Method of Data Collection.....	20
3.5 Types of questionnaires and Scale .....	21
3.6 Method of Data Analysis .....	21
3.7 Ethical Consideration.....	22
3.8 Reliability.....	22
3.9 Model Description .....	22
<b>Chapter Four:</b>	
4. Data Analysis and Discussions .....	24
4.1 Reliability Test.....	24
4.2 Measure of Normality .....	24
4.3 Descriptive Analysis .....	25
4.3.1 Customers’ profile .....	26
4.3.2 Banking behavior of Customers.....	28

4.3.3 Customers' Service needs .....	29
4.3.4 Customers' satisfaction with banking service.....	30
4.3.5 Intention of customers to continue with their customer banks .....	31
4.4 Factor Analysis .....	31
4.5 Factor Formulation.....	33
4.6 Explaining of Bank selection Factors .....	33
4.7 Ranking importance of bank selection factors.....	37
4.8 Gender based description of factors.....	38
4.9 Gender based Ranking of importance.....	39
4.10 Correlation Analysis .....	40
4.11 Regression Analysis.....	41
4.12 Discussion of Empirical finding of the study .....	44

**Chapter Five:**

5. Summary, Conclusions and Recommendations.....	46
5.1 Summary of key Findings.....	46
5.2 Conclusions.....	48
5.3 Recommendations.....	49
5.4 Further Areas of Investigation .....	50

**REFERENCES**

**APPENDICES**

Appendix A: Survey Questionnaire (Amharic Version)

Appendix B: Survey Questionnaire (English Version)

Appendix C: Statistical Results

## LIST OF TABLES

<u>Title</u>	<u>Page</u>
Table 1: Reliability test result of Questionnaire -----	24
Table 2: Skewness and Kurtosis of the variables-----	25
Table 3: Results of profile data of the respondents-----	27
Table 4: Respondents need of additional service -----	29
Table 5: Respondents degree of satisfaction with the banking service -----	30
Table 6: Future Intentions of customers with their customer banks-----	31
Table 7: Results of Factor Analysis -----	36
Table 8: Ranking importance of bank selection criteria factors-----	37
Table 9: Ranking importance of bank selection criteria factors by gender -----	39
Table 10: Correlation Results of variables-----	40
Table 11: Model Summary-----	42
Table 12: Anova-----	42
Table 13: Coefficients-----	43

## LIST OF FIGURES

<u>Title</u>	<u>Page</u>
Figure 1: Model of consumers buying behavior -----	9
Figure 2: Consumer decision making process -----	10
Figure 3: Infulence on customers decision making-----	10
Figure 4: Conceptual Framwork-----	17
Figure 5: Respondents bank affilation period-----	28

## **LIST OF ACRONYMS**

ATM	Automated Teller Machine
AIDB	Agricultural and Industrial Development bank
CBE	Commercial Bank of Ethiopia
CPA	Principal Component Analysis
ETB	Ethiopian Birr
KMO	Keiser- Mayer-Olkin
NBE	National Bank of Ethiopia
n.d	no date
PSU	Primary Sampling Unit
SPSS	Statistical package for social science
SSP	Secondary Sampling Unit
USA	United States of America
GDP	Gross Domestic Product

## **Abstract**

*In today's business environment, especially in the banking industry there is strong competition and dynamics of markets. Due to this complexity, commercial banks need to identify the criteria on which customers determine their bank selection decision. Therefore the objective of this study is to investigate the determinants of bank selection in Addis Ababa, Ethiopia, and how customers rank the factors based on their importance level to patronize banks and banking service. In the meanwhile, this study also provides results of whether the variables such as Service Quality, Convenience/Security, Technology, Marketing & Promotion, Bank Image, Financial benefits, Bank's Reputation and Proximity have significant effect on bank selection decision.*

*Both qualitative and quantitative data analysis techniques, using responses given by 358 bank customers in Addis Ababa city from different occupation, age and income group is employed in the analysis. Two stages stratified sampling method was used and data analysis was conducted by using descriptive and inferential statistical tools with the help SPSS version 22 for windows.*

*Finding this study showed that Convenience/Security, Technology, Marketing & Promotion, Bank's Image and Proximity have significant positive relationship with bank selection decision while Service quality, Financial benefits and Bank's reputation have significant negative relationship with bank selection and 86.6% of bank selection decision explained by independent variables.*

**Key Words:** *Bank selection criteria, Customers, Banks*

## **CHAPTER ONE**

### **1. INTRODUCTION**

#### **1.1 Background of the study**

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

In recent years, financial institutions of all types are moving into a more competitive financial atmosphere with a wide variety of financial products and services. In response to this volatile market environment, commercial banks have shown a renewed interest in marketing their products and services to their customers more effectively (Salih T., Mustafa P. & Ceyhun k., 2011). With growing competitiveness in the banking industry (Grady & Spencer, 1990), and similarity of services offered by banks (Holstius & Kaynak, 1995), it has become increasingly important that banks identify the factors that determine the basis upon which customers chose between providers of financial services.

Understanding buying behavior for financial service users and how customers select their bank has long intrigued in the minds of scholars and practitioners. Exploring such information will help banks to identify the appropriate marketing strategies that are needed to attract new customers and retain existing one (Cleopas, 2011).

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

Sometimes market planning and strategy of financial institutions do fail due to improperly identifying the factors or determinants that customers consider in bank selection. Quality of service, bank's reputation, availability of ATM, proximity to home/work, low interest rate, convenient of bank location, internet and mobile banking facilities and the like are possible determinants that

customers consider as bank selection criteria (Ulengin, 1998; Almosawi, 2001; Mokhlis, 2008; Ahmed, 2011; ). Hence, there is a need for financial institutions to effectively differentiate their offerings from those of competitors in order to attract customers' attention and choice (Ahmed, 2011).

The trend towards globalization is another force that induced many changes in the economic and business environment of our planet. Ethiopia is no exception to these changes and almost all industries including the banking sector, in one way or the other are being affected by this trend (Goiteom, 2011). Ethiopian banking history, in its modern sense, began towards the end of the reign of Emperor Menilek. This period witnessed the establishment of the country's first bank, Bank of Abyssinia, it was an affiliate of the National Bank of Egypt, and was founded in 1905 (Deribie, 2012). A few years later, disappointed by the behavior of this bank, mainly devoted to profit rather than promoting economic development, the Emperor proposed the establishment of a wholly Ethiopian owned bank. Accordingly a new bank, called the Bank of Ethiopia, was established in 1931 with a full ownership of government. The Bank of Ethiopia had been providing both central and commercial banking services to the country and it was the first indigenous bank in Africa (Arnaldo, 2003).

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

Following the declaration of socialism in 1974, the government extended its control over the whole economy and nationalized all privately owned banks and in 1980 forms the sole commercial bank in the country till the establishment of private commercial banks in 1994. The financial sector that the socialist oriented government left behind constituted, only 3 banks and each enjoying monopoly in

its respective market. These were the National Bank of Ethiopia (NBE), the Commercial Bank of Ethiopia (CBE) and Agricultural and Industrial Development Bank (AIDB) (Alemayehu, 2006).

In 1994, the Monetary and Banking proclamation established the National Bank of Ethiopia as judicial entity, separated from the government and outlined its main functions. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector.

Currently the economic and banking environment of Ethiopia is rapidly changing and customers are becoming more demanding and sophisticated. And with these changes, there has been an intense competition in the provision of effective and quality services to their customers. So, it has become important for financial institutions to determine the factors which are important to the customer in bank selection process (Alemayehu, 2006). Therefore, the study aims to explore these determinant factors in more detail in Ethiopia, Addis Ababa and also identifies the prioritization of customers relative to these factors. The study will adopt both quantitative and qualitative method of analysis specifically survey method through personal administered questionnaires.

## **1.2 Statement of the Problem**

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

In order to ensure the success of maintaining sufficient customer and quality services, understanding customers' behavior of bank preference and selection criteria has been argued to be helpful to banks in identifying the appropriate marketing strategies needed to attract new customers and retain existing ones (Awang M.S.,1997). Consequently, the issue of "how customers select banks of their choice" has been given considerable attention by different researchers like (Omo, 2011; Ahmed, 2011; Foscht, 2010; Mokhlis et al., 2008; Erdener & Talha, 2004; Uger, 2004; Zineldin, 1996). However, most of those studies have been mainly conducted in developed countries. While, such studies have contributed substantially to the literature of perquisite for bank selection among customers, their findings may not be applicable to other countries, due to difference in culture,

economic, legal and technological environments. As a result, a set of determinants that may have a significant role in bank selection in one nation may prove to be insignificant in another (Omo, 2011). Therefore, this study will attempt to address the issue of bank preference and selection in light of Ethiopian context though undertaking analysis using recent and extensive evidence collected from bank customers of Addis Ababa city on the determinant factors of bank selection.

### **1.3 Research Questions**

- ❖ What factors considered important for bank customers to select among banks?
- ❖ How these factors are prioritized according to their importance in order to better serve customers needs?
- ❖ Do customers have an intention to continue with their preference?
- ❖ Do customers need any additional services apart from the existing services/products currently offered by commercial banks?

### **1.4 Objectives of the Study**

The main objective of the study is to assess and determine those factors that influence customers' behavior to select a particular bank in Ethiopia with particular emphasis in Addis Ababa. It also aims at prioritizing the identified determinant factors based on their importance.

#### **1.4.1 Specific Objectives**

Based on the main objectives, the study has concentrated on the following specific objectives;

- ❖ To assess those factors that are used by bank customers in choosing among banks and how these factors are prioritized according to their importance to customers.
- ❖ To determine if there are any difference in importance of selected factors with difference in demographic characters.
- ❖ To identify any additional needs that depict if there is an opportunity for developing new products.
- ❖ To assess the level of customers satisfaction with the current banking service provided by the existing commercial banks.

### **1.5 Significance of the study**

The purpose of this paper is to identify the factors that customers consider important to select a bank. Identifying such determinants of bank selection criteria of customers will help bankers for designing their future marketing strategies in a competitive environment to attract new customers and retain existing ones.

Theoretically, the study fills an important gap in the literature that is, exploring bank selection criteria for potential customers in Addis Ababa. Therefore, the findings of the study can add to the existing body of the literature and can serve as a starting point on which future studies can be built. This study also produces an assist to the policy makers, researchers and those who have concern for developing the varied aspects of banking business.

### **1.6 Scope of the Study**

Conceptually, this study will be limited to emphasize only with the analysis of 24 bank selection factors which includes proximity to home/work, branch opening hours, low interest rate and others in Ethiopian banking sector and physically, the researcher only focused on bank customers of Addis Ababa city, thus finding of this study does not consider other regions of the country.

### **1.7 Limitation of the Study**

There are some limitations on this research. Since all the samples were collected from respondents at Addis Ababa city only, then it would not be good enough in generalizing to the whole population in the country in comparing with collecting the data from each state in Ethiopia, hence limits generalization of the research outcomes. It should be understood that the customers' perception on bank selection criteria might change from one geographic area to the next based on the demographic characteristics of the population being studied (Almossawi, 2001). Therefore, finding of this study needs further verification. It is also recommended that research be repeated in different areas of the country to identify similarities and difference across cultures.

## **1.8 Organization of the Paper**

The study is structured in five chapters. The first chapter contains introduction part; chapter 2 contains a review of the literature including customers' behavior and satisfaction on banking services and bank selection criteria by different groups of people. The research design and methodology which shows the research sampling method, and methods used to collecting and analyzing data presented in chapter 3. In chapter 4, the results and findings of the study are also discussed in detail. Finally, the last chapter enclosed the summary of the findings, conclusions drawn, recommendations and areas where further studies may be conducted.

## **CHAPTER TWO**

### **2. REVIEW OF RELATED LITERATURE**

This chapter reviews previous studies that have been carried out to date in the following manner.

#### **2.1 Theoretical Review**

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

The functions of banks are divided into two categories: as primary and secondary functions. The primary functions of banks include accepting deposit. The most important activity of banks is to activate deposits from the public. People who have surplus income and savings find it convenient to deposit the amounts with banks. The second important function of banks is to grant loans and advances. Such loans and advances are given to members of the public and to the business community at a higher rate of interest than allowed by banks on various deposit accounts.

Customers 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. Customer behavior is not only influenced by external factors, but also by their attitudes and expectations. These attitudes and expectations are constantly changing in response to a continuous flow of events, information and personal experience (Peer, 2009).

The relevant theoretical expositions underpinning the study are the rational choice theory and competition theory. The rational choice theory provides useful insights on the choice or selection behavior of individual customer, while the completion theory explains how firms try to win customers loyalty through service excellence, meeting customers' needs and providing innovative products (Aregbeyen, 2011). Generally, customers employ a number of processes for

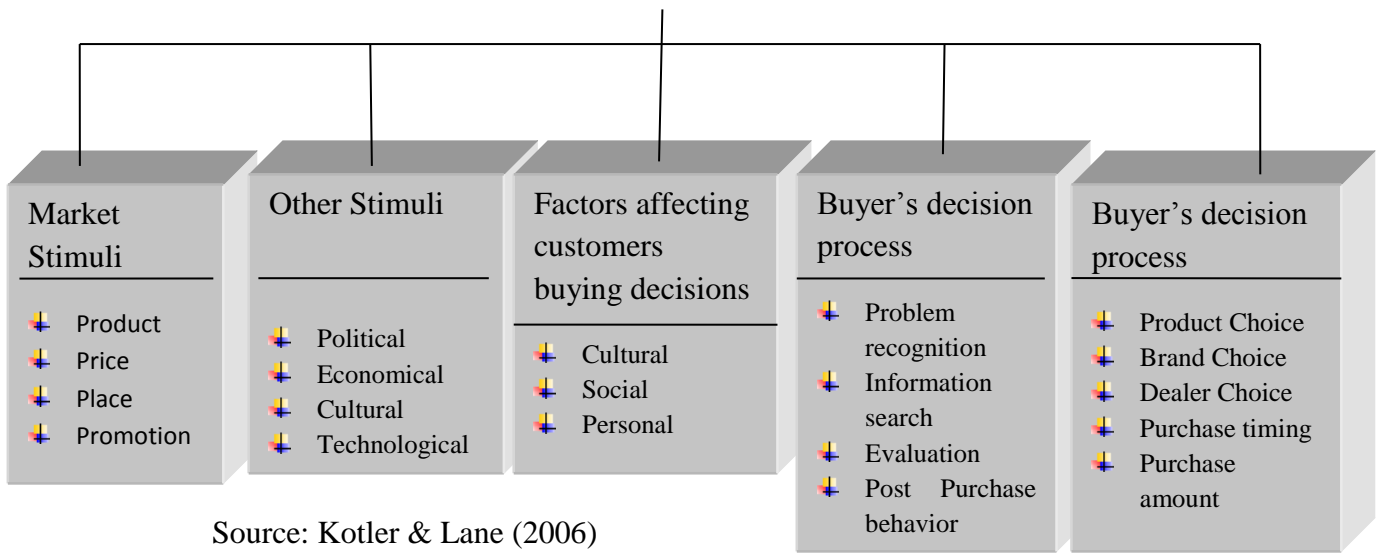
product/service evaluation which will eventually leads to the choice and/or preference of a particular product or service provider. Thus, Zeithalm (1993) categorize the factor into three groups of quality characteristics. Search qualities are the features that customers can see, feel or touch and might be evaluated in advance of purchase. Secondly, experience qualities are those qualities that may be evaluated during or after consumption. And finally, credence attributes are the features that consumer find difficult to evaluate after purchase or consumption such as medical services provided by a doctor. Financial services are characterized by high levels of credence and experimental features, therefore, making them difficult to be evaluated before consumption (Owusu-Frimpong, 1999). Therefore, to minimize the risk and uncertainty that is related to the purchase of service, customers more or less rely on the tangible cues such as place, equipments, people, symbols among others as the evidence of service quality. When customers choose and prefer a service provider based on tangible cues, they are more likely to become loyal to the service provider (Morley, 2004). Given the understanding that customer retention is economically more advantageous than constantly seeking new customers; Reichheld and Sesser, (1990) observe that customers' loyalty is a primary goal for most businesses today. This leads to an explosion in the use of different types of bonds (i.e. economic or structural) which bind the customer to the firm through high switching costs.

As Kotler and Keller (2006) observe, customers are becoming harder to please; they are smarter, more price conscious, more demanding, less forgiving, and they are approached by many more with equal or better offers. Hence, the challenge is beyond producing satisfied customers as competitors can do it too; the challenge is to produce delighted and loyal customers. This challenge is perhaps brought about by the increasing financial sophistication of customers which is facilitated by efficient use of information technology, and the entry of new aggressive competitors in the market place (Owusu-Frimpong, 1999).

Kotler and Keller (2006) hold that companies recognize the importance of satisfying and retaining customers. Satisfied customers constitute the company's customer relationship capital. According to them, the following are interesting facts about customer s retention; acquiring new customers can cost five times more than the cost involved in satisfying and retaining current customers; the average company losses 10 percent of its customers each year; and the customer profit rate tends to increase over the life of retained customers. Again, Kotler and Keller (2006) argue that, the critical factor for attaining customer loyalty is customer satisfaction because a customer who is highly satisfied will

most likely exhibit characteristics of: stays loyal longer, buys more as the company introduces new products and upgrades existing ones, talks favorably about the company and its products, pays less attention to competing brands and advertising, and is less sensitive to price and it will cost less to serve the new customers because transactions are reutilized.

**2.1.1 Customers Buying Behavior**

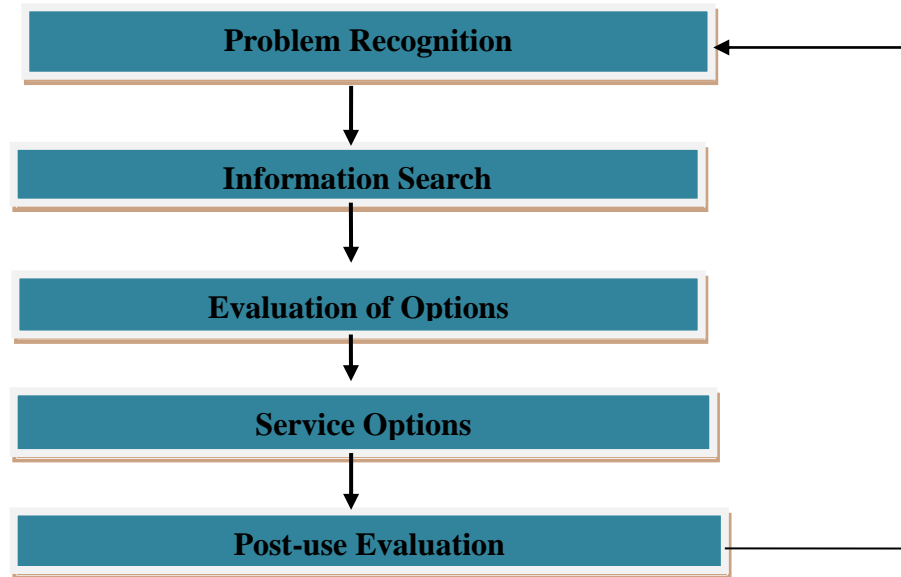


**Fig.1: Model of Customers buying Behavior**

The buying decision making process is a problem solving approach consisting of five stages, namely problem recognition, information search, evaluation, decision and post purchase behavior. These basic psychological processes play an important role in understanding how customers actually make their buying decisions. Customers may pass through these five stages process but do not always pass through all five stages in buying a product (Kotler & Lane, 2006).

**2.1.2 Steps in the Customer Decision Process**

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

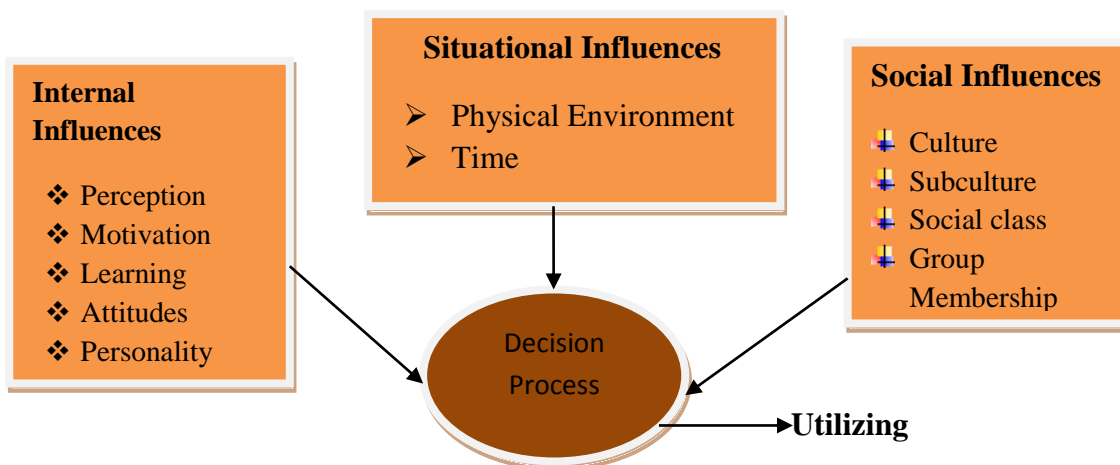


Source: Adopted from Sells (n.d.), *Consumer behavior*, pp.157

**Fig.2:** The Consumer decision-making process

### 2.1.3 Influence on Customers’ Decisions

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



Source: Adapted from Sells S. (n.d.) *Customers behavior*, pp.157

**Fig.3** Influences on customer decision making

### **Internal Influences on Customers' Decisions**

Service giving organizations know that one customer's ideal treatment can be quite different from that of another customer. One customer may think the ideal treatment is vigorous internet banking, while the other customer dreams of a typical fast customer service. Some of these differences are due to the way in which customers internalize information about the outside such as perception, exposure, attention and interpretation (Sells,n.d.).

### **Situational Influences on customers' Decisions**

These factors can affect what, where and how customers utilize their choices from different organizations. It is no secret that people's moods and behaviors are strongly influenced by their physical surroundings such as advertizing. In addition to the physical environment, time is another situational factor. Hence organizations should provide fast service for their customers.

### **Social Influences on customers' Decisions**

Customer's behavior is also influenced by such social factors as reference groups, family and social roles and statuses. Some membership groups are primary groups, such as family, friends, neighbors and co-workers. People also belong to secondary groups such as religions, professionals, and trade union groups which tend to be more formal and require less continues interaction.

#### **2.1.4 Customer Satisfaction**

The most popular view of customer satisfaction in academia is that customer satisfaction is the judgment borne out of the comparison of the pre-purchase expectation with post purchase evaluation of the product or service experience (Oliver, 1997). Satisfied customers are likely to tell others of their favorable experiences and thus engage in positive word of mouth advertising (Richens, 1983).

Dissatisfied customers, on the other hand, are expected to switch brands and engage in negative word of mouth advertising. Customer satisfaction is the key to the profitability of retail banking; it implies the retention of customers for the longer term, which is cheaper than attracting new customers (Hashash & Abdul, 2008)

## **2.2 Empirical Review**

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

### **Personal Factors**

When we consider personal factors, friendly/pleasing manner of staff is the major factor in bank selection by the sampled customers of bank (Aregbeyen, 2011; Almassawi, 2001). Regarding another personal factor, Tan and Chua (1986) in Singapore, found that advice of friends, neighbors and family members have a strong positive influence on customers' decisions, compared with other variables in selecting financial institutions. Almassawi (2001) and recently Rao (2010), show that recommendation by parents and friends was the most important criterion which had significant influence on customers' bank choice.

### **Technological Factors**

In the recent time, the development in technology has affected business organizations in several ways, most especially in terms of management and control; marketing and research; operations and decision making. Many studies revealed that customers emphasized on the importance of technology factors to select banks (Hedayatnia& Eshghi, 2011, Rao & Sharma, 2010). Availability of functional and secured ATMs all times and number of counter windows and connectivity to other bank's ATMs, are also considered to be important choice determinants (Aregbeyen, 2011; Mokhalis, 2008; Almassawi, 2001). While studying the switching behavior of bank clients, availability of technology based services is found to be a major reason for clients to switch banks (Kamakidi, 2008). This factor implies positive influence on customers' bank choice and also indicating that they do not want to spend their valuable time waiting for their turn in a queue.

### **Speed and Service Quality**

As Julian and Ashen, 1994 stated delivering quality services and products to customers had significant positive influence for success and survival of today's competitive environment. By using the survey of Omar and Orakwue (2006) also evaluated the relative importance of bank selection criteria used by bank customers in Nigeria. The results suggest safety of funds; efficient service

quality and speed of transaction have significant positive influence on customers' bank selection decision.

### **Bank Image and Reputation**

Image and reputation is important factor for customers to patronize a bank. Almosawi (2001) conducted a study in Bahrain to examine the bank selection criteria employed by college students. He found that the key factors determining college students' bank selection were; bank's reputation, availability of parking space near the bank, friendliness of bank personnel and availability and location of automated teller machines' (ATM). Aregbeyen (2011) revealed that the safety of funds is the major significant factor for customers' choice of the bank in his study carried out in Nigeria.

### **Convenience Factors**

Schram (1991) in his article using American college students found that convenience remains the primary reason why most college students choose their banks. Gerrard and Cunningham (2001) found convenience factor was rated significantly higher by multiple bankers. Many studies in the literature also suggested that convenience of bank location had a significant positive influence for customers on bank choice.

### **Promotional Factors**

The findings of Mylonakis (2008) in Greece found that bank customers may not be interested in advertising at first while choosing their bank, but this is the initial reaction of all those who are interested in achieving the most cost-beneficial and favorable terms. The point is that advertising is not the main criterion for customers in choosing their bank. However, its existence is a prerequisite, as it verifies a bank's critical presence in the market and plays an important role in their choices. Banking advertising includes advertising availability of several branches, availability of parking space nearby, and long operating hours by banking institutions. According to Aregbeyen (2011) and Maiyaki (2011), any branch banking and number of branches is the major factor in the bank selection by the sampled respondents.

## **Financial Factors**

Findings of Boyd et al. (1994) reveal that interest paid on saving accounts, interest charged on loans, quick service, reputation and hours of operation are viewed as having more importance than other criteria such as friendliness of employees, modern facilities and drive-in –service. Schlesinger (1987) in his study conducted in New York state found that the three most important factors in selecting a bank for small business customers were lending rates, accessibility of borrowings, and the number of services offered.

### **2.2.1 Customers Bank Selection Criteria**

Various empirical research using different methodologies and approaches have been conducted in various parts of the world to investigate the bank selection criteria of customers. The growing competitiveness in the banking industry and similarity of services offered by banks has made it increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of financial services (Omo, 2011).

Riggall (1980) surveyed about when, why customers choose a particular bank and found that location appears most important factor than low service charge, influence of friends, and availability of automated teller machine (ATM) for selection of bank. Laroche (1986) has also found that friendliness of bank personnel, speed of services and convenience of location were the major factors which customers perceived as important in their selection of a bank. Buerger and Ulrich (1986) have found that price of service was crucial factor for bank selection.

Schlesinger (1987) found that there were three most important factors namely lending rates, accessibility of borrowing, and the number of services offered for selecting a bank for small business customers. Erol (1990) has concluded that customers give high score to fast and efficient services, bank reputation and image, friendliness of bank personnel, and confidentiality of bank. Kayanak and Kucukermiroglu (1992) surveyed in Hong Kong to determine the importance of selection factors used in choosing domestic and foreign banks. Convenient location, available counseling, vault location, and loans and mortgages found to be major factors.

The most weighted determinant attributes found were service charges, reputation, interest charged on loans, quick loan approval, and friendly tellers in their studies in Maryland USA by Kazeh and

Decker (1993). Haron (1994) surveyed on Muslims and non-Muslims commercial bank customers in Malaysia to determine the selection criteria and found that Muslims and non-Muslims valued almost the same factors.

Zineldin et al, (1996) conducted a survey of bank customers using 19 potential factors which consider as important. The study revealed that friendliness and helpfulness of personnel, accuracy in account, availability of loans, and provision of service were the most important factors. Mylonakis (1998) concluded that convenience, bank reputations, quality of products and services, interest rates and fees, education and personnel contacts, facilities, branch environment, services and after services satisfaction were the most important bank selection criteria. Ulengin (1998) concluded in his study that customer in Turkey was more interested in the functional quality of financial services rather than the technical quality dimension.

Almossawi (2001) surveyed college students for selection of bank and their results revealed that banks reputation, availability of parking space near the bank, friendliness of bank personnel, availability and location of automated teller machines (ATM) were important factors. Devlin (2002) analyzed intrinsic and extrinsic criteria of customer while selecting a bank based on financial knowledge. He concluded that higher knowledgeable groups were found more likely to take account of intrinsic attributes such as service features, rate of return and low fees in their choice. Noman (2007) studied in Bangladesh on banking behavior of Islamic customers and found that Islamic principles, convenient location, recommendation of friends and family, and rates of return were the important bank selection criteria.

Kamakodi and Khan (2008) surveyed 292 banks customers on the factors that determine the bank selection decisions. They found important factors as safety of funds, secured ATM's, ATMs availability, reputation, personal attention, pleasing manner, confidentiality, closeness to work, timely service and friendly staff willing to work. Blankson (2009) identified four key factors; convenience, competence, recommendation by parents and free banking to be consistent across the two economies.

Awan and Bukhari, (2011) have conducted research in Pakistan on criteria for selecting an Islamic bank. They cited that customers give importance to quality services rather than religious beliefs. Nayyab (2011) also conducted the study on Islamic bank selection in Pakistan. He stated that

customers choose the Islamic bank by giving first preference to convenience and second to cost and benefits. There were six crucial factors identified by Fatoki (2011) that influence in selecting commercial banks, including easy of opening an account, availability of ATM in several locations, provision of fast and efficient service, convenient branch location, and appropriate range of service offered.

Maiyaki (2011) states that customers consider size of bank total assets, nearness of the bank to working office or residence, convenient access to bank location, personal security of customers, and ease of procedures of account opening as most important in bank selection. In Nigeria, Ahmed (2011) found that factors such as size of bank total assets and availability of large branch network have a great influence in customers' choice of banks. Krisnanto (2011) has concluded that customers were selecting a bank based on recommendations of friends and family members. When selecting a bank, it is not only the price of the services or how fast a transaction can be done, but also friendliness of tellers (Loukas, 2012; Krisnanto, 2011; Frangos, 2012; and Aregbeyen, 2011).

Dabone (2013) analyzed different selection criteria for bank. The important factor considered by both Muslims and non-Muslims were fast and efficient services, speed of transactions, friendliness of bank personnel, confidentiality of the banks, reputation and image of bank, knowledgeable about their business, lower interest charges on loans, and parking facilities and accessibilities. According to Caratelli (2013), customers look at the reputation of a bank before other attributes such as technology and prices. Customers consider the opinion of their families and friends as important when selecting a bank.

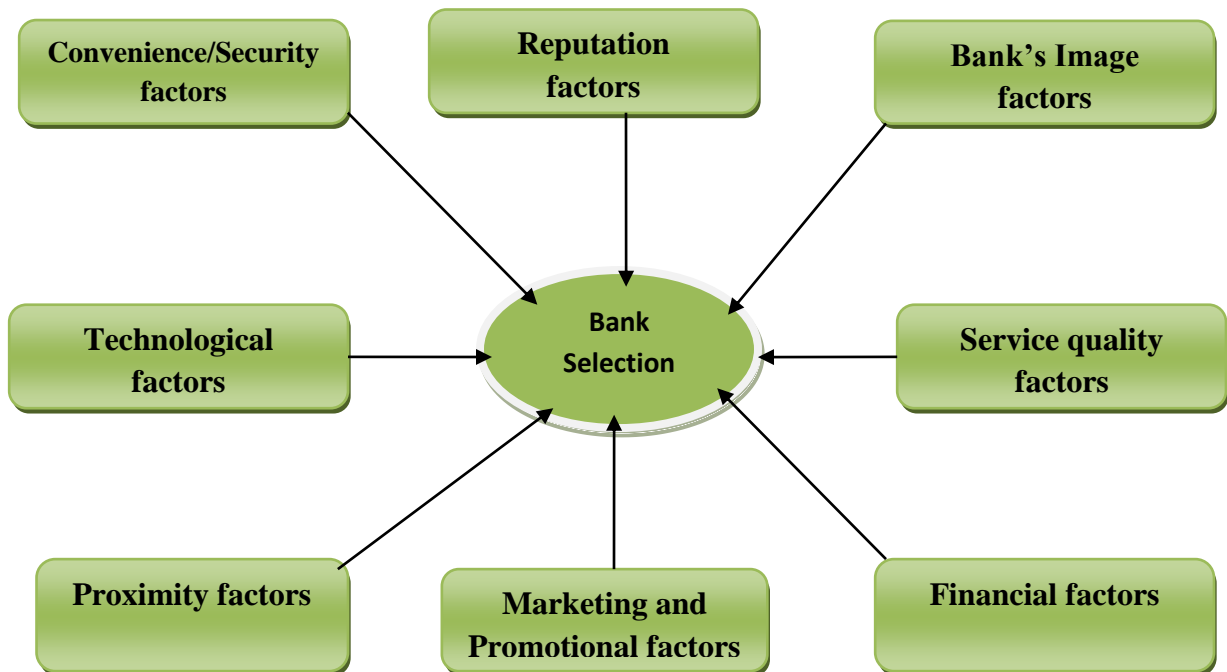
Mokhlis (2009) has suggested that customers were more emphasis on electronic services, which gives them quick and convenient access to the bank service. A convenient electronic services like ATM can save customers time. A number of studies have argued that friendliness of staffs, hours of operations, convenience of locations, low service charges and efficiency of banking services, ease access for loans, bank's reputation are the main selection criteria of a specific bank (Yue and Tom, 1995; Driscoll, 1999; and Moosawi, 2011).

A review of literature indicates that studies related to bank selection criteria have been mainly conducted in case of more developed countries (Denton and Chan, 1991). Such studies have contributed substantially to the literature on bank selection but their findings may not be applicable

to developing countries like Ethiopia due to different cultural, political and economic setup. As a set of determinant factors that have a significant role in bank selection in one region may prove to be insignificant in another (Almossawi, 2001). In case of Ethiopia, Goitom, (2011) took a survey of 201 bank customers and studied determinants of customer satisfaction in retail banking in Ethiopia. Their results indicate a strong relationship between service quality and customer satisfaction. Thus, current literature on banking in Ethiopia lacks studies on bank selection criteria and this study attempt to bridge this gap.

### 2.3 Conceptual Framework

Conceptual model helps to visualize ideas and allow to clearly illustrating how things are related. For this study, conceptual model served to depict causal relationships, which were operationalized, tested and verified (Gan Thai Wee & Wang Ying 2015). Hence Figure 4 below depicts the proposed conceptual model and the causal relationships between the dependent variable Bank selection and the independent variables; Convenience/Security, Reputation, Bank's Image, Technology, Service Quality, Proximity, Marketing & promotion and financial factors.



Source: Gan Thai Wee & Wang Ying (2015)

**Fig.4** Conceptual framework

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

#### **3.1 Research design and Strategy**

Research strategy refers to the tools employed by the researcher in addressing the research questions. According to (Saunders, 2007), the appropriate strategy should enable the researcher to answer the research question and meet the research objectives. Among the research strategies which are not strictly mutually exclusive, this study employed the survey strategy because it allows the researcher to utilize sampling techniques and collect data through questionnaire. Survey question of the questionnaire form was gathered from various studies (Maiyaki, 2011; Mokhlis, 2009; Blankson, 2007) in the relevant literature and revised and adopted to the Ethiopian banking system. This study also employed explanatory research design since the objective is identifying the factors that affect customers' bank selection criteria.

#### **3.2 Data type and source of data**

The source of data used in this research comprised of both primary and secondary. Primary data were collected to meet the specific research need customized and required specialized data collection procedure (Dillon, 1993). According to (William, 1991), primary data were collected by the researcher for the specific problem at hand. In this study, primary data was gathered through personally administered standardized questionnaire. Secondary data was also collected from company publications and sector research reports.

#### **3.3 Sampling techniques**

##### **3.3.1 Target population**

People, products, firms, markets that are of interest to the research are called population. To be precise, population must be defined in terms of elements, units and time (Dillon, 1993). The elements that make up the population are called the sampling unit. The target populations for this study are bank customers in all commercial banks found in Addis Ababa city.

### **3.3.2 Sampling Frame**

The sampling frame refers to the list of all units of population from which the sample was selected (William, 1991). The sampling frames for this research is infinite or undefined because there is no statistical data that list or even estimates the number of customers who uses banking service in Addis Ababa and it is impossible to identify and list from this research perspectives. Therefore the sampling frame for this research is customers of various commercial bank branches operating in Addis Ababa.

### **3.3.3 Sampling Method**

Because the sampling frame for this research is unknown, then probabilistic two stages stratified sampling method is ideal when it is impossible or impractical to complete a list of elements composing the population. Thus the sampling technique for this study was probability sampling particularly two stages stratified sampling which involves dividing the population into homogeneous sub-groups called strata and then select samples from each sub-group using simple random or systematic procedures to ensure that an adequate number of samples were selected from the different sub-groups. Hence the different commercial banks operating in Addis Ababa form the stratum and the list of each branch of a given bank used as a primary sampling unit for each stratum (PSU's). Customers in each branch of each commercial bank also served as a secondary sampling unit (SSU's). The reason behind the selection of probabilistic two stages stratified sampling technique is that, it gives each element in the population an equal probability of getting into the sample, and all the choices are independent of one another.

### **3.3.4 Sample Size**

Determining sample size is very complex as it depends on other factors such as margins for errors, degree of certainty and statistical technique. Sample size is therefore directly proportional to the desired confidence level of the estimates ( $z$ ) and to the variability of the phenomenon being investigated, and it is inversely proportional to the error that the researcher is willing to accept (Corbetta, 2003). When the size of population is unknown and previous researches are unavailable to determine the variability of an estimate over all possible samples, thus the sample size is calculated for the favorable case  $p= q= 0.5$  (Corbetta, 2003).

Accordingly, this study used the recommendation by Corbetta (2003) in determining the standard deviation, 95% confidence interval and 5% sampling error in calculating the sample size. Thus the sample size for this study was determined with the use of Topman formula as presented below (Dillon, 1993).

$$n = \frac{z^2 pq}{e^2}$$

Where n = required sample size

z= Degree of confidence (i.e. 1.96)

p= probability of positive response (0.5)

q= probability of negative response (0.5)

e= tolerable error (0.05)

Therefore,  $n = \frac{(1.96)^2 * 0.5 * 0.5}{(0.05)^2} = 384.16 \simeq 384$  which is representative sample size as Kamakodi and Khan (2008), Hafeezer and Saima (2008), Mokhlis (2008) and Rao (2010) sampled 292, 358, 350 and 312 bank customers respectively to identify and explain the factors which influence their bank selection decisions.

Accordingly total of 34 branches were sampled from the seventeen (17) commercial banks operating in Addis Ababa. A sample of two branches from each bank selected randomly as for this study all banks were equally important. Therefore 384 sample customers were equally allocated for 34 sample branches to give equal representation of each bank customers considered in the study. Convenience sample selection of the respondents was made through distributing the questionnaires to available customers of the selected branch of each bank.

### **3.4 Method of data collection**

Several studies in marketing research, studying determinants that affect customers' preferences in banking service among several banks used the survey method (Maiyaki, 2001; Mokhalis, 2009; Blankson, 2007; Almosawi, 2011). Because of the number of population is very large, cross

sectional survey design with questionnaire techniques was used to collect data at a single point in order to collect quantitative data and examine the pattern of association of variables.

The adoption of survey design in this study was to gather information that was not available from document records and make conclusions about the determinants that affect customers in selecting a particular bank and their significance in banks based on the responses of a sample respondents. There are many techniques used to conduct survey. However, questionnaire is common techniques for survey (Saunders, 2012). For this study, a questionnaire technique of data collection method was used.

### **3.5 Type of questionnaires' and scale**

The questionnaire used in this study have three parts as follow; The first part of the questionnaire asked respondents to obtain their demographic information, which includes their gender, age, occupation, level of income and so forth. The second part of the questionnaire was designed to obtain information on the banking preference of respondents. In the last part of the questionnaire, respondents were asked to rate the relative importance of 24 influencing factors on their selection decision of commercial banks using a five point Likert-type scale of importance ranging from (5= very important) to (1= very unimportant). The list of factors which determines customers' decision in their selection of commercial banks used in this study adapted from books and earlier studies (Mokhlis, 2010; Maiyaki, 2011).

### **3.6 Method of Data Analysis**

Descriptive statistics and inferential statistics are used for data analysis. Inferential statistics includes; Exploratory Factor analysis, correlation and multiple-regression were the major empirical analysis tools identified for this study. Factor analysis is a technique which is used to “reduce a large number of variances to some smaller numbers by telling the researcher which belongs together and which seems to say the same thing” (Field, 2005). Hence factor analysis technique was an appropriate for this particular analysis, because banking selection determinants have many implications. And then, the study was organized, summarized and analyzed using Statistical Package for the Social Science (SPSS version 22 for windows). SPSS was used for the simple descriptive data to compute the mean score of factors and to the advanced statistical producers of factor

analysis, correlation and multiple-regression. Having done such analysis, the findings were presented using figures, tables and percentages.

### **3.7 Ethical Consideration**

The general ethical issues arise at each stage of the study was properly managed. Also the participants of the study were informed about the purpose of the project work and an informed verbal consent was obtained from each respondent prior to the survey. In addition to this, confidentiality and privacy was insured by using codes, assuring that the information given by each respondent kept confidential.

### **3.8 Reliability**

Reliability is refers to the consistency of a measure. A test is considered reliable if we get the same result repeatedly. Reliability means the extent to which an experiment, test or any measuring procedures yield the same result repeatedly. Therefore, in this study, the researcher used mechanisms like minimize participants' errors while filling questionnaires, minimize participants' bias and avoid researchers' errors. Reliability of the questionnaire items reviewed using Cronbach Alpha test. If the Cronbach Alpha coefficient is greater than or equal to 0.70, then the study is reliable.

### **3.9 Model Description**

Since the objective of this study is to investigate the determinants of bank selection, the dependent variable is customers' bank selection decision, which is categorical variable. The independent variables are those which expected to have relation with bank selection decision behavior of customers. Based on theoretical and empirical results of different studies on bank selection decision and results of factor analysis, Convenience/Security, Service quality, Technology, Bank's Image, Reputation, Marketing & Promotion, proximity and financial factors have been considered as independent variables. Deterministic relationship is one in which the value of dependent variable completely determined by independent variable, such relationship is described as;

$$y_i = \beta_0 + \beta_1 x_{1i} + \beta_2 x_{2i} + \beta_3 x_{3i} + \dots + \beta_p x_{pi} + \epsilon_i$$

Where;  $y_i$  is a dependent variable for the  $i^{\text{th}}$

$x_{1i}, x_{2i}, x_{3i}, \dots, x_{pi}$  are sets of explanatory (independent) variables.

$\beta_1, \beta_2, \beta_3, \dots, \beta_p$  are regression coefficients

And  $\epsilon_i$  is residual or error term with zero mean, that is uncorrelated with the explanatory variables.

Thus  $BS = \alpha + \beta_1 SQ + \beta_2 CO + \beta_3 TE + \beta_4 MP + \beta_5 BI + \beta_6 FI + \beta_7 BR + \beta_8 PR + \epsilon$

Where; BS = Bank Selection

MP= Marketing & promotion

SQ= Service Quality

BI= Bank's Image

CO= Convenience/Security

FI= Financial Benefits

TE= Technology

BR= Bank's Reputation

PR= proximity

Besides,  $\alpha$  indicates constructs which shows the magnitude or the value of Bank selection decision when the coefficients for service quality, convenience/ security, technology ... become zero.

$\beta_1, \beta_2, \beta_3, \dots, \beta_8$  are coefficients acquitted with the extent of change in the dependent variable when the explanatory variable changes by one unit, Ceteris Paribus.

And  $\epsilon$  set to demonstrate unexplained portion of the dependent variable (standard deviation) through the variable.

## CHAPTER FOUR

### 4. DATA ANALYSIS AND DISCUSSIONS

This chapter basically provides the data analysis and discussion part of the study. The descriptive, factor, correlation and regression analysis are provided in the subsequent sections.

#### 4.1 Reliability Test

Reliability refers to the property of a measurement instrument that causes it to give similar results for similar inputs. Mathematically, reliability is defined as the proportion of the variability in the responses to the survey that is the results of differences in the respondents. Hence to assess the internal consistency of each factor group, the factors were subject to reliability test. The assumption behind this approach is that the items work together as a set and should be capable of independently measuring the same construct. The items should be consistent in what they indicate about the concept being measured here. The Cronbach's alpha was used as measure of reliability. In this model the alpha coefficient ranges from 0 to 1. The higher the score, the more reliable scale is, Cooper and Schindler (2003) noted that a score of 0.7 is acceptable reliability coefficient. Accordingly, the analysis made on this study produced an alpha coefficient of 0.877 indicating high internal consistencies and reliability also understandable to the respondent. In general, the reliability result for the variable is indicated bellow.

Table 1: Reliability test result of questionnaire

Reliability Statistics	
Cronbach's Alpha	N of Items
.877	24

Source: *Computation from field survey data, 2017*

#### 4.2 Measure of Normality

The normality of the population is the basis for making statistical inference about the sample drawn from the population (Kothari, 2004). In order to examine normality, to measure each variable of skewness (aims to look the data is normally distributed) and kurtosis (aims to look the data is peak or

flat) with relative to normal distribution. The common measure for both skewness and kurtosis normality is between -2 & 2 (George & Mallery (2010)).

Therefore based on the data the skewness and kurtosis for the eight construct which constitute 24 items was between -1.532 and 1.075 with standard error of 0.129 and 0.257 respectively. These show that the data is normally distributed. The skewness and kurtosis of the variables is shown below.

Table 2: Skewness and Kurtosis of the Variable

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Proximity Factors	358	-1.016	.129	.147	.257
Service Quality Factors	358	-.859	.129	-.116	.257
Convenience/Security Factors	358	-1.532	.129	1.075	.257
Technology Factors	358	-.847	.129	-.209	.257
Marketing & Promotion Factors	358	-.608	.129	.817	.257
Bank Image Factors	358	-.347	.129	-.288	.257
Financial Factors	358	-.542	.129	-.716	.257
Bank's Reputation Factors	358	-.408	.129	-.508	.257
Valid N	358				

Source: *Computation from field survey data, 2017*

### 4.3 Descriptive Analysis

This section presents the descriptive analysis of customers response to each item in section one (general information of respondents) and section two (their banking behavior) on the survey questionnaire.

From a total of 408 questionnaire distributed, 379 are returned. The returned questionnaires are carefully checked and those with excessive missing data were discarded resulting in 358 usable as most items are sufficiently responded. The response rate is 93.2 percent. Such a response rate is considered as sufficient for statistical reliability and drawing logical conclusions (Mokhlis, 2009) and most satisfactory especially when compared with earlier research works on bank selection

decisions (Gerrald & Cunningham, 2001; Ahmed, 2011). This relatively high response rate was attributed to the self administered approach undertaken in distributing questionnaires.

### **4.3.1 Customers profile**

A summary of findings on customers profile along five variables; sex, age, occupation, level of education and income (average monthly income of respondents) has been presented in table 1. The reason for using monthly income is that, In Ethiopia salaried employees are contracted on the basis of monthly payments and also business persons are asked to put their average income per month, people have a propensity to memorize their salary on a monthly basis that's why convenient to respond during survey.

As revealed in table 1, 243 are males and 115 are females which comprise 67.9 percent and 32.1 percent of the customers respectively. This is may be the fact that in Ethiopia similar to numerous African nations, financial decision making is the task of the male parent because they are seen as the chief income earners in the family.

Table 3: Results of profile data of the respondents

<b>Variable</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percent</b>	<b>Valid %</b>	<b>Cumulative %</b>
<b>Sex</b>	Male	243	67.9	67.9	67.9
	Female	115	32.1	32.1	100.0
<b>Age</b>	Blow 18 yrs	3	.8	.8	.8
	18-30 yrs	256	71.5	71.5	72.3
	31-45 yrs	87	24.3	24.3	96.6
	46-60 yrs	8	2.2	2.2	98.9
	Above 60 yrs	4	1.1	1.1	100.0
	<b>Occupation</b>	Private employee	120	33.5	33.5
public employee		206	57.5	57.5	91.1
Pensioned		1	.3	.3	91.3
Business Person		23	6.4	6.4	97.8
Unemployed		2	.6	.6	98.3
Other		6	1.7	1.7	100.0
<b>Level of Education</b>		Diploma or Less	88	24.6	24.6
	First Degree	263	73.5	73.5	98.0
	Second degree or more	7	2.0	2.0	100.0
<b>Income Level</b>	Below 3,500 Br	86	24.0	24.0	24.0
	3,501 - 10,000 Br	249	69.6	69.6	93.6
	10,001 - 20,000 Br	17	4.7	4.7	98.3
	Above 20,001 Br	6	1.7	1.7	100.0

Source: *Computation from field survey data, 2017*

\*\*1 US Dollar = 22.9591 ETB (as of May 26, 2017 as in all banks of Ethiopia)

The results for respondents age as depicted in table 1 specifies that, the majority of the customers (about 71.5 percent) ranges between 18 to 30 years of age while 24.3 percent fall between the age bracket 31 to 45 and 3.3 percent are placed above 45 years of age while 0.8 percent falls below 18 years of age. This might be related to the reality that the age brackets structure; the young and

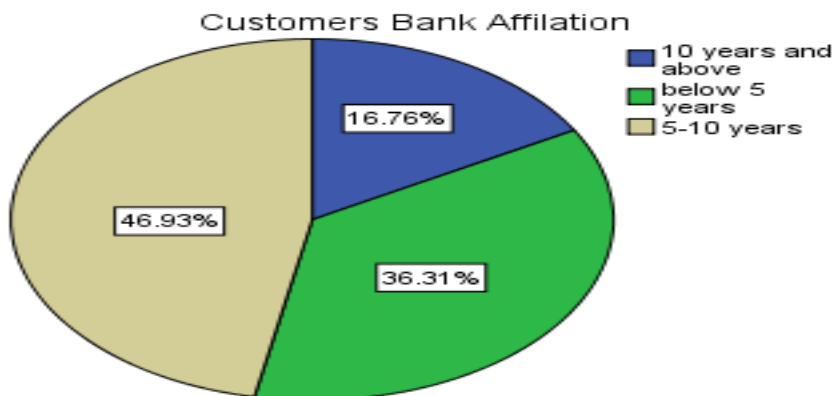
dynamic population of Ethiopia, who are in vital services and can therefore hold bank account. It also shows that the youth populations are superior users of the various banking service.

Also results of respondent's occupation, as presented in table 1, shows that 57.5 percent of the customers are public employees and 33.5 percent are private employees while 6.4 percent are business persons. This shows that most customers who are using banking service are employees which comprise 91 percent of the total respondents.

Looking at level of education on table 1, the respondents possess a high level of education while 73.5 percent of the respondents have a bachelor degree, 24.6 percent of the respondents have education at or below diploma level and the remaining 2 percent have attained either a Master or a PhD degree. A similar study in Bangladesh (Khan, 2008) found about 17 percent of the sample falling below high school category.

Moreover, the results for the income level of customers show that majority of the respondents (about 69.6 percent) have an average monthly income ranging between 3,501 to 10,000 Ethiopian birr and 24 percent of the respondents fall below this range and 6.4 percent of respondents have an average monthly income above 10,001 Ethiopian birr. This implies that, most of the customers who are using bank services are middle income groups as per Ethiopian context (Referring to the international poverty line of less than 1.90 USD per day).

### 4.3.2 Banking Behavior of Customers



Source: *Computation from field survey data, 2017*

Fig 5: Respondents bank affiliation period

The customers' practice of banking relationship can be interpreted in the following ways. As demonstrated in figure-4, about 46.9 percent of the respondents have 5 to 10 years of banking relationship with their main bank. Such a long permanent status of relationship indicates the capability of customers' retention by the banks. This is followed by 36.31 percent of the respondents with an experience of below five years and 16.76 percent of the customers have a long period (more than 10 years) relationship with their respective banks. Such a long term relationship indicates the bank's capability in customer retention or may be having no choice to switch because there is no other bank which able to meet the required level of satisfaction.

### **4.3.3 Customers Service Needs**

The basic bank service needs by the customers are saving accounts, current account and domestic and international money transfers.

Table 4 : Respondents need of additional bank service

Question	Response	Number (N=358)	Percent
Do you need other services/products other than currently available from your bank?	Yes	146	40.8
	No	212	59.2

Source: *Computation from field survey data, 2017*

As portrayed in table 2, customers who need additional service from banks are 40.8 percent. Additional bank services needed by the customers; includes credit card banking services, personal banking, inter-bank networking and widening their branches in different areas. In addition, provisions of services in weekends and special attention for blind customers are also among the listed needed services.

#### **4.3.4 Customers Satisfaction with Banking Services**

Table 5: Respondents degree of satisfaction with the bank services

Question	Response	Number (N=358)	Percent
<b>Are you satisfied with your bank service?</b>	Yes	243	67.9
	No	115	32.1

Source: *Computation from field survey data 2017*

Table 3 presents expressive statistics on the satisfaction of bank customers with bank services. Customers were inquired to give their feelings regarding their satisfaction and observed that about 68 percent of the respondents feel either very satisfied or just satisfied with offered service in their main banks. Nevertheless, about 32 percent of the respondents are not. Unsatisfied customers were inquired a solution for their dissatisfaction in services offered by banks and they forwarded the following ideas to be taken by the banks to satisfy their customers. Banks may satisfy their customers if they; provide quick services to their customers, recruit dedicated employees in their organization, and encompass adequate windows and employees with better network connections to offer fast and efficient service.

Other respondents feel that, if banks apply modern and efficient technological working facilities, handle their existing customers properly instead of trying to attract new ones and extending their operation hours in the working days till the night 2:00 PM. Awarding of high interest rate on saving, granting of loans and credit card facilities on a lowest interest rate and lower service charge are also suggested as a solution for their satisfaction by the respondents. Finally, most respondents agreed that, customers may be satisfied successfully if banks improve their network connection, which greatly affects their service delivery.

The results on customer satisfaction with bank services have some resemblance with the results of Khan et al. (2008) and Goiteom (2011). They found a very low customer satisfaction with various financing facilities.

### **4.3.5 Intention of Customers to Continue with their Customer Banks.**

Customer retention, simply defined as the ability for a company to keep its existing customers. It is the measure of a company's ability to provide enough value with its products or services for customers to keep them coming back for more (Vindicia, 2009).

Table 6: Future intentions of customers with their customer banks

Question	Response	Number (N=358)	Percent
<b>Do you have an intention to change your banking service provider?</b>	Yes	96	26.8
	No	262	73.2

Source: *Computation from field survey data 2017*

Table 4 depicts that 73.2 percent of the customers do not have a plan to change their customer banks, thus determined to continue dealing with their main banks in the future. Nevertheless 26.8 percent of the respondents have no intention to persist with their main customer banks for many reasons. This may indicate that there are possibilities for all banks to attract additional customers from the existing banks through service qualities. As stated above 32 percent of the respondents were unsatisfied customers and inquired to give their feelings regarding the reasons for their dissatisfaction in services offered by banks. Hence, delay in service delivery, high service charge, dissatisfaction with some services such as loan and approval of foreign currency for import and unpleasant customer concern and handling are the major reasons for their dissatisfaction.

### **4.4 Factor Analysis**

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

The sample size necessary for factor analysis depends on many things. As a general rule, factor analysis requires a minimum of 150 participants (Jeromy, 2007) and communalities after extraction should be above 0.5 (Field, 2005) in order to get reliable solution. Such analysis is useful in gaining

understanding on the main dimensions that inspire the observed sets of items (Hair et al., 2005). Varimax-rotated factor analysis is, therefore, performed on the constituent items representing the different constructs to validate empirically the theoretical structure of the scale. Factoring ceased when all Eigen values of greater than one were obtained and when a set of factors explained a large percentage of the total variance was achieved (Hair et al., 2005).

Exploratory factor analysis is a statistical technique that is used to reduce data to a smaller set of summary variables and to explore the underlying theoretical structure of phenomena. It is used to identify relationship between the variable and the respondents (Hair et al., 2005). Accordingly in order to identify constructs and investigate relationships among key interval scaled questions regarding reasons for choosing a bank service from 358 respondents. This factor analysis summarizes data by grouping correlated variables and investigates sets of measured variables related to theoretical constructs.

After the standards indicate that data is suitable for factor analysis, principal component analysis was employed for extracting the data, which allows determining the factor underlying the relationship between a numbers of variables. The total variable explained box is suggesting that it extracts eight factors accounts for 69.16% of the variance of the relationship between variables. (See table C2 in the appendix).

Loading on factors can be positive or negative. A negative loading indicates that the variable has an inverse relationship with other factors. The higher the loading, the more important is the factor. An accepted method of interpretation of factor loadings is to regard as significant any variable with a loading of 0.4 or greater as associated with the appropriate factor (Hair et al. 2005). Jeromy (2007) suggested that any value with loading of 0.5 and increased loading becoming more vital while value with less than this is very low in determining the factor.

Rotation is necessary when extraction technique suggest there are two or more factors. The rotation of factors is designed to give an idea of how the factors initially extracted differ from each other. And to provide a clear picture of which item load on which factor.

## **4.5 Factor Formulation**

All analysis is conducted using SPSS statistical software version 22 for windows. As an introduction step, evaluative criteria items were factor analyzed to reduce the variables to manageable number of components. An accepted method of interpretation of factor loadings is to regard as significant any variable with loading of 0.4 or greater as associated with the appropriate factor (Hair et al., 2005).

Factor analysis deemed appropriate for the items because the Keiser-Meyer-Olkin (KMO) measure of sampling adequacy test index equaled 0.793 in which Keiser's measure of sample adequacy above 0.5 is good enough to perform factor analysis. Moreover, the Bartlett's test gives a significance level of less than 0.0001 confirming the appropriateness of the factor model. (See table C1 in the appendix)

## **4.6 Explanation of Bank Selection Factors**

Using the Eigenvalue greater than one rule, eight factors were identified. All characteristics with factor loading of 0.4 and above are retained. In addition, means were computed for all attributes retained within each factor to identify the relative importance of such attributes to the customers in their bank selection process. In terms of overall factor means, the 8<sup>th</sup> factor is the most important in terms of bank selection and the 5<sup>th</sup> factor is slightly the least important. (See table 6 on page 34)

The *first* factor in Table 5 delineates a selection factor based on ease access for loans, availability of parking space, fast and efficient service, welcome reception of the bank and good compliant handling. This factor accounts for 12.482 percent of the total variance. The factor may be labeled as service quality factor. Here, it can be noticed that fast and efficient service (mean = 4.31) and good compliant handling (mean = 4.12) have the two highest mean in this factor, indicating that vast importance of fast and efficient service and good compliant handling in determining bank selection for customers.

The *second* factor identifies a dimension based security arrangements of the bank, convenient of the bank location, prize attached bank service and mass media advertisement. This factor accounts for 12.263 percent of the total variance. This factor may be categorized convince/security factor. Within this factor, the most important attributes are security arrangements of the bank (mean = 4.51) and

convenient of the bank location (mean = 4.37), while the least important item is prize attached bank services (mean = 3.93).

The *third* factor, containing items related to availability of ATM in several locations, internet and mobile banking facilities and variety of services offered to customers. This factor may be labeled as technological factor. Attributes falling within this factor accounts 10.156 percent of the total variance. Within this factor, availability of ATM in several locations is the most important determinant item (mean = 4.36) in customers' bank selection process. On the other hand, the least important item in this aspect is internet and mobile banking facilities (mean = 4.24). Omo (2011) points out that availability of technology based service(s) are the major reasons for customers' choice of banks.

The *fourth* factor has been labeled as "marketing & promotion factor". Items load positively on this factor are my employer uses the same bank, recommendations of friends and relatives and more number of branches. This factor accounts for 7.759 percent of the total variance. Among the items in this factor, more number of branches is the highest ranked (mean = 4.63). An implication of this is that customers consider more number of branches to be an important measurement in their bank selection process. Ahmed (2011) found that factors such as size of total asset and availability of large branch network have a great influence in customers' choice.

The *fifth* factor comprises items related to bank's image including established early (the oldest bank), being government bank and interior and exterior appearance of the bank. Interior and exterior appearance of the bank (mean = 3.98) is the most significant attributes within this factor whereas established early (the oldest bank) (mean = 3.68) is the least important.

The *sixth* factor represents selection factors like low interest rate on loans and low service charge and this can be labeled as financial benefits factor. This factor accounts for 7.071 percent of the total variance. Low service charge is the most important item with a mean score of 3.88 in determining bank selection for customers. Mylonakis et al., (1998) concluded that the most important bank selections criteria are quality of products and services, interest rates, and fees.

The *seventh* factor has been labeled as reputation factor. Item load positively on this factor is bank's reputation having a mean = 3.88. An implication of this is that customers consider reputation to be an important measurement in their bank selection process.

Finally the *eighth* factor encompasses proximity to home or workplace, in which it is the most important item with a mean score of 4.22. This factor may be considered as proximity.

It is worth nothing that although factors such as extended operation hours and highest interest rate on saving are considered as important by bank customers, in this study these factors are not included in any one of the components (factors) because of their lowest score in its loading factor. This implies that customers did not choose banks and banking services depending on extended operation hours and level of interest rate on saving.

However, it is worth mentioning that among the eight factors reported above, the eighth and the second factors are characterized by much higher mean importance ratings than the other characteristics, emphasizing the importance of proximity and convenience/security for bank selection decisions. Finally results of factor analysis are summarized in the following table 8 based on their factor loading scored.

The analysis from below table yielded eight principal components solution, which together explained 69.16 percent of the total variance observed in the variables, that satisfies the percentage of variance criterion for social science research.(see table C2 in the appendix)

Table 7: Results of Factor Analysis

<b>Factors and Items</b>	<b>Factor Loadings</b>	<b>Eigen Value</b>	<b>% of Variance</b>
<b>Factor 1: Service Quality</b>		6.909	12.482
Ease access for loans	0.819		
Availability of parking space	0.660		
Fast & Efficient service	0.619		
Welcome reception of the bank	0.577		
Good compliant handling	0.558		
<b>Factor 2: Convenience/Security</b>		2.031	12.263
Security arrangements of the bank	0.729		
Convenient of the bank location	0.725		
Prize attached bank service	0.690		
Mass media advertisement	0.659		
<b>Factor 3: Technology</b>		1.761	10.156
Availability of ATM in Several location	0.865		
Internet & Mobile banking service	0.560		
Variety of services to Customers	0.494		
<b>Factor 4: Marketing &amp; promotion</b>		1.364	7.759
My employer uses the same bank	0.766		
Recommendations of friends & relatives	0.690		
More number of branches	0.528		
<b>Factor 5: Bank Image</b>		1.248	7.376
Established early(the oldest bank)	0.816		
Being Government bank	0.715		
Interior & exterior appearance of the bank	0.467		
<b>Factor 6: Financial Benefits</b>		1.158	7.071
Low interest rate on loans	0.789		
Low Service charge	0.753		
<b>Factor 7: Reputation</b>		1.082	6.816
Bank's reputation	0.694		
<b>Factor 8: Proximity</b>		1.045	5.239
Proximity to home/work	0.864		

Source: Computations from the field survey data,2017

## **4.7 Ranking Importance of Bank Selection factors**

In order to analyze differences in the importance of bank selection criteria employed, a ranking table was produced showing the mean score of each factor. Table 6 presents findings with respect to relative importance of bank selection criteria factors. The top two factors that found in the listing were “Proximity” (mean = 4.22) and “Convenience/Security” (mean = 4.21). The significance of the proximity factor has been seen in previous studies which have used students and other customers as their sample (Owusu-Frimpong, 1999; Lee and Marlowe, 2003; Katircioglu, 2011). On the contrary, in the study conducted by Mokhalis et al. (2008), this factor was ranked as fifth important factor for the selection of banking services by customers. Also similar to this study, Almosawi (2001) ranked convenience as second most important factor for bank selection decisions in Bahrain customers.

As opposed to the study by Almosawi (2011) in which technology related facilities ranked as the top most important selecting criteria for banks, in this study, this factor with (mean = 4.11) was found to be the third most important criteria in selection of banks by customers.

Similar to this study, in Mokhalis et al. (2008) study, service quality factor was ranked as fourth most influential out of eight factors. The marketing and promotion (mean = 3.92) factor was rated as fifth most important factor influencing customers when deciding which bank to patronize. This may be implies that, banks should give priority to accessibility, convenience/security, technology and service quality to attract customers rather than expending huge investment on marketing and promotion.

**Table 8: Ranking importance of bank selection criteria factors**

<b>Factors</b>	<b>Mean</b>	<b>Rank</b>
Proximity	4.22	1
Convenience/Security	4.21	2
Technology	4.11	3
Service Quality	3.99	4
Marketing & Promotion	3.92	5
Reputation	3.88	6
Financial Benefits	3.84	7
Bank's Image	3.77	8

Based on a five-point Likert scale 5= Very Important; 1= not Important at all

The reputation factor (mean = 3.88) is ranked as sixth important factor by the customers. Likewise, in the previous studies Mokhalis (2009), reputation factor was ranked eighth out of nine factors. The “financial benefits” factor (mean = 3.84) which involves low interest rate on loans and low service charge comes to seventh factor in terms of relative importance, however, in the study by Mokhalis (2009) financial benefits was ranked third important factor. Bank’s image (mean = 3.77) was found to be the last and least important criteria in selection of banks by the customers. This implies that customer’s consideration of bank’s image is insignificant for their bank selection decision. Hence banks should work more on accessibility, technology and service quality to be selected by customers.

#### **4.8 Gender Based Description of Factors**

While the survey data is analyzed based on gender separately to male and female customers, it provide different components than the results found in the above analysis for the total sample. (See table C5 and C6 in the appendix).

*Factor 1:* The first component for both male and female customers was items related to service quality in which well-organized and ranked based on their factor loading. Items with high loading for instance; ease access for loans (0.624 for females and 0.801 for males), availability of parking space (0.716 for female and 0.667 for males), fast and efficient service (0.558 for females and 0.732 for males, welcome reception of the bank (0.691 for females and 0.602 for males and good compliant handling (0.759 for females and 0.601 for males) are grouped under this common denominator.

*Factor 2:* The second component was related to convenience/security for both male and female customers (security arrangements of the bank, convenient location of the bank, prize attached bank services and mass media advertisement).

*Factor 3:* The third component for male customers was items related to the technology and while marketing and promotion was the third component for female customers. Financial benefit was the *fourth* component for both gender customers. Reputation was the *fifth* component for male customers and *sixth* component for female customers. Bank image is the *seventh* component for both male and female customers. Finally, proximity was the *eighth* factor for both male and female customers. (See table C7 and C8 in the appendix).

### 4.9 Gender Based Ranking of Importance

Table 7 shows that the choice criteria for both male and female customers ranked in order of mean importance of each factor. Carefully examination of the table reveals that Convenience/Security is the most important in the selection decision for male respondents while proximity is the most important factor in bank selection decision for female customers. Male respondents ranked proximity as a second most important factor but ranked first by female respondents. On the other hand male respondents ranked technology as the third most significant factor but female respondents ranked as their fourth most significant factor in selecting a bank. And also service quality is ranked third by female respondents while male respondents ranked this factor as fifth. The two least important factors in selecting a bank for both male and female respondents are bank’s image and financial benefits ranked seventh and eighth by male respondents and reputation and bank’s image ranked as seventh and eighth by female respondents respectively.

Table 9 : Ranking importance of bank selection criteria factors by gender

Selection Factors	Male		Female	
	Mean	Rank	Mean	Rank
Convenience/Security	4.19	1	4.27	2
Proximity	4.16	2	4.35	1
Technology	4.06	3	4.21	4
Reputation	3.91	4	3.82	7
Service Quality	3.87	5	4.25	3
Marketing & Promotion	3.79	6	4.19	5
Bank's Image	3.76	7	3.79	8
Financial Benefits	3.75	8	4.02	6

Based on a five-point Likert scale 5= Very Important; 1= not Important at all

There are some similarities between the findings of this study and the findings of earlier studies. The selection of ‘convenience/security’ and ‘proximity’ as important factors in selection decision by male and female respondents respectively is acknowledged in the literature (Owusu-Frimpong, 1999; Lee and Marlowe, 2003).

### 4.10 Correlation Analysis

Table 10 Correlation results of the variables

#### Nonparametric Correlations

		Proximity Factors	Service Quality Factors	Convenience /Security Factors	Technology Factors	Marketing & Promotion Factors	Bank Image Factors	Financial Factors	Bank's Reputation Factors
<b>Spearman's rho</b>	Proximity Factors	1.000	.306**	.237**	.250**	.120*	.151**	.184**	.104*
	Correlation Coefficient								
	Sig. (2-tailed)	.	.000	.000	.000	.024	.004	.000	.049
	Service Quality Factors	.306**	1.000	.488**	.359**	.346**	.110*	.328**	.154**
	Correlation Coefficient								
	Sig. (2-tailed)	.000	.	.000	.000	.000	.037	.000	.004
	Convenience/Se curity Factors	.237**	.488**	1.000	.373**	.447**	.278**	.227**	.257**
	Correlation Coefficient								
	Sig. (2-tailed)	.000	.000	.	.000	.000	.000	.000	.000
	Technology Factors	.250**	.359**	.373**	1.000	.268**	.548**	.222**	.329**
Correlation Coefficient									
Sig. (2-tailed)	.000	.000	.000	.	.000	.000	.000	.000	
Marketing & Promotion Factors	.120*	.346**	.447**	.268**	1.000	.191**	.206**	.275**	
Correlation Coefficient									
Sig. (2-tailed)	.024	.000	.000	.000	.	.000	.000	.000	
Bank Image Factors	.151**	.110*	.278**	.548**	.191**	1.000	.068	.358**	
Correlation Coefficient									
Sig. (2-tailed)	.004	.037	.000	.000	.000	.	.201	.000	
Financial Factors	.184**	.328**	.227**	.222**	.206**	.068	1.000	.130*	
Correlation Coefficient									
Sig. (2-tailed)	.000	.000	.000	.000	.000	.201	.	.014	
Bank's Reputation Factors	.104*	.154**	.257**	.329**	.275**	.358**	.130*	1.000	
Correlation Coefficient									
Sig. (2-tailed)	.049	.004	.000	.000	.000	.000	.014	.	
Bank Selection	.250**	.359**	.373**	1.000**	.268**	.548**	.222**	.329**	
Correlation Coefficient									
Sig. (2-tailed)	.000	.000	.000	.	.000	.000	.000	.000	

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

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

N = 358

Source: *Computations from the field survey data, 2017*

The Spearman correlation coefficient was computed for the purpose of determining the relationship between two or more variables. Spearman correlation coefficient is appropriate when the data is measured at ordinal level (Andy, 2006). Correlation can vary from +1 to -1, Where -1 indicates two variables are perfectly negatively correlated, +1 indicates two variables are perfectly positively correlated.

Spearman correlation test was conducted to know the degree of relationship between the variables. The result shown in the above table... , technology have perfect and significant relationship with bank selection where as bank's image and convenience/security have positive and significant relationship with convenience/security with correlation coefficient (r) of +1, 0.548 and 0.373 respectively with ( $p < .01$ ). From the above correlation results, technology has perfect correlation and relationship with bank selection at  $r = +1$  at  $p < .01$  and significant at 0.01 and 0.05 and financial benefits and proximity have positive but not strong relationship with bank selection at  $r = 0.222$  and  $r = 0.250$  respectively at  $p < .01$  and significant at 0.01 and 0.05. Overall, the Spearman correlation result shows that all the independent variables are well correlated with bank selection.

#### **4.11 Regression Analysis**

Before the regression analysis, Durbin- Watson test was applied to observe whether there was auto correlation among the variables or not. Values of Durbin- Watson test were in the limits between 1.5 and 2.5 for the variable. Hence the result of Durbin- Watson test of variables is 1.975, which implies that there is no auto correlate between the variables.

The *regression analysis* was conducted to know how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (convenience/security, proximity, technology, reputation, service quality, marketing & promotion, bank's image and financial benefits) explains the dependent variable that is bank selection decision.

Table 11 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.931 <sup>a</sup>	.866	.863	.586	1.975

a. Predictors: (Constant), Bank's Reputation Factors, Proximity Factors, Financial Factors, Convenience/Security Factors, Bank Image Factors, Marketing & Promotion Factors, Service Quality Factors, Technology Factors

b. Dependent Variable: Bank Selection

Source: *Computations from the field survey data, 2017*

As the result shown in the above table, Coefficient of determination ( $R^2$ ) is statistical technique, which could measure the model adequacy. R square ( $R^2$ ) is the coefficient of multiple determinants which indicates the proportion of total variation in the dependent variable explained by all independent variables, in order to evaluate model fit. The R square in this model is 0.866 which indicates that 86.6% of the variation in the bank selection criteria is explained by Bank's Reputation, Proximity, Financial, Convenience/Security, Bank Image, Marketing & Promotion, Service Quality and Technology. However 13.4% of the variation in the bank selection criteria could not be captured by the model and will be explained by other determinants. In general, the higher the value of R square ( $R^2$ ), the better the model fits with the data.

Table 12: ANOVA<sup>a</sup>

Model		Sum of Squares	Degree of freedom	Mean Square	F	Sig.
1	Regression	778.731	8	97.341	283.007	.000 <sup>b</sup>
	Residual	120.040	349	.344		
	Total	898.771	357			

a. Dependent Variable: Bank Selection

b. Predictors: (Constant), Bank's Reputation Factors, Proximity Factors, Financial Factors, Convenience/Security Factors, Bank Image Factors, Marketing & Promotion Factors, Service Quality Factors, Technology Factors

Source: *Computations from the field survey data, 2017*

The value of F-test in this model is 283.007 indicates that the F test is high. But the p-value is 0.000 which is less than 0.05 (5% level of significance) indicates that there is at least one

independent variable influence the bank selection criteria. As a result, we can conclude that bank selection criteria have significant relationship with Bank's Reputation, Proximity, Financial, Convenience/Security, Bank Image, Marketing & Promotion, Service Quality and Technology.

Table 13: Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	.315	.266		1.183	.238		
Proximity Factors	-.082	.034	-.050	-2.409	.017	.893	1.120
Service Quality Factors	-.059	.009	-.167	-6.387	.000	.562	1.778
Convenience/Security Factors	.032	.013	.059	2.385	.018	.632	1.583
Technology Factors	.614	.019	.884	32.959	.000	.532	1.881
Marketing & Promotion Factors	.003	.018	.004	.185	.854	.742	1.348
Bank Image Factors	.109	.018	.152	6.084	.000	.611	1.636
Financial Factors	-.020	.018	-.024	-1.123	.262	.850	1.176
Bank's Reputation Factors	.019	.037	.011	.518	.605	.797	1.255

a. Dependent Variable: Bank Selection

Source: Computations from the field survey data, 2017

The above table shows the coefficients, t statistics, and significance values of the coefficients, and collinearity statistics (VIF). Therefore based on the above coefficients of determination, Service Quality, Convenience/Security, Technology, Marketing & Promotion, Bank Image, Financial benefits, Bank's Reputation and Proximity, have significant effect on bank selection decision with beta values of ( $\beta_1 = -0.059$ ,  $\beta_2 = 0.032$ ,  $\beta_3 = 0.614$ ,  $\beta_4 = 0.003$ ,  $\beta_5 = 0.109$ ,  $\beta_6 = -0.020$ ,  $\beta_7 = 0.019$  and  $\beta_8 = -0.082$ ) respectively with significance level of 0.00 with constant 0.315.

Thus  $BS = \alpha + \beta_1 SQ + \beta_2 CO + \beta_3 TE + \beta_4 MP + \beta_5 BI + \beta_6 FI + \beta_7 BR + \beta_8 PR + \epsilon$  can be re-written as

$$BS = 0.315 - 0.059SQ + 0.032CO + 0.614TE + 0.003MP + 0.109BI - 0.020FI + 0.019BR - 0.082PR + \epsilon$$

This shows that Convenience/Security, Technology, Marketing & Promotion, Bank Image and Bank's Reputation have significant effect and positive relationship with bank selection while service quality, financial benefits and proximity have significant and negative relationship with bank selection decision.

#### **4.12 Discussion of Empirical Findings of the study**

Based on the findings of this paper, the relationship between convenience/security and bank selection has p-value of 0.018 (less than  $\alpha= 0.05$ ), which represents that there is significant relationship between convenience/security and bank selection. Therefore, a better satisfaction in providing convenience/security to the customers towards accessing their banking needs. Zineldin (1996) claims that convenience/security of a bank might not have much influence on decision of choosing a bank by customers.

The relationship between service quality and bank selection has also a p-value of 0.000 (less than  $\alpha= 0.05$ ) representing that there is significant relationship between service quality and bank selection decision. Therefore a better and higher quality service provided from the bank will give positive influence and satisfaction to their customers as well as increase customer's loyalty.

With reference to this study, the relationship between technology and bank selection has a p-value of 0.000 (less than  $\alpha= 0.05$ ) and represents there is significant relationship between technology and bank selection. It shows that, nowadays technology brings wide range of alternative delivery mechanisms such as ATM, mobile and internet banking, which creates ease access of bank information's. The result is consistent with Dangolani (2011) that customers believe that technology has a meaningful effect on conserving customer's time in the bank.

The finding of this study also shows that the relationship between bank's image and bank selection has a p-value of 0.000 (less than  $\alpha= 0.05$ ). This represents that there are significant relationship between bank's image and bank selection. This shows that bank's image will have a direct effect on a customer's decision on bank selection criteria. The result is consistent with Zeithmal (1998), which bank's image would affect customer's bank selection decision.

Considering this study, the relationship between proximity and bank selection have p-value of 0.017 (less than  $\alpha= 0.05$ ) representing that there is significant relationship between proximity and bank

selection. Hence the closest to home or work place and accessible the bank, the more likely customers prefer the bank for their banking service and products need.

The finding of this paper also reveals that, the relationship between marketing & promotion, financial benefits and bank's reputation and bank selection have a p-value of 0.854, 0.262 & 0.605 respectively which is greater than  $\alpha = 0.05$ , representing that marketing & promotion, financial benefits and bank's reputation might not have much influence on bank selection decision of customers.

## **CHAPTER FIVE**

### **5. SUMMARY, CONCLUSION AND RECOMMENDATION**

This chapter presents summary conclusion of the results, recommendations forwarded based on the analysis and basic finding of determinants of bank selection in Ethiopian banking sector; evidence from customers in Addis Ababa and lastly direction for future studies.

#### **5.1 Summary of Key Findings**

The objective of this research is to investigate the determinants of bank selection decisions based on their importance and to identify additional services needed by customers other than the currently offered services, based on recent and extensive evidence collected from bank customers. This study used both qualitative and quantitative research approach and descriptive and explanatory research design was used. The target population of the study was all bank customers of Addis Ababa. Based on the research objective, Amharic and English version questionnaires were prepared. A total of 384 respondents from 34 branches of commercial banks operating across the city were sampled based on two stages stratified sampling technique. Their response on the importance of 24 different factors while choosing banks, were collected and identified. The analysis was made based on the properly completed questionnaires of 358 out of 408 (93.2%). The entire questionnaires were reliable and acceptable with over all Cronbach's alpha result .877 (87.7%).

The descriptive analysis result of the study revealed that, most respondents fall in the age group of 18 to 30 years age. Concerning their education, about 73 percent of the sampled respondents have at least first degree. While assessing about bank selection by customers, the level of income of the respondents matters more. In this regard, the results show that about 69 and 24 percent of the respondents received an average monthly income of Br. 3,501 to 10,000 and less than Br. 3,500 respectively.

An important issue in dealing with bank selection is to see the affiliation of respondents with the respective bank(s). Results show that about 36 percent of the customers have less than five years experience of getting service with a particular bank and about 47 percent of the respondents have indicated a relationship that lasts 5 to 10 years. Furthermore about 17 percent of the respondents have more than 10 years of bank experience.

Looking at the specific banking services, apart from the existing products or service, about 40.8 percent of the respondents proposed additional products or service to be added. Among the list of services or products proposed by majority of respondents include introduction of credit card, personal banking service, inter-bank networking and special attention to blind customers were a key future requirements that banks should fulfill.

While looking at satisfaction level of respondents, the survey result reveals that about 68 percent of the respondents are satisfied with the current services of the banks. Nevertheless 32 percent of the respondents are not satisfied by the services provide in banks indicating that banks should made more effort to enhance customers' satisfaction.

Results on the mean score of each criteria reveal that the most important factors considered to choose banks, is found to be more number of branches, security arrangements of the bank, convenient of bank location , availability of ATM in several location, fast and efficient services as the top five most important ones.

The factor analysis revealed eight important factors which are responsible for customer's bank selection decisions. These factors are listed in the order of importance service quality, convenience/security, technology, marketing & promotion, bank image, financial benefits, reputation and proximity. Among the above listed factors, service quality plays an important role in the selection of banks. However factors like bank image, financial benefits, reputation and proximity have least influence on bank selection decisions of respondents.

Based on correlation analysis, all Service Quality, Convenience/Security, Technology, Marketing & Promotion, Bank Image, Financial benefits, Bank's Reputation and Proximity has significant and positive and negative relationship with bank selection. The finding also checked whether the variables are auto-correlated or not. So, Durbin- Watson test of the variables is 1.975. This implies according to Durbin- Watson value is between 1.5 and 2.5. Hence 1.975 is bounded between this boundary indicating that there no auto-correlation between the variables.

The regression analysis reveals that, Service Quality, Convenience/Security, Technology, Marketing & Promotion, Bank Image, Financial benefits, Bank's Reputation and Proximity have both positive and negative relationship and significant effect of bank selection decision. The finding also shows that 86.6% of bank selection decision is explained by all Service Quality, Convenience/Security,

Technology, Marketing & Promotion, Bank Image, Financial benefits, Bank's Reputation and Proximity.

## **5.2. Conclusions**

Generally, based on the finding, made from both descriptive and inferential statistics the researcher outlined the following conclusions;

Majority of bank customers are male, young whose age is between 18 to 30 years having a monthly average income between 3,501 to 10,000 birr.

Referring to the importance of these factors for customers bank selection decisions, proximity, convenience/security, technology and service quality are most important factors while reputation, financial benefits and bank's image are less important factors for customers bank selection decisions. Taking gender difference into an account, male bank customers consider convenience/security as most important factor while female bank customers consider proximity as a priority factor for their bank selection decisions.

Considering customers satisfaction with the current banking services, 68 percent of the respondents were satisfied, but the remaining 32 percent of the respondents were not satisfied with the service offered by banks. Network interruptions, unavailability of funds for loan, poor service quality are among the reasons for the dissatisfaction of customers.

Based on this survey, 40.8 percent of the respondents need additional bank services; which includes credit card banking service, personal banking service and inter – bank networking are the major ones to be added together with the current banking services provided to them.

In the study, it was shown that eight independent variables which are Service Quality, Convenience/Security, Technology, Marketing & Promotion, Bank Image, Financial benefits, Bank's Reputation and Proximity have significant relationship with dependent variable which is bank selection decision.

### **5.3 Recommendations**

Based on the findings of the study, the following recommendations are suggested.

- ❖ Customers' selection of banks mainly dependent on factors such as service quality, convenience/security and technology. Therefore such factors should be considered seriously by commercial banks in designing their marketing strategies by winding their branches and providing good customers' service to customers using latest technologies.
- ❖ Service quality is one of the important factors identified in the study. It can be ensured through adopting appropriate strategic plan aimed at enhancing service quality of banks through improving professionalism among staffs and making bank services more user friendly and easily accessible to customers.
- ❖ Convenience/security is another important factor identified for customers' selection of banks. In order to ensure convenience/security for customers, there is a need for banks to locate their branches in convenient locations and also make maximum security arrangements to feel customers free while using bank services.
- ❖ Technology is also another most important factor identified in the study. Hence banks should make proper investment on modern banking technologies and utilizing the existing technology more efficiently, so that every bank customer gets satisfactory services for their needs.
- ❖ Customers proposed the need for additional products and services to be added apart from the existing products and services of banks. As a result, banks should consider additional products and services that meet the demand of the population within the economy. The research and development process of the bank may play greater role in assessing and identifying new products and services that are required by the bank service users and relevant to meet the needs of customers. In addition, it is advisable for banks to find out ways to better familiarizing customers about the existing and new banking products or services.
- ❖ Since the age category below 30 years has the most usage and more representation in the sample, therefore, banks should target its marketing mix toward this category. This will ensure attraction of new and potential future customers of bank services and also retention of existing customers who are likely to remain long-term loyal customers of the bank.
- ❖ Though about 68 percent of the customers report as satisfied, banks should keep their customers satisfied with the services provided. Based on the results of this study, customer satisfaction and

loyalty should be enhanced by improving network interruptions, proving quality service, engaging well experienced bank personnel and introducing products and services based on customer needs. This makes bank customers to be more satisfied with the service they have acquired and become loyal to the bank.

- ❖ Bank management should also be aware that some of the bank selection determinants differ from one segment to another in the business firm market. These results would enable bank managers to identify the important bank attributes that affect bank selection decisions made by each segment of the banking business in Ethiopia.

#### **5.4 Further Area of Investigation**

Finally, since the results of this study are based on customers' perception only, investigating the correspondence between customers' and service providers' perception could be an important research area among interested future researchers. This will help the industry to better understand whether both customers and banks have the same perceptions regarding issues relevant to bank selection criteria. In addition, future researchers should assess and explore facts associated with geographical variations and bank image dimensions giving emphasis to the choice between private and public banks.

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# APPENDIXES

## Appendix A: Survey Questionnaire (Amharic Version)

በአዲስ አበባ ዩኒቨርሲቲ የቢዝነስና ኢኮኖሚክስ ኮሌጅ  
የንግድ ስራ ት/ቤት የገበያ አስተዳደር ትምህርት ክፍል  
የድህረ ምረቃ ፕሮግራም

### Survey Questionnaire (Amharic Version)

በአዲስ አበባ ከተማ ነዋሪ የባንክ ተጠቃሚዎች የሚሞላ የጥናት መጠይቅ;

ይህ መጠይቅ የተዘጋጀው በአዲስ አበባ ከተማ ውስጥ ለሚገኙ የባንክ ደንበኞች ሲሆን፣ የመጠይቁም አላማ የባንክ ደንበኞች የባንክ ምርጫ በሚያካሂዱበት ወቅት ታሳቢ የሚያደረጓቸውን ወሳኝ ምክንያቶች ምን ምን እንደሆኑ ለማወቅና ተያያዥ መረጃዎችን ለመሰብሰብ ነው። ሁሉም መልሶች የሚውሉት ከአዲስ አበባ ዩኒቨርሲቲ የንግድ ስራ ት/ቤት የገበያ አስተዳደር ትምህርት ክፍል የማስተርስ ዲግሪ መመሪያ ፅሁፍ ለማዘጋጀት ነው። እርስዎም የምትሰጡኝ ሀሳብ ከዚህ የዘለለ ለሌላ ዓላማ እንደማልጠቀምበትና ሚስጥሩም የተጠበቀ መሆኑን እየገለፅኩኝ፣ ለምታደርጉልኝ ትብብር ሁሉ በቅድሚያ አመሰግናለሁ።

ማስታወሻ ; ስምዎን መጻፍ አይጠበቅብዎትም

ለማንኛውም ጥያቄ በሞባይል ስ.ቁ +251912037194 እንዲሁም በኢ.ሜል [wrky2001@yaoo.com](mailto:wvky2001@yaoo.com) አድራሻ በማንኛውም ሰዓት መጠቀም ይችላሉ።

ማስታወሻ; እባክዎ መልስዎን እንደአስፈላጊነቱ በተሰጠው ክፍት ቦታ ላይ የ "✓" ምልክት ያስቀምጡ።

ክፍል አንድ :- የተሳታፊዎች አጠቃላይ ሁኔታ

1. ልጅ:- ወንድ  ሴት
2. ዕድሜ :- ከ18 ዓመት በታች  18-30 ዓመት  31-45 ዓመት   
46-60 ዓመት  >60 ዓመት
3. የሥራ ሁኔታ:- የግል ሰራተኛ  የመንግሥት ሰራተኛ  ጡረተኛ   
ነጋዴ  ስራ የሌለው  ሌላ
4. የትምህርት ደረጃ : ኮሌጅ ዲፕሎማና ከዚያ በታች  የመጀመሪያ ዲግሪ   
ሁለተኛ ዲግሪና ከዚያ በላይ
5. አማካይ የወር ገቢ:- ከ3500 በታች  3501 – 10000   
10001 – 20000  >20000

**ክፍል ሁለት:- የተሳታፊዎች የባንክ አጠቃቀም ሁኔታ**

6. ለምን ያህል ጊዜ የባንክ አገልግሎት ተጠቃሚ ኖት ? (ከአንድ ባንክ በላይ የሚገለገሉ ከሆነ እባክዎ መጀመሪያ አገልግሎቱን መጠቀም የጀመሩበትን ጊዜ መሰረት አድርገው ይመልሱ)

ከ5 ዓመት በታች  ከ5-10 ዓመት  ከ10 ዓመት በላይ

7. ከሚከተሉት የትኞቹን የባንክ አገልግሎቶች ይጠቀማሉ?

የቁጠባ ሂሳብ  አለም አቀፍ የባንክ አገልግሎት  ተንቀሳቃሽ ሂሳብ   
 የሀገር ውስጥ/የውጭ ሃዋላ  ATM አገልግሎት  ሞባይልና  
 ኢንተርኔት ባንኪንግ  የተወሰነ ጊዜ ቁጠባ  የብድር አገልግሎት   
 ሌላ ካለ ይግለጹልን-----

8. የሚገለገሉበት ባንክ/ኮች ከሚሰጠው/ጧቸው አገልግሎቶች በተጨማሪ መሰጠት አለበት የሚሉት አገልግሎት አለ?  
 አዎ  የለም

9. ለጥያቄ ቁጥር 8 መልስዎ አዎ ከሆነ መጨመር አለበት የሚሉትን አገልግሎቶች ቢገልጹልን?  
 -----

10. በሚገለገሉባቸው ባንኮች በሚሰጧቸው አገልግሎቶች ይረካሉ?

አዎ  አልረካም

11. ለጥያቄ ቁጥር 10 መልሶዎ “አልረካም” ከሆነ ባንኮች ምን ቢያደርጉ ደንበኞቻቸውን ሊያረኩ ይችላሉ ብለው ያስባሉ?  
 -----

12. አሁን የሚገለገሉበትን ባንክ ለመቀየር ሐሳብ አለዎት?

አዎ  የለኝም

13. ለጥያቄ ቁጥር 12 መልስዎ “አዎ” ከሆነ ለምን መቀየር እንዳሰቡ ቢያብራሩልን?  
 -----

**ክፍል ሦስት:- የባንክ ምርጫ መመዘኛዎች**

14. የሚገለገሉበት ባንክ/ኮች ሲመርጡ የሚጠቀሙባቸው መመዘኛዎች ከሚከተሉት አማራጮች ውስጥ ለአርስዎ ባላቸው ጠቀሜታ ከ “5” በጣም ጠቃሚ እስከ “1” ምንም አይጠቅምም እያሉ አንድ ቁጥር ብቻ በማክበብ መልሶዎን እንዲያስቀምጡ በአክብሮት እጠይቃለሁ።

5= በጣም ጠቃሚ 4= ጠቃሚ 3= መካከለኛ 2= አነስተኛ ጠቃሚ 1= ምንም አይጠቅምም

ተ.ቁ	መመዘኛዎች	የጠቀሜታቸው ደረጃ				
1	ለቤቴ/የሥራ ቦታዬ/ ቅርበት ስላለው	5	4	3	2	1
2	ብዙ ቅርንጫፍ ስላለው	5	4	3	2	1
3	ጥሩ የሆነ መስተንግዶ ስላለው	5	4	3	2	1
4	ተጨማሪ የአገልግሎት ሰዓት ስላለው (ቅዳሜ ማታ)	5	4	3	2	1
5	የጥበቃ/ደህንነት አደረጃጀቱ ጥሩ ስለሆነ	5	4	3	2	1

6	በተለያዩ ቦታዎች የ ATM አገልግሎት ስለሚሰጥ	5	4	3	2	1
7	የኢንተርኔትና ሞባይል ባንክ አገልግሎት ስለሚሰጥ	5	4	3	2	1
8	የመኪና ማቆሚያ ስላለው	5	4	3	2	1
9	አገልግሎቶቹን በመገናኛ ብዙሀን ስለሚያስተዋውቅ	5	4	3	2	1
10	የቤተሰቦቹንና የጓደኞቹን ምክር ሰምቼ	5	4	3	2	1
11	ዝቅተኛ የአገልግሎት ዋጋ ስለሚያስከፍል	5	4	3	2	1
12	ብድር በዝቅተኛ የወለድ ምጣኔ ስለሚሰጥ	5	4	3	2	1
13	በቁጠባ ሂሳብ ላይ ከፍተኛ ወለድ ስለሚያስከፍል	5	4	3	2	1
14	የባንኩ ዝና/ስመ ጥር መሆን	5	4	3	2	1
15	የመጀመሪያ ባንክ ስለሆነ/ሌላ ባንክ ስላልነበረ/	5	4	3	2	1
16	ፈጣንና ቀልጣፋ አገልግሎት ስለሚሰጥ	5	4	3	2	1
17	የምስራብት መ/ቤት ስለሚጠቀምበት	5	4	3	2	1
18	መንግስታዊ ባንክ በመሆኑ	5	4	3	2	1
19	የባንኩ የስራ ቦታ አመቺ መሆኑ	5	4	3	2	1
20	ቀላል የሆነ የብድር አቅርቦት	5	4	3	2	1
21	የባንኩ ውስጣዊና ውጫዊ ገፅታ የሚያምር መሆኑ	5	4	3	2	1
22	ጥሩ የሆነ የቅሬታ አቀባበልና አፈታት መኖሩ	5	4	3	2	1
23	ለደንበኞች የተለያዩ የአገልግሎት ዓይነቶች መስጠቱ	5	4	3	2	1
24	ለደንበኞች ሽልማት መስጠቱ	5	4	3	2	1

15. ጥናቱን በተመለከተ ማንኛውም ዓይነት አስተያየት ካለዎት?

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## **Appendix A: Survey Questionnaire (English Version)**

### **ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSSINES AND ECONOMIS SCHOOL OF COMMERCE  
DEPARTMENT OF MARKETING MANAGEMENT GRADUATE PROGRAM**

#### **Questionnaires to be filled by bank service users of Addis Ababa City**

*Dear Respondents,*

The purpose of this questionnaire is to collect primary data for conducting a study on the topic “**Determinants of Bank selection in Ethiopian Banking Sector, Evidence from Customers in Addis Ababa**” as a partial fulfillment to the completion of Masters of Art in Marketing Management from Addis Ababa University School of Commerce.

This study is purely for academic purpose and the information you provided will only be used for the mentioned purpose and confidentiality will be strictly maintained. Hence your genuine and timely responses are very valuable in determining the success of the study. Therefore you are kindly requested to extend your cooperation honestly by providing relevant information and filling out the following questionnaires.

**Note:** You are not required to write your names.

**Contact Address:** If you have any query, please do not hesitate to contact me and I am available as per your convenience at (Cell phone: +251912037194 or e-mail: wrky2001@yahoo.com)

Thank you for your cooperation and timely response in advance!

## Part I: Personal Information

**N.B** Please put a "√" mark to all your responses in the space provided to each question (if necessary).

1. Gender of respondent: Male  Female
2. Age of respondent: Below 18 Years  18-30 Years  31- 45 Years   
46-60 Years  >60 Years
3. Occupation: Private Employee  Public Employee  Pensioned   
Business Person  Unemployed  Other
4. Level of education: Diploma or Less  First degree  Second degree or more
5. Monthly Income: less than 3,500  3,501- 10,000   
10,001- 20,000  >20,001

## Part II: Banking Behavior of Respondents

6. For how long have you been using bank services? ( if you are working with more than one bank, please respond referring the oldest one)  
Below 5 Years  5-10 Years  10 Years and above
7. What type of service/s do you use in that bank? (Possible to tick more than one option).  
Saving Accounts  International Banking Service   
Current Account  Local/Foreign Money Transfer   
ATM Service  Mobile & Internet Banking   
Fixed Time Deposit  Credit Facilities

Other, Please specify \_\_\_\_\_

8. Do you need any other services/products apart from the service/products currently rendered by the bank you are working with?

Yes

No

9. If your response for Q8 is yes, what type of service/products do you need to get?

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10. Are you satisfied with banking services that you are currently provided?

Yes

No

11. If your response for Q10 is No, what could be done to solve these problems?

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

Yes

No

13. If your response to Q12 is yes, please elaborate why?

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### Part III: Bank Selection Factors

14. Indicate the rate of importance of the criteria you did consider in choosing a specific bank from the following listed factors. Please circle one number representing your rating for a particular factor by using the following scale. **5= Very Important, 4= Important 3= Neutral, 2= Less Important and 1= not Important at all**

No	Bank selection criteria	Level of Importance				
		5	4	3	2	1
1	Proximity to home/work	5	4	3	2	1
2	Availability of parking space	5	4	3	2	1
3	Security arrangement of the bank	5	4	3	2	1
4	Convenient of bank location	5	4	3	2	1
5	More number of branches	5	4	3	2	1

6	Ease access for loans	5	4	3	2	1
7	Extended operation hours (weekends, Evenings)	5	4	3	2	1
8	Variety of Services to Customers	5	4	3	2	1
9	Bank's reputation	5	4	3	2	1
10	Established early( the oldest bank)	5	4	3	2	1
11	Interior and Exterior appearance of bank	5	4	3	2	1
12	Being a government bank	5	4	3	2	1
13	Availability of ATM in several location	5	4	3	2	1
14	Internet and Mobile banking facilities	5	4	3	2	1
15	Fast and Efficient service	5	4	3	2	1
16	Welcome reception of the bank	5	4	3	2	1
17	Good complaint handling	5	4	3	2	1
18	Low service charge	5	4	3	2	1
19	Low Interest rate on Loans	5	4	3	2	1
20	Highest interest rates on saving	5	4	3	2	1
21	My Employer uses the same bank	5	4	3	2	1
22	Recommendation of friends/relatives	5	4	3	2	1
23	Mass Media Advertisement	5	4	3	2	1
24	Prize attached bank service	5	4	3	2	1

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

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**Thank you!**

## Appendix C: Statistical Results

**Table C1:KMO and Bartlett's Test**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.793
Bartlett's Test of Sphericity	Approx. Chi-Square	3588.718
	df	276
	Sig.	0.000

**Table C2: Total Variance Explained**

component	Initial Eigenvalues			Extraction Sums of Squared			Rotation Sums of Squared		
	Total	Variance	Cumulative %	Loadings			Loadings		
				Total	Variance	Cumulative %	Total	Variance	Cumulative %
1	6.909	28.786	28.786	6.909	28.786	28.786	2.996	12.482	12.482
2	2.031	8.464	37.250	2.031	8.464	37.250	2.943	12.263	24.744
3	1.761	7.339	44.589	1.761	7.339	44.589	2.437	10.156	34.900
4	1.364	5.682	50.271	1.364	5.682	50.271	1.862	7.759	42.659
5	1.248	5.201	55.472	1.248	5.201	55.472	1.770	7.376	50.035
6	1.158	4.823	60.295	1.158	4.823	60.295	1.697	7.071	57.107
7	1.082	4.510	64.805	1.082	4.510	64.805	1.636	6.816	63.922
8	1.045	4.356	69.161	1.045	4.356	69.161	1.257	5.239	69.161
9	.907	3.777	72.938						
10	.883	3.680	76.618						
11	.673	2.803	79.421						
12	.605	2.519	81.941						
13	.555	2.314	84.254						
14	.526	2.192	86.446						
15	.488	2.035	88.481						
16	.449	1.869	90.350						
17	.437	1.822	92.172						
18	.388	1.616	93.788						
19	.362	1.508	95.296						
20	.303	1.262	96.557						
21	.293	1.222	97.780						
22	.218	.908	98.688						
23	.176	.732	99.420						
24	.139	.580	100.000						

Extraction Method: Principal Component Analysis.

**Table C3: Rotated Component Matrix for the whole respondents**

	Component							
	1	2	3	4	5	6	7	8
Proximity to home/work	.081	.103	.197	.094	-.006	.058	.056	.864
Availability of parking space	.660	.273	.144	.273	-.047	-.022	-.156	.274
Security arrangements of the bank	.166	.729	.327	.125	-.046	-.028	-.184	-.024
Convenient of bank location	.127	.725	.392	.050	.048	.027	-.045	.174
More number of branches	.322	-.136	.210	.528	-.052	-.137	.311	-.055
Ease access for loans	.819	.068	.037	.079	.095	.136	-.024	.011
Extended operation hours(weekends, evening)	.371	.024	.400	.253	.162	.357	-.346	.049
Variety of services to customers	.252	.184	.494	.103	-.018	.133	.313	.232
Bank's reputation	-.007	.029	.144	.202	.292	.043	.694	.056
Established early(oldest bank)	.053	-.030	-.021	.095	.816	-.104	-.017	.095
Interior and exterior appearance of bank	.247	.063	-.010	-.125	.467	.198	.423	.340
Being government bank	-.164	.178	.125	.047	.715	.092	.204	-.194
Availability of ATM in several location	.082	.093	.865	.042	.028	.101	.035	.085
Internet and Mobile banking facilities	.451	.040	.560	.068	.197	.171	.132	.155
Fast and efficient service	.619	.331	.408	.044	-.194	.102	.220	-.049
Welcome reception of the bank	.577	.396	.234	.016	-.199	.126	.361	-.008
Good compliant handling	.558	.517	.295	.012	.009	.148	.268	.096
Low service charge	.209	.081	.178	-.145	.109	.753	-.004	-.020
Low interest rate on loans	.009	.017	.078	.320	-.137	.789	.140	.137
Highest interest rate on saving	.286	.290	.388	.155	-.161	.319	.390	-.094
My employer uses the same bank	-.009	.142	.056	.766	.112	.071	.056	.197
Recommendation of friends/relatives	.166	.376	.020	.690	.044	.160	.009	-.084
Mass media advertisement	.210	.659	-.158	.328	.227	-.027	.118	-.108
Prize attached bank service	.091	.690	-.209	.075	.074	.195	.311	.228

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 8 iterations.

**Table C5: Total Variance Explained for Male Customers**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.509	27.120	27.120	6.509	27.120	27.120	3.212	13.382	13.382
2	2.705	11.269	38.389	2.705	11.269	38.389	2.617	10.903	24.285
3	2.013	8.388	46.777	2.013	8.388	46.777	2.401	10.005	34.290
4	1.884	7.850	54.627	1.884	7.850	54.627	2.336	9.732	44.022
5	1.480	6.167	60.794	1.480	6.167	60.794	2.218	9.244	53.266
6	1.198	4.990	65.784	1.198	4.990	65.784	2.103	8.764	62.030
7	1.107	4.613	70.398	1.107	4.613	70.398	2.008	8.367	70.398
8	.983	4.094	74.491						
9	.873	3.639	78.131						
10	.835	3.480	81.611						
11	.802	3.340	84.952						
12	.701	2.919	87.871						
13	.510	2.125	89.996						
14	.486	2.027	92.023						
15	.425	1.770	93.792						
16	.364	1.515	95.307						
17	.271	1.131	96.438						
18	.208	.866	97.304						
19	.174	.726	98.030						
20	.134	.558	98.589						
21	.113	.469	99.058						
22	.094	.393	99.451						
23	.080	.335	99.786						
24	.051	.214	100.000						

Extraction Method: Principal Component Analysis.

**Table C6: Total Variance Explained Female Customers**

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.509	27.120	27.120	6.509	27.120	27.120	3.212	13.382	13.382
2	2.705	11.269	38.389	2.705	11.269	38.389	2.617	10.903	24.285
3	2.013	8.388	46.777	2.013	8.388	46.777	2.401	10.005	34.290
4	1.884	7.850	54.627	1.884	7.850	54.627	2.336	9.732	44.022
5	1.480	6.167	60.794	1.480	6.167	60.794	2.218	9.244	53.266
6	1.198	4.990	65.784	1.198	4.990	65.784	2.103	8.764	62.030
7	1.107	4.613	70.398	1.107	4.613	70.398	2.008	8.367	70.398
8	.983	4.094	74.491						
9	.873	3.639	78.131						
10	.835	3.480	81.611						
11	.802	3.340	84.952						
12	.701	2.919	87.871						
13	.510	2.125	89.996						
14	.486	2.027	92.023						
15	.425	1.770	93.792						
16	.364	1.515	95.307						
17	.271	1.131	96.438						
18	.208	.866	97.304						
19	.174	.726	98.030						
20	.134	.558	98.589						
21	.113	.469	99.058						
22	.094	.393	99.451						
23	.080	.335	99.786						
24	.051	.214	100.000						

Extraction Method: Principal Component Analysis.

**Table C7 :Rotated Component Matrix(a) for male Respondents**

	Component						
	1	2	3	4	5	6	7
Proximity to home/work	.044	.062	.114	.184	.125	.750	.022
Availability of parking space	.667	.321	.142	-.152	-.065	.428	-.042
Security arrangements of the bank	.158	.561	.505	-.218	-.139	.096	-.038
Convenient of bank location	.175	.529	.541	-.065	.000	.264	-.111
More number of branches	.253	.011	.057	-.028	.016	.038	.807
Ease access for loans	.801	.104	-.039	.013	.052	.090	.150
Extended operation hours(weekends, evening)	.397	.082	.258	.049	.035	.463	.086
Variety of services to customers	.238	.093	.515	.251	.084	.251	.230
Bank's reputation	.017	.094	.250	.235	.479	-.102	.467
Established early(oldest bank)	.004	-.063	-.216	-.131	.744	.246	.042
Interior and exterior appearance of bank	.236	.057	.066	.319	.628	.095	-.121
Being government bank	-.232	.218	.172	-.072	.701	-.137	.056
Availability of ATM in several location	.208	-.175	.803	.120	.101	.217	.147
Internet and Mobile banking facilities	.587	-.086	.359	.224	.285	.180	.143
Fast and efficient service	.732	.222	.396	.231	-.118	-.061	.060
Welcome reception of the bank	.602	.296	.322	.277	-.174	-.200	.088
Good compliant handling	.601	.369	.427	.297	.021	.028	.053
Low service charge	.177	-.005	.090	.739	.149	.025	-.058
Low interest rate on loans	.026	.164	.105	.758	-.137	.339	.170
Highest interest rate on saving	.322	.358	.527	.412	-.036	-.164	.141
My employer uses the same bank	-.078	.333	.163	.068	-.056	.478	.543
Recommendation of friends/relatives	.286	.582	.092	.085	-.063	.231	.253
Mass media advertisement	.224	.792	-.058	-.029	.252	-.051	.154
Prize attached bank service	.048	.772	-.024	.291	.115	.070	-.046

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 11 iterations.

**Table C8 :Rotated Component Matrix(a) for female respondents**

	Component						
	1	2	3	4	5	6	7
Proximity to home/work	.404	.159	-.589	.236	.046	-.234	.193
Availability of parking space	.211	.716	.140	.115	.087	.168	-.136
Security arrangements of the bank	.823	.067	.138	.266	-.167	.190	-.055
Convenient of bank location	.832	.001	.030	.202	.130	.214	.102
More number of branches	.225	.700	-.064	-.256	-.061	-.164	.179
Ease access for loans	.336	.108	.030	-.003	.306	.624	-.012
Extended operation hours(weekends, evening)	-.107	.163	-.059	.393	.082	.657	.020
Variety of services to customers	.314	.426	-.251	.216	.364	.068	.144
Bank's reputation	.077	.250	.146	-.160	.363	-.110	.632
Established early(oldest bank)	.187	-.008	.450	.254	.210	-.190	.276
Interior and exterior appearance of bank	.108	.062	.074	.100	.823	.096	.188
Being government bank	.115	-.113	.188	.213	.268	.009	.716
Availability of ATM in several location	.230	.071	-.005	.820	-.051	.149	-.078
Internee and Mobile banking facilities	.284	.139	-.015	.741	.145	.153	.127
Fast and efficient service	.558	.522	-.311	.218	.033	-.076	.109
Welcome reception of the bank	.691	.421	-.097	.141	.166	.120	.208
Good compliant handling	.759	.295	-.026	.096	.443	.088	-.048
Low service charge	.377	-.095	-.082	.187	-.143	.651	.078
Low interest rate on loans	-.035	.207	.036	-.066	-.291	.409	.619
Highest interest rate on saving	-.097	.756	.010	.420	.106	.174	.132
My employer uses the same bank	.037	-.025	.769	-.093	.312	-.082	.079
Recommendation of friends/relatives	.135	.079	.818	.087	-.241	-.012	.282
Mass media advertisement	.586	.068	.424	.091	-.062	-.394	-.007
Prize attached bank service	.600	.131	.136	-.121	.462	.031	.116

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 23 iterations.

**Table C9 :The Mean Score of Each Criterion**

<b>Factors</b>	<b>Mean</b>
More number of branches	4.63
Security arrangements of the bank	4.51
Convenient of bank location	4.37
Availability of ATM in several location	4.36
Fast and efficient service	4.31
Variety of services to customers	4.25
Internet and Mobile banking facilities	4.24
Proximity to home/work	4.22
Good compliant handling	4.12
Welcome reception of the bank	4.09
Mass media advertisement	4.06
Highest interest rate on saving	4.00
Prize attached bank service	3.93
Interior and exterior appearance of bank	3.89
Bank's reputation	3.88
Low service charge	3.88
Availability of parking space	3.85
Extended operation hours(weekends, evening)	3.81
Low interest rate on loans	3.80
Being government bank	3.74
Established early(oldest bank)	3.68
Recommendation of friends/relatives	3.61
Ease access for loans	3.58
My employer uses the same bank	3.52

**Table C10 :Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.931 <sup>a</sup>	.866	.863	.586

a. Predictors: (Constant), Bank's Reputation Factors, Proximity Factors, Financial Factors, Convenience/Security Factors, Bank Image Factors, Marketing & Promotion Factors, Service Quality Factors, Technology Factors

**Table C11:ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	778.731	8	97.341	283.007	.000 <sup>b</sup>
	Residual	120.040	349	.344		
	Total	898.771	357			

a. Dependent Variable: Bank Selection

b. Predictors: (Constant), Bank's Reputation Factors, Proximity Factors, Financial Factors, Convenience/Security Factors, Bank Image Factors, Marketing & Promotion Factors, Service Quality Factors, Technology Factors

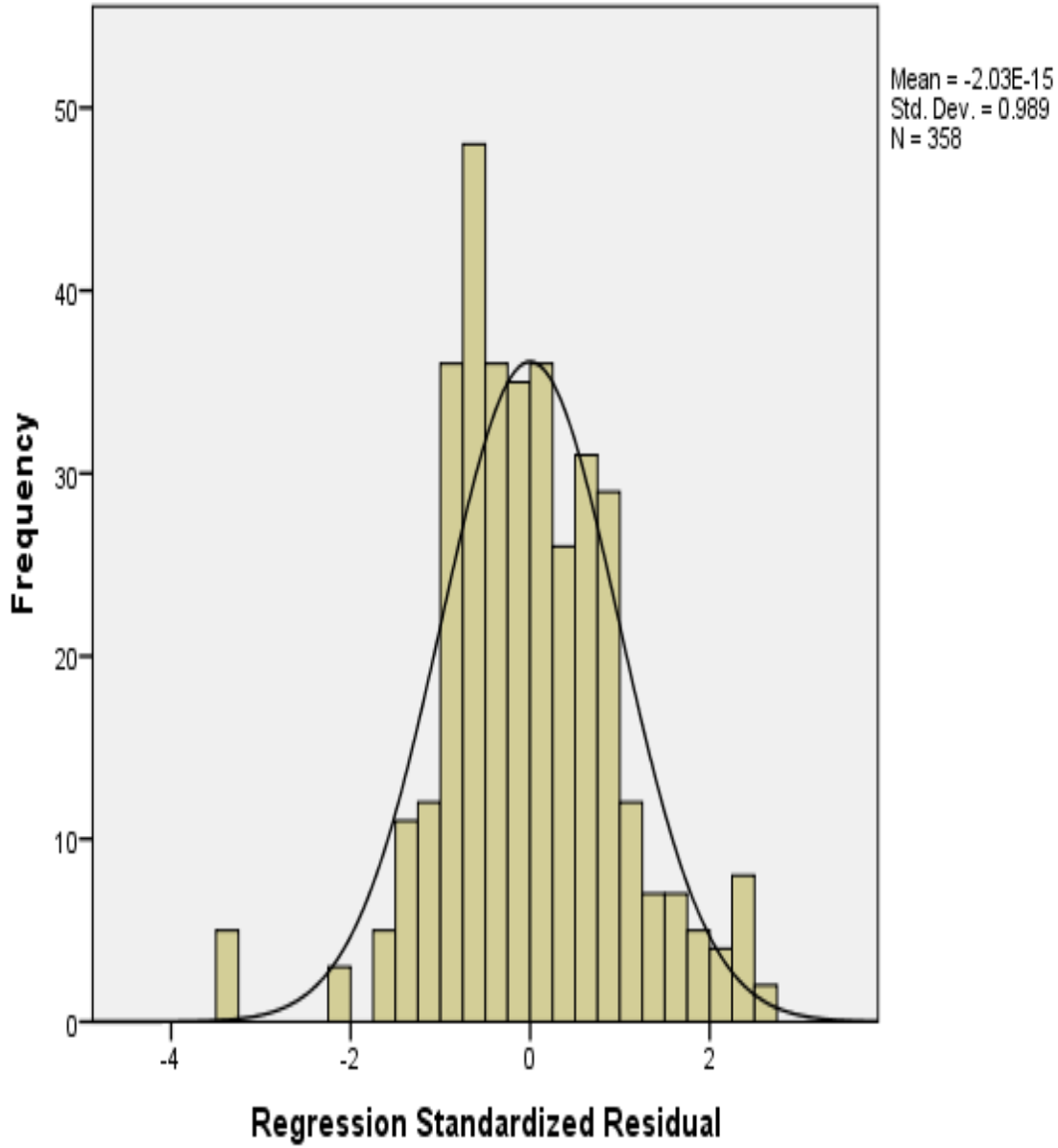
**Table C12:Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.315	.266		1.183	.238		
	Proximity Factors	-.082	.034	-.050	-2.409	.017	.893	1.120
	Service Quality Factors	-.059	.009	-.167	-6.387	.000	.562	1.778
	Convenience/Security Factors	.032	.013	.059	2.385	.018	.632	1.583
	Technology Factors	.614	.019	.884	32.959	.000	.532	1.881
	Marketing & Promotion Factors	.003	.018	.004	.185	.854	.742	1.348
	Bank Image Factors	.109	.018	.152	6.084	.000	.611	1.636
	Financial Factors	-.020	.018	-.024	-1.123	.262	.850	1.176
	Bank's Reputation Factors	.019	.037	.011	.518	.605	.797	1.255

a. Dependent Variable: Bank Selection

# Histogram

Dependent Variable: Bank Selection



## Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Bank Selection

