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## **Bank Selection Decision on Multiple Bank Users**

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This is to certify that the thesis prepared by Endale Tessema Wodajo, entitled: Bank Selection Decision on Multiple Bank Users and submitted in partial fulfillment of the requirements for the degree of Master of Science in Accounting and Finance complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Chair of Department or Graduate Program Coordinator

## *Abstract*

*This paper presents an empirical study of selection criteria employed by multiple bank users. The study chose to sample a specific consumer segment in Addis Ababa, namely business person and employees. The purpose of this study is to examine the significance of bank selection criteria on multiple bank users and how customers rank the factors based on their importance level to patronize multiple banks and banking services. Both quantitative and qualitative methodology, incorporating 193 respondents is employed in the analysis. A non-probability convenience sampling was used due to the unavailability of sampling frame of bank customers' or infinite population and data was factor analyzed to reduce the number of total variables in to manageable way. Findings show that Branch location and Availability of ATM are influential and significantly more important in prompting choice of multiple banks. This finding indicates that bank customers' place great emphasis on the attribute of saving time and many customers place great emphasis on their banks offering locational convenience. Proximity and Service provision are also significantly more important in prompting multiple banks. Therefore; such factors should be considered seriously by the commercial banks in designing their marketing strategies by expanding their branches and ATM availability with convenient location and providing good customers services to customers. Banks also have to work on the above areas to understand the needs of the client and have to implement strategies to satisfy the needs in order to retain their existing clients and attract new clients. It is interesting to know that influential marketing campaign is significantly less that customers did not choose the second or above banks depending on influential marketing campaign rather they select based on other criteria. The implications of the findings were discussed and opportunities for future research were provided.*

**Keywords:** *Multiple banks selection criteria, multiple bank users, banking services, business person and employees.*

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## Table of Contents

<b>Abstract</b> .....	i
<b>Acknowledgments</b> .....	ii
<b>Table of Contents</b> .....	iii
<b>List of Tables</b> .....	v
<b>List of Figures</b> .....	vii
<b>List of Acronyms and Abbreviations</b> .....	viii
<b>Chapter one</b> .....	1
<b>1 Introduction</b> .....	1
1.1 Background of the study .....	1
<b>1.2 Statement of the Problem</b> .....	3
<b>1.3 Objectives of the Study</b> .....	5
1.4 Specific Research Questions .....	6
1.5 Significance of the Study .....	6
1.6 Scope and Limitations of the Study .....	6
1.7 Organization of the Study .....	7
<b>Chapter two</b> .....	8
<b>2 Review of literatures</b> .....	8
2.1 Theoretical review of banking .....	8
2.1.1 Banking .....	8
2.1.2 Role of banks .....	9
2.2 Customers behavior .....	10
2.2.1 Steps in the customer decision process .....	12
2.2.2 Influences on customers' decisions.....	13
2.3 Service quality .....	15
2.3.1 The Difference between Service and Goods .....	15
<b>2.3.2 The Definitions of Service Quality</b> .....	15
<b>2.4 Customers satisfaction</b> .....	16
2.5 Bank Selection Criteria .....	17
2.6 Multiple Banking .....	24

<b>Chapter Three</b> .....	29
<b>3 Research Design and Methodology</b> .....	29
<b>3.1 Research Approaches</b> .....	29
<b>3.2 Research Method</b> .....	30
<b>3.3 Source Of Data And Sampling</b> .....	30
<b>3.4 Research Design</b> .....	31
<b>3.5 Data Collection</b> .....	31
<b>3.6 Data Analysis and Interpretation</b> .....	33
<b>3.7 Ethical Consideration</b> .....	34
<b>Chapter four</b> .....	35
<b>4 Data Analysis and Discussions</b> .....	35
<b>4.1 Descriptive Analysis</b> .....	35
<b>4.1.1 Response rate</b> .....	35
<b>4.1.2 Customers profile</b> .....	36
<b>4.2 Average Number and Types of Services Utilized at Each Bank</b> .....	39
<b>4.3 Factor Analysis</b> .....	39
<b>4.4 Factor Formulation</b> .....	40
<b>4.5 Explanation of Bank Selection Factors</b> .....	41
<b>4.6 Reliability Test</b> .....	45
<b>4.7 Ranking Importance of Bank Selection Factors</b> .....	45
<b>4.8 Gender Based Description of Factors</b> .....	47
<b>4.9 Gender Based Ranking of Importance</b> .....	48
<b>4.10 Occupation Based Ranking of Importance</b> .....	50
<b>4.11 The Influence of Age</b> .....	51
<b>4.12 The Influence of Education</b> .....	53
<b>4.13 Marital Status Based on Ranking Importance</b> .....	54
<b>Chapter Five</b> .....	56
<b>5 Conclusion and Recommendations</b> .....	56
<b>5.1 Conclusion</b> .....	56
<b>5.2 Recommendation</b> .....	57
<b>5.3 Directions for Future Research</b> .....	59

## **REFERENCES**

## **APPENDIES**

**Appendix A: Survey Questionnaire (Amharic Version)**

**Appendix B: Survey Questionnaire (English Version)**

**Appendix C: Statistical results of factor analysis**

## List of Tables

<b>Title</b>	<b>Page</b>
Table 1. Response rate.....	36
Table 2. Results of profile data of the respondents.....	37
Table 3. Number of banks at which accounts are maintained.....	38
Table 4. Distribution of respondents' gender by occupation .....	39
Table 5. Average number of services utilized at each bank .....	39
Table 6. Results of factor analysis.....	42
Table 7. Ranking importance of bank selection criteria factors .....	48
Table 8. Ranking importance of bank selection factors by gender .....	50
Table 9. Ranking importance of factors between businessmen and employees ....	52
Table 10. Ranking importance of factors among different age groups.....	53
Table 11. Ranking importance of factors among different education level .....	54
Table 12. Ranking importance of factors by marital status .....	55

## List of Figures

Title	Page
Figure 1. The customer decision-making process	13
Figure 2. Influences on customer decision making	14

## **List of Acronyms and Abbreviations**

ATM	Automatic Teller Machine
CBE	Commercial Bank of Ethiopia
KMO	Keiser- Meyer-Olkin
n. d.	no date
SPSS	Statistical Package for Social Science
MoFED	Ministry of Finance and Economic Development
PCA	Principal Component Analysis
NIB	Nib International Bank
USAID	United States of Agency International Development

# Chapter one

## 1 Introduction

### 1.1 Background of the study

The trend towards globalization has introduced many changes in the economic and business environment all over the world. Ethiopia is no exception to these changes and almost all industries including the banking sector, in one way or the other are being affected by this trend. In consequences of this, banking sector in Ethiopia is becoming more competitive. Commercial banks in Ethiopia are putting more emphasis on providing more facilities and services to their customers.

The banking industry has been characterized by increasing competition since the early 1980s (Blankson et al. 2007). This has been the result of a number of interrelated factors such as competition and deregulation that have revolutionized the distribution of many financial services. In other words, an increased competition resulting from a decade of deregulation of the financial services industry has meant that banks find themselves faced with the task of differentiating their organizations and their offerings as a means of attracting customers (Blankson et al. 2007). The growing competition in the banking sector makes it crucial for the banks to identify determinants of bank selection among customers. This knowledge allows banks to focus on products and services that are valued the most by consumers and enhance customers' satisfaction.

Retail banks are involved in both price and non-price competition, although the former was found to be less important compared with the latter (Chan, 1986; Tai, 1986; Wu, 1985). The primary non-price competitive tools include branch banking, innovative products and services, and aggressive promotional services. Currently, bank competition is still intense and banks are differentiating themselves by developing innovative products and services. These include new product combinations, modifications of traditional services, creation of product identification, and personalization of banking services. Retail bank promotional activity is also intense and includes a wide variety of sales promotion activities in addition to heavy-advertising (Chan and Ho, 1991).

Customer retention is an important element of banking environment in an increasingly competitive environment today. Banks not only compete among each other but also with non-bank and other financial institution. Bank management must identify and improve all the factors that can limit customer defection. It is because to increase bank's profit the banks must reduce their customer's defection. The Customer may defection because of lack knowledge about the bank, poor service utilized offer by the bank, and the criteria of the bank (Haron, 1994). Due to this highly competitive environment, it is important for financial institution to obtain more information about their customers concerning what influence them before selecting the financial institution.

Modern banking in Ethiopia introduced in 1905. At the time, an agreement was reached in between Emperor Minelik II and a representative of the British owned National Bank of Egypt to open a bank which leads to Bank of Abyssinia launched in Feb.16, 1906 by the Emperor (Abraha, SL & Imam, SH., 2005). This event marked the introduction of banking in the country. The Bank of Abyssinia was given a 50 years pleasure and was engaged in issuing notes, collecting deposits and granting loans, but its clients were mostly foreign businessmen and wealthy Ethiopians (Mauri, 2003).

The Ethiopian banking system has been regulated for most of its subsistence. The key regulatory features were interest rate regulation, credit restrictions, equity market controls and foreign exchange controls. Although some restrictions are still in operation, regulations, which are affecting banks, are being relaxed after implementing the financial liberalization (1992) measures. Consequently, the private sector financial institutions are growing rapidly yet, major commercial banks and specialized institutions still remain within the public sector.

The major financial institutions operating in Ethiopia are banks, insurance companies and micro-finance institutions. The number of banks operating in the country during the fiscal year reached 19. In terms of ownership, sixteen were private commercial banks, and the remaining three state-owned. Even if the continuous increase in the capital base, the banking industry in Ethiopia is still very small compared to some big

banks in Africa, depicting the ongoing effort needed to bring Ethiopian banks to the international level.

It is evident that the banking sector in Ethiopia is more competitive and attracting consumers becomes a challenge for the banks. It is therefore essential for the banks to understand the factors that facilitate decision making with respect to bank selection. It is crucial for banks to understand customer preferences and to identify the relative advantages that consumers perceive to obtain from the features of the product or service offered to them (Tsai et al. 2011). Better understanding of consumer preferences enables companies to focus their resources on developing products and services that are required and appreciated by the consumers and subsequently market these products and services appropriately. Understanding buyers' selection decision process and adapting to consumers' buying behavior is not a choice for firms; it is indeed an ultimate necessity for their survival (Kotler, 2000). In this regard, the basic aim of the study is to examine what factors influencing bank selection decision on multiple bank users in Addis Ababa city. In order to achieve the research aim, the study has adapted both quantitative and qualitative researches the basic motivational factors approaches specifically survey method through personally administer questionnaires.

## **1.2 Statement of the Problem**

Multiple banking, also called split-banking occurred when people employed two or more bankers to handle their personal financial affairs (Denton & Chan, 1991). Chan (1993) stated that multiple banking exists where the same person uses the same service at two or more banks. It should be noted that some individuals maintain more than one current account at the same institution, either at the same or a different branch. Whilst these individuals have multiple accounts, they do not use multiple banks to supply the same product. According to the definition of multiple banking adopted in the current study, such individuals are not classified as being engaged in multiple banking.

Despite its significance, the issue of multiple banking is the one which has been under researched because of the scant attention paid to multiple banking behaviors in the

marketing literature and bank management not identify and effectively manage factors that determine choice criteria on multiple bank users. Instead, the major focus of studies in the bank marketing literature was either the taxonomy of banks' customers or attempted to determine the bank selection criteria employed by individual customers. Relatively less effort has been directed towards identification of choice criteria factors employed by multiple bank users.

A number of studies have been undertaken to analyze factors that affect customers' preference in banking services. Among these studies include Mokhlis, S, Mat, N & Salleh, H (2008) who examined the determinants of bank selection criterion in Malaysia considering undergraduate students; while Mokhlis (2009) attempted to analyze gender-based choice decisions. Correspondingly, in Bahrain (Almossawi 2001), a case of college students and in Greek (Mylonakis 2007), a research task of customer preferences in the home loans market, Goitem Woldemariam (2011), who examined factors influencing the choice of banking service in Addis Ababa were done.

Although multiple banking behaviors of Ethiopian consumers have not been studied in a scholarly context, relevant literature on this topic using data from other countries can be found. Chan (1993) established that 70.6 per cent of a Singapore undergraduate sample practiced multiple banking. He also found that 70 per cent of a Hong Kong undergraduate sample practiced multiple banking. Study by Gerrard and Cunningham (1999) using a sample of adult Singaporeans, found that 76.8 per cent of the respondents engaged in multiple banking. A study by Kaynak and Kucukemiroglu (1992) also conducted in a Hong Kong setting; showed that 83 per cent of the respondents engaged in multiple banking.

Denton and Chan (1991) ranked the selection criteria of multiple bank customers in Hong Kong. They reported that multiple bank usage was widespread and was heavily influenced by factors such as a desire for risk reduction and improved convenience in terms of number of branches and automatic teller machines, to benefit from the known relative advantage that one bank had over another and to meet product prestige needs. Statistically significant differences were found in the evaluation of the relative

importance of these factors on multiple banking behaviors based on sex, age, marital status, income and education discriminators.

Lam and Burton's (2005) qualitative study on business customers in Hong Kong indicated that specialized bank skills, perceived risk and a perception of having a better negotiation position were identified as a key factor influencing the choice to use more than one bank.

Gerrard and Cunningham (2001) collected responses from a sample of young Singaporeans about various choice criteria from those who were multiple bank users and made a comparison with those who were single bank users. Of the seven choice dimensions that were compared, only convenience was found to be significantly different.

Even if such studies have contributed substantially to the literature on multiple bank users, their findings may not be applicable to developing countries like Ethiopia due to different cultural, ethnical, political, economic setup and legal environments. Some factors that have an important role in bank selection in one country may prove to be unimportant in another (Almossawi, 2001).

To the best of the researcher's knowledge, there is no previous research work in Ethiopia concerning bank selection criteria on multiple bank users. Therefore, the main purpose of this study is to examine what factors influencing for using multiple banking behaviors in Addis Ababa city and to fill the knowledge gap in the literature call to investigate the factors for using multiple banking behaviors.

### **1.3 Objectives of the Study**

The overall objective of the study is to investigate the factors influencing for using multiple banks.

#### **Specific Objectives**

- ❖ To understand the main factors that customers consider when using multiple banks and how those criteria are prioritized according to their importance.
- ❖ To determine whether demographic characteristics (gender, age, education and occupation) vary in the factors on multiple bank users' behavior in the Addis Ababa retail banking industry.

- ❖ To examine the number and type of services those are employed at each bank by multiple bank users.

#### **1.4 Specific Research Questions**

To examine the study was raised the following research questions.

1. What major factors does a customer consider when using multiple banks?
2. Is there major differences exist between selected demographic groups (gender, age and education) relating to the factors that influence multiple banking phenomenon?

#### **1.5 Significance of the Study**

The research has examined the determinants factors influencing for using multiple banking behaviors. The importance of this study has considered from two dimensions such as: Theoretical contributions and Practical implications. Theoretically, the study can fill an important gap in the literature that is, exploring bank selection criteria on multiple bank users in the Addis Ababa region. Therefore, the findings of this study can add to the existing body of the literature and serve as a starting point on which future studies can be built. As a result, the findings would help to particular interest to academics whose interest lies in the marketing financial services.

In addition to the literature, Practitioners can also be provided with an enhanced understanding of the factors which prompt choice of institution for multiple bank users, which enables them to tailor marketing efforts towards attracting such account holders when formulating strategies to achieve such objectives. The findings of this study have value to practitioners, especially those who aim to expand their customer base.

#### **1.6 Scope and Limitations of the Study**

As with any empirical study, this study also had certain constrains that must be considered when assessing the outcomes of its findings and implications. This study poses generalizability questions because the sample frame used is 100 employees and 100 business person and the non-probability sample does not allow assessment of sampling error, thus the results do not represent the multiple bank users' behavior of the general public. This study need for replication using a larger, more

representative sample in order for the findings to generalize the population. This larger-scale replication could be used to produce even more specific strategies for Addis Ababa banks. This study empirically examined nine factors that may affect bank selection decision on multiple bank users. However, there may be some other factors that can have an impact on multiple bank users but were not examined in this study. Further empirical research is required to examine the other factors that can impact on multiple banking behavior decisions.

## **1.7 Organization of the Study**

The thesis is attempted to investigate the factors influencing for using multiple banking behaviors. Accordingly, the paper is organized in a way that chapter one deals with the Introduction of the study, chapter two presents the Review of the Related Literatures, chapter three deals with research methods, the Data Analysis and Results of the Findings is presented in chapter four. Finally, the last chapter enclosed the conclusions drawn, recommendations and areas where further research may be productive.

## **Chapter two**

### **2 Review of literatures**

The review deals firstly with the literature pertaining to the theory of banking with major focus on role of banks, have focused on customer behaviors and how they select the bank which will provide them with general banking services, then focus specifically on issues relating to multiple banking users.

#### **2.1 Theoretical review of banking**

This section discusses the theory of banking with major focus on role of banks.

##### **2.1.1 Banking**

Banks are financial institutions that accept deposits from the general public and obtain money from such other sources as may be available to them (the 'haves') in order to extended loans to those in need of the money (the 'have-nots'). (Gonzalez & Hermosillo, B 1999) Banks provide channel (financial intermediation) for linking those who have excess funds with those who are in need of funds, thus ensuring the money available in economy is always put to good use. In so doing banks earn income when they lend money out at a higher interest rate than they pay depositors for use of their money. A Bank's main source of income is interest. A bank pays out at a lower interest rate on deposits and receives a higher interest rate on loans. The difference between these rates represents the bank's net income. Banks and other financial institutions exist in order to earn a profit and to ensure that shareholders' value is maximized.

Government entities such as central banks have regulated commercial banks in most jurisdictions and require a special bank license to operate. The requirements for the issue of a bank license vary between jurisdictions but typically include: Minimum capital, Minimum capital ratio, 'Fit and Proper' requirements for the bank's controllers, owners, directors, or senior officers, approval of the bank's business plan as being sufficiently prudent and plausible.

### 2.1.2 Role of banks

The economic growth of every country is made by a meaningful contribution by the banking sector. Banks contribution to the growth lies in the role they play in mobilizing deposits and allocating the resources efficiently to the most productive uses investment in the real sector. So making credit available to borrowers is one means by which banks contribute to the growth of economies. Banks pool resources together for projects that are too large for individual shareholders to undertake (Bagehot, 1873). They are also considered the most important enabler of financial transactions in any country's economy and are the principal source of credit (Rose, 2002). Bank finance is the primary source of debt funding.

Commercial banks extend credit to different types of borrowers for many diverse purposes, either for personal, business or corporate clients (Saunders & Cornett, 2003). Besides, banks are also the custodians of nation's money, which are accepted in the form of deposits and paid out on the client's instructions (Sinkey, 2002 & Harris, 2003).

A bank's role has expanded considerably and is no longer limited to the taking of deposits and providing credit. Banks also perform the following activities (Fourie, LJ, Falkena, HB and Kok ,WJ 1998; Valdez, 2000):

- Money creators: Commercial banks create money by way of deposit liabilities. In contrast to liabilities of other businesses, bank liabilities (cheques) are generally accepted as a means of payment.
- Managers of the payment system: This refers to the payment of cheques through the Automatic Clearing Bureau (ABC). It also facilitates payments of credit and debit cards, internet and cell phone banking and automatic teller machines
- Creators of indirect financial securities: Commercial banks hold assets that are subject to specific risks, while issuing claims against them in which these risks are largely eliminated through diversification.
- Information agents: Commercial banks developed sound databases of client information and the information is not publicly available (asymmetric information). The information is only shared with other banks by way of a bank code or a full general bank report.

- Financial spectrum fillers: The capital market cannot supply the full range of instruments required by borrowers. Commercial banks assist in this regard by supplying specific instruments to fill the gap.
- Dealers in foreign currency: Due to the globalization of the world's economies this has become a very important function. Commercial banks assist in the conversion of currencies, transfer of funds and negotiate foreign financing.

## **2.2 Customers behavior**

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

Customer 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, (Zeithaml, VA, Berry, LL & Parasuraman, A 1993) categories the factor into three groups of quality characteristics. Search qualities are the features that customer 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 customer 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 experiential features, therefore, making them difficult to be evaluated before consumption (Owusu-Frimpong 1999). Therefore, to minimized the risk and uncertainty that is related to the purchase of service, customer more or less rely on the tangible cues such as place, equipments, people, symbols among others as the evidence of service quality (Morley 2004). When customers choose and prefer a service provider based on the tangible cues, they are more likely to become loyal to the service provider.

Customer retention and true loyalty as, ( Bove and Johnson, 2000) notes, “is defined by a high customer relative attitude in addition to high repeat purchase behavior”. Given the

understanding that customer retention is economically more advantageous than constantly seeking new customers; Reichheld and Sasser (1990) observe that customer 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.

With the intense competition and increasing globalization of the financial markets, building customer loyalty has become a critical strategy for most financial institutions. The banking industry must develop strong relationships with their customers in order to compete successfully in the competitive retail banking environment. Numerous studies have shown that banks' profitability is closely associated with customer retention (Garland 2002; Anderson, Fornell & Lehmann 1994; Reichheld & Sasser 1990). The longer a bank can retain a customer, the greater revenue and cost savings from that customer. Maintaining an existing customer is five times cheaper than obtaining a new one as the advertising, sales, and set-up costs can be amortized over a longer customer lifetime (Morgan, 2007; Clemes, Gan & Zheng, 2007; Reichheld & Sasser, 1990).

Duncan & Elliot (2002) note that customer loyalty is an important factor that contributes to an organization's earnings and profits. Loyal customers normally establish a stable relationship with an organization compared to non-loyal customers (Zeithaml, Berry & Parasuraman, 1996). Customer loyalty can contribute to an increase in a firm's revenue; reduce customer defection rates; and develop new business through positive word-of-mouth advertising (Reichheld 1996; O'Brien & Jones 1995; Reichheld & Sasser 1990). Thus, at the end of the day, the bank's assets are not only primarily registered on the balance sheet, but also related to the fact that customers have been successfully retained (Scharioth & Hurber, 2002).

The deregulation and the emergence of new technology in the financial service industry have had a critical impact upon consumer behavior. When customers can purchase nearly identical financial products provided by the retail banks, customers are also more prone to change their banking behavior (Beckett, Hower & Howcroft, 2000). Chakravarty, Feinberg &

Rhee (2004) state that “the competitiveness of banking combined with the relative homogeneity of banking products and services appears to make banking particularly susceptible to customer switching behaviour” (pp, 512). As a result, service quality or product is no longer the only factor that banks need to focus on as customers are more value-oriented and cautious in making tradeoffs between benefits and costs (Mazumdar, 1993).

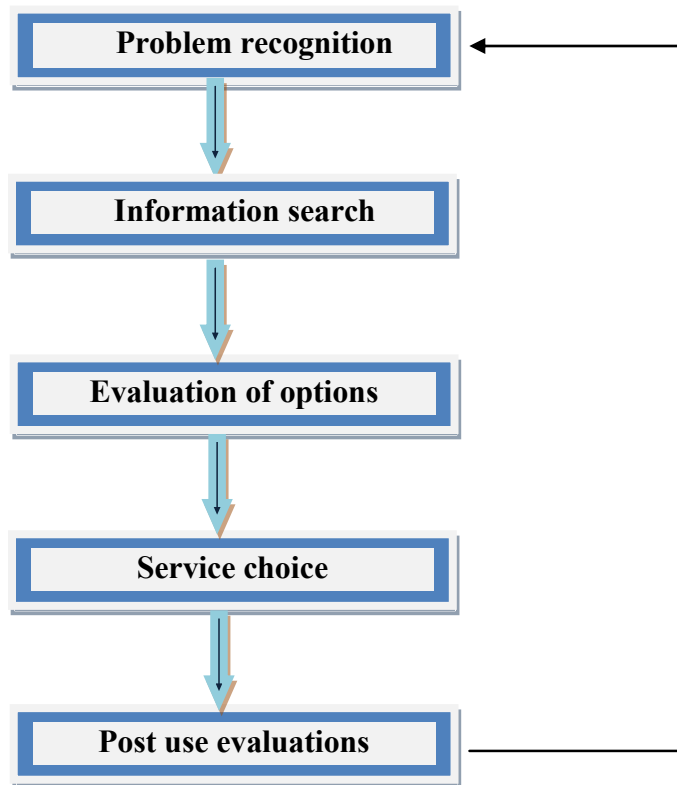
Kotler and Keller (2006) hold that companies recognize the importance of satisfying and retaining customers. Satisfied customers constitute the company’s customer relationship capital. According to them, the following are interesting facts about customer retention: acquiring new customers can cost five times more than the cost involved in satisfying and retaining current customers; the average company loses 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 to attaining customer loyalty is customer satisfaction because a customer who is highly satisfied will most likely exhibit the following characteristics:

- a) Stays loyal longer
- b) Buys more as the company introduces new products and upgrades existing ones.
- c) Talks favorably about the company and its products
- d) Pays less attention to competing brands and advertising, and is less sensitive to price, and
- e) It will cost less to serve than new customer because transactions are routines.

### **2.2.1 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.

Fig. 1: The customer decision making process



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

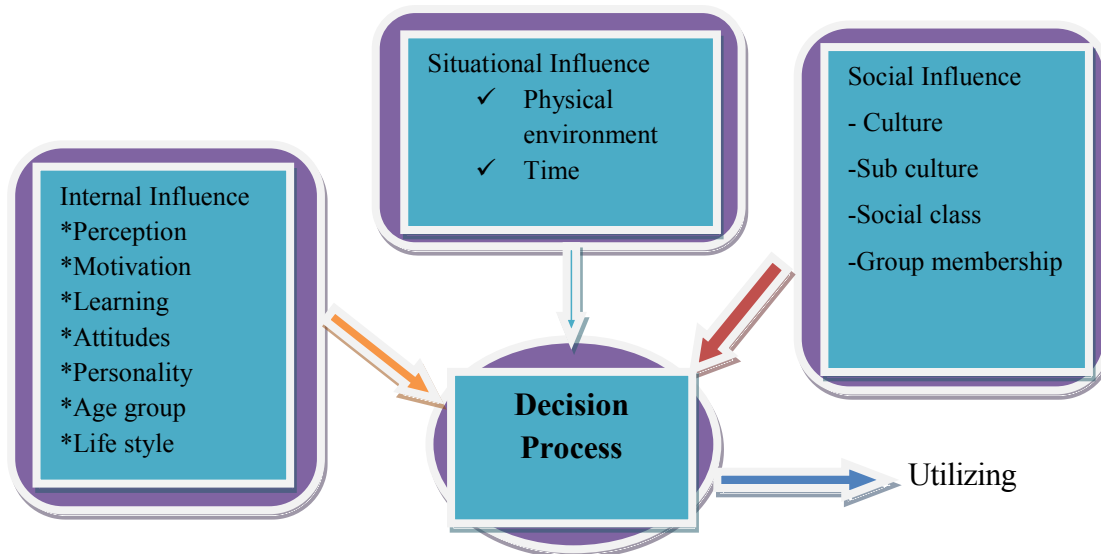
### 2.2.2 Influences on customers' decisions

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

#### A. Internal influences on customers' decisions:

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

Fig. 2: Influences on customer decision making



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

A number of different factors in customers' lives influence the consumer decision making process. Organizations need to understand these influences and which ones are important in the exploit process to make effective marketing decisions.

### **B. 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. There is one motto by the advertising archives: "As customers are exposed to more and more advertizing, advertisers must work harder than ever to get their attention".

In addition to the physical environment, time is another situational factor. Organizations know that the time of day and how much time one has to make a utilize affect decision making. Time is one of consumers' most limited resources. We talk about "making time" or "spending time", and are frequently reminded that "time is money". They should provide fast service for their customers.

### **C. Social influences on customers' decisions:**

Although we are all individuals, we are also members of many groups that influence our utilizing

decisions. Families, friends and classmates often influence our decisions, as do larger groups with which we identify, such as ethnic groups and political parties.

## **2.3 Service quality**

### **2.3.1 The Difference between Service and Goods**

Service is largely intangible and is normally experienced simultaneously with the occurrence of production and consumption, and it is the interaction between the buyer and the seller that renders the service to customers (Gronroos 1988). In order to distinguish services from goods, Gronroos (1990) identifies five unique characteristics of service: intangibility, inseparability between production, delivery, and consumption, heterogeneity, perishability, and no ordinary transfer of ownership.

### **2.3.2 The Definitions of Service Quality**

Since the interactions between a customer and a service provider create opportunities for customers to evaluate services, service quality is defined as a customer's overall impression of the relative inferiority/superiority of the organisation and its service provisions (Gronroos 1988; Bitner & Hubbert 1994). Similarly, Lewis & Booms (1983) define service quality as a measure of how well the service level delivered matches customer expectations. Perceived service quality is developed from the perspective of a customer's attitude to judge the overall service provision (Spathis, Petridon & Glaveli 2004). Lewis (1989) suggests perceived service quality is a consumer judgment which is derived after comparing consumers' expectations of service with their perceptions of actual service performance. In general, customer expectations can be established from previous experiences with the organisation, the competitors of an organisation, the traditional marketing mix, or external influences such as word-of-mouth communication (Parasuraman, Zeithaml & Berry 1988; Gronroos 1984b). In regards to banking, Kamilia and Jacques (2000) note that perceived service quality results from the gap between customers' expectations of the service provided by the bank and the perception of the actual services provided by the bank.

## **2.4 Customers satisfaction**

Attempting to offer all things to all people is difficult, if not impracticable in a competitive marketplace. Many financial institutions are selecting a few key target markets and concentrating on trying to serve them better than their competitors. Generally speaking, customers and business banks have three main targeting choices (Zineldin 1996). They can attempt to become financial supermarkets, low-cost producers, or market niches: Financial services supermarket strategy is only appropriate for a few, very large, diversified banks and financial institutions such as Citicorp, American Express. Low cost producers offer limited services at discount prices and compete on price. The most obvious examples are discount brokerage firms and money market funds that offer limited services efficiency

Specialty or niche banks primarily focus on the needs and desires of a particular market segment with a particular product mix such as mortgage loans, venture financing, special trade markets and industry sectors. Many regional and national banks have adopted niching strategies, targeting market segments where they have key strengths and experience. Not surprisingly, many small and medium-size institutions are targeting commercial customers and prospects and avoiding intense competition for consumer business.

The customers-needs approach requires that banks target their business towards one or all customers, and towards satisfying some or all of their needs and wants. A bank has to analyze and consider its strengths and weaknesses, its market opportunity, and its competitors. Customer satisfaction is a strategic support to obtain a long term profitable growth. This may have its own advantages and main results. For instance, more loyalty of customer can creates a cross selling & up selling of services/ products of one organization, great customer retention can results a long customer lifetime value for the institution, better short and long term business performances may also consequences a higher stock returns, stock value and cash flow less volatile and long period strong competitive positioning can consequence a market leadership in one institution (Unicredit Group 2008). Unicredit group has a strong commitment to be the customer satisfaction leader in Italy.

Although customer withholding is the goal of the service provider, substitute measures are typically used owing to the constraints involved in longitudinal studies. These measures

relate to attitudes or future intentions towards the service provider. There are three regularly used measures of generally service quality, meeting expectations and customer satisfaction (Levesque, T, and GHG, McDougall, 1996).

The customers' contentment begins with obvious, operational definitions from both the customer and the organization. Understanding the inspirations, expectations and requirements of both provide a foundation in how to provide best service to the customer. It may even provide information on making improvements in the nature of business (Haque, A, Osman, J and Ismail AZH, 2009). This is the heart of research into customer satisfaction. Service quality is one of the customers' judgments about an entity's overall excellence or superiority. It is a form of attitude and results from a comparison of expectations to perceptions of performance received. As defined service quality is a measure of how well the service level delivered matches customer expectations (Mols, NP, Bukh, PND and Blenker P., 1997).

A study carried out by Haque, A, Osman, J and Ismail AZH (2009) found that customer satisfaction arbitrates the effects of automated bank service quality on financial performance. Customer satisfaction can thus be considered as the key construct to bank financial performance. However, this research found that internet service quality had no significant relationship with customer satisfaction; improvement in the quality aspects of this dimension could enhance overall satisfaction and thus financial performance.

## **2.5 Bank Selection Criteria**

It is evident that the banking sector in Ethiopia is becoming competitive and attracting consumers becomes a challenge for the banks. It is therefore essential for the banks to understand the factors that facilitate decision making with respect to bank selection. It is crucial for banks to understand customer preferences and to identify the relative advantages that consumers perceive to obtain from the features of the product or service offered to them (Tsai, WH, Hsu, W & Lin, TW, 2011). Better understanding of consumer preferences enables companies to focus their resources on developing products and services that are required and appreciated by the consumers and subsequently market these products and services appropriately. Understanding buyers' selection

decision process and adapting to consumers' buying behavior is not a choice for firms; it is indeed an ultimate necessity for their survival (Kotler, 2000).

Banking industry is primarily a service industry. Due to the intangible nature of services, understanding consumers' needs becomes a challenge for service providers. The four peculiar traits of services as identified by ( Zeithaml, VA, Parasuraman, A and Berry, LL, 1985) are: intangibility, inseparability, heterogeneity, and perishability. Intangibility refers to the feature whereby services can only be experienced but cannot be touched like products. Inseparability refers to simultaneous delivery and consumption of services. Heterogeneity refers to unstandardization of service delivery due to the human aspect associated with services. Services are delivered by people and therefore the delivery may differ from person to person. Perishability refers to "time dependency" and "time importance" of services. Unlike products, services cannot be stored for future consumption, and hence, are perishable (Onkvisit and Shaw, 1991). Given the distinctiveness of services, the precise identification of consumer needs and then the delivery of services are of major concern in service-oriented industries. If the services delivered are aligned with consumers' needs and expectation, it leads to customer satisfaction and results in an extended relationship between the service provider and the customer (Pont and Mcquilken, 2005). Therefore, it is imperative for managers to fully understand consumer preferences and product selection process and effectively use that knowledge in devising business-level strategies to increase the profitability of the organization.

Financial industries, especially banks, are becoming highly competitive day by day due to service differentiation, easiness of service availability, culture based products offering and technology used in service delivery. Customers are selecting banks considering various features of the service proposition. Thus, to attract customers, banks are facing challenges more than ever. But to attract customers it is crucial to know what selection criteria customers are adopting in selecting banks. Such selection criteria of the customers open an area of research on bank selection criteria of customers.

Exploring "How customers select banks" will help banks to identify the appropriate marketing strategies needed to attract new customers and retain existing ones (Kaynak and Kucukemiroglu 1992). Resemblance of services offered by banks (Holstius and Kaynak 1995) and greater than

ever competition among retail banks have become more and more important. Therefore, banks should identify main factors that determine the basis upon which customers select retail banks.

Substantial research studies on the theme of factors that influence customers' bank selection criteria have been widely undertaken to enlighten bank marketing professionals on the best marketing strategies to develop and implement from time to time (Rehman & Ahmed 2008). (Anderson, Jr, W, Cox, J.E.P & Fulcher, D 1976) found that, whilst one segment of customers saw meaningful differences between banks, a larger segment of consumers viewed banks as institutions which offer largely undifferentiated services and, consequently, selected a bank based primarily on the locational convenience it offered. Dupuy and Kehoe (1976) questioned the validity of the findings of Anderson, Jr, W, Cox, J.E.P & Fulcher, D (1976) as a result of the sampling method and measurements they used. In a study conducted in Sweden, Martenson (1985) found that location and parental influence were important influences on bank choice and that one-third of the respondents chose their bank at random. Boyd, W, Leonard, M & White, C (1994) sought to establish if there were differences in the selection criteria of retail banks between various demographic subgroups. Their more interesting findings were that white collar households placed greater importance on reputation, modern facilities and location; high income households attached greater importance on interest rates, opening hours and the friendliness of staff and low income households were more strongly influenced by favorable publicity and word of mouth. The differences were merely observed rather than arising through the conduct of statistical tests.

Price, speed and access were found to be particularly important by Elliot, MB, Shatto, D & Singer, C (1996) in what they termed value driven strategy. Responding to this analysis, Reeves and Bednar (1996) argued that customer service appeared more important than price and that consumers use additional criteria beyond price, speed and access to evaluate and choose between banks. An earlier paper by Khazeh and Decker (1992) also found a bank's service charge policy to be the most important factor in explaining how consumers choose their bank. Devlin (2002) studied differences in choice criteria with respect to levels of customer financial knowledge. He found that location and recommendation continued to be important for all knowledge groups, but high knowledge customers were more likely to take account of "intrinsic" service attributes such as service features, rates of return and low fees, when making their choice.

A study on customers' bank selection criteria in the United States of America by Kaufman (1967)

found that the requirements needed when opening an account with a bank, the widely perceived relationship between the customer and the bank, quality of services offered and proximity of bank to home, school or workplace are the most significant factors reported by households as primary determinants of their choice of bank selection. Laroche, M, Rosenblatt, JA & Manaing, T (1986) also found that the speed of service, competence and friendliness of bank personnel; and convenience of location are significant factors perceived by customers as important in bank selection criteria.

The criteria upon which customers select a retail bank based on the bank's reputation has received considerable attention by numerous researchers in different countries (Metawa & Almosawi 1998). According to Edris & Almahmeed (1997), the growing competitiveness in the retail banking industry has made it increasingly important that retail banking institutions need to consistently review principal factors that influence customers' choice of selection of a retail banking services provider. Moreover, meeting the needs of the customers in respect of retail banking service provision has emerged as a significant element of bank reputation that attracts customers to select a bank (Leibert 2004). According to Khazeh & Decker (1993), most retail banking institutions do not achieve remarkable growth due to failure to identify and effectively manage factors that determine customers' choice of bank selection. In the recent global community, the power in business has drifted from sellers to buyers; and as such, numerous studies indicate that banks need to offer services which customers are in real need of in order to sustain the ever increasing market competition (Devlin & Gerrard 2005).

Zineldin (1996) also conducted a similar study in Sweden and explored numerous factors which customers considered as important in their bank selection criteria. The study revealed that bank service hours, bank reputation, availability of technological products, transaction alertness, convenience of location, helpfulness of bank employees, security of customers' bank accounts, availability of loans and provision of excellent services are the significant dimensions determining customers' bank selection criteria. Elementarily, the research study concluded that considered customer loyalty, consistent flow of information from the bank to the customers, availability of off-site secured ATMs, minimum waiting time in queues are the important factors in the customers' choice of bank selection.

Likewise, Rehman & Ahmed (2008) conducted a similar study in the Pakistan banking industry

and found that convenience, bank environment, online banking efficiency and customer services are essential factors determining the customers' choices of bank selection. They also revealed in their study that a big change in banking sector of Pakistan has been occurred since last 15 years. It has changed from less competitive to more competitive sector. Mergers and acquisition activities are increasing in Pakistani banking sector which also increases the market competitive pressure. Pakistan allowed some foreign banks which are acquiring some smaller banks of Pakistan with a comprehensive branch network. All of these changes created a big challenge for Pakistani banks to make their customers "loyal" by providing good services and facilities with the help of banking marketing strategies.

In another cross country study in both developed and developing countries conducted by Blankson, C, Omar OE & Cheng, JM (2009) free banking, convenience, reasonable bank charges, parental, friends and family influence and helpfulness of banks' employees were observed as primary factors influencing customers' bank selection criteria. In light of this background, the study recommended that retail bank marketing strategies need to be standardized based on development in the marketing environment. The study therefore concluded it is imperative for the retail bank personnel to provide consistent and good customer care from time to time.

Phuong & Har (2000) also conducted a study on customers' bank selection criteria in Singapore. The findings from the study indicated that the most important factors influencing customers' bank selection decisions include convenient location of the bank, transactional costs, service quality, availability of self-bank facilities, monthly bank charges, interest rates on loans, banks' service hours and recommendations by parents, friends and relatives.

Omar & Orakwue (2006) also found similar results in their study which evaluated the importance of bank selection criteria adopted by customers in Nigeria. The results indicate that security of customers' bank accounts, transaction alertness and services quality were the imperative factors customers considered when selecting retail banks.

Kaufman (1967) examined the determinant factors used in bank selection decisions by customers and commercial firms in the USA. He found that the most significant factors reported by households were suitable location to home or place of business, length of bank-customers

relationships and quality of services offered by the bank.

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

A study by Javalgi, Armaco and Hosseini (1989) in the USA found that monetary factors are the main criteria in customers' bank selection decisions. Results of this study show that financial factors such as interest on savings accounts, safety of fund, and availability of loans have high scores. Other important factors were found to be convenient location and bank's reputation.

Kaynak and Kucukemiroglu (1992) conducted a research in Hong Kong to find out the significance of selection criteria used by consumers in choosing banks. The major factors were reported to be convenient location, financial counseling, available parking space nearby, vault location, and loans and mortgages.

Haron, Ahmed and Planisek (1994) analyzed 301 Muslim and non-Muslim commercial bank customers in Malaysia to determine the selection criteria used in a dual banking environment. Results show that the highest scored factors are: speed of transactions, fast and efficient services, friendliness of bank personnel, and confidentiality of bank.

Boyd, Leonard and White (1994) used telephone survey to investigate the importance of 10 bank selection criteria in USA. In this study, the respondents were asked to rank, from the selected list of ten criteria. The ranking of bank selection criteria is: reputation, interest on savings accounts, interest charged on loans, quick service, location in city, hours of operation, availability of current accounts, friendliness of employees, modern facilities, drive-in service and other factors.

Yue and Tom's (1995) study was designed to find out the bank selection criteria used by Chinese-American customers residing in Sacramento, California. The most important factors were reported to be efficiency of services offered, bank's reputation, bank fees, convenient location, and interest rates on saving accounts and loans.

In another study, Bick and Brown (2004) examine the perception and expectations of banking

customers regarding the value being delivered to them by retail banks in South Africa. The findings show that customers were not satisfied with the service, products and level of customer intimacy delivered to them by their banks. Thus, customers did not believe that they were getting the value they expected.

A study by Al-Ajmi, Abo Hussain and Al-Saleh (2009) found that Islamic religious belief and social responsibility are the most important factors. 1000 questionnaires were distributed with response rate of 65.5 among customers who bank with conventional banks and Islamic banks in Bahrain. Results of the study reveal that cost benefit is the third most important factor considered in bank selection by Bahraini customers.

Lewis (1982) conducted a research on banking behavior among British students. A total sample of 716 students in 11 universities and colleges in England were surveyed for the study. Convenience of location to college and parental advice and influence were the predominant factors that were considered by students.

Khazeh and Decker (1993) surveyed the views of 209 university students in Maryland, USA to find out customers' bank selection criteria. The most important determinant criteria of bank selection identified in their study were service charge policy, reputation, interest charged on loans, quick loan approval and friendly tellers.

Almossawi (2001) studied bank selection criteria being employed by college students in Bahrain. A total of 1,000 students aged 19-24 of the University of Bahrain served as a sample for the study. Findings show that the important factors determining college students' bank selection are: bank's reputation, friendliness of bank personnel, availability of parking space near the bank, and availability and location of automated teller machines (ATM).

Rao and Sharma (2010) studied bank selection criteria being employed by MBA students in India. Data were collected from 312 students who have a bank account through questionnaire. Findings reveal that reliability is the most important factor in choosing a bank among students. Other significant factors are the responsiveness; value added services and convenience respectively.

In Afghanistan, Farooq, SU, Ahmad, G & Jamil, SH (2010) studied the section criteria of Islamic

customers in patronizing a particular bank. They found that the most important factors leading to the customers' choice for selection of Islamic banking products/services are: religious inclination, recommendation of family and friends, easy access to branch and profitability of the bank. As the degree of importance of selection criteria of banks is concerned the results shows quite significance in the educational level and the degree of religious regulations in the selection of banks. The examination of the results revealed that those respondents having graduate degrees in diverse avenues are more influenced from the Islamic teachings and principles in selecting bank in comparison with other respondents having other academic qualification. The results also show that the less educated respondents are comparatively more influenced form friends and family.

## **2.6 Multiple Banking**

The issue of multiple banking has received far less attention in the literature. Knowledge about multiple banking, either in the form of holding multiple accounts and/or using multiple banks is scarce and few studies have been conducted on this topic. Despite its significance, the issue of multiple banking is not one which has been over-researched. Instead, the major focus of studies in the bank marketing literature was either the taxonomy of banks' customers or attempted to determine the bank selection criteria employed by individual customers. Relatively less effort has been directed towards identification of choice criteria factors employed by multiple bank users.

Multiple banking, also called split-banking occurred when people employed two or more bankers to handle their personal financial affairs (Denton & Chan, 1991). Chan (1993) stated that multiple banking exists where the same person uses the same service at two or more banks. Whereas, definition of multiple banking given by Gerrard and Cunningham (1999) focus on product specific which relate to savings account. They stated that multiple banking exists if a customer maintains a savings account at two or more banks or multiple banking is defined as occurring where an individual uses the same product at two or more separate banking institutions. Chan (1993), in a Hong Kong setting, merely established what percentage of his respondents were multiple bank users on the basis that they maintained active accounts at more than one bank. The findings showed that the largest percentage of multiple banking respondents maintained active savings accounts at more than one bank.

Multiple banking, where it exists, has obvious advantages for both banks and customers (Gerrard &

Cunningham 1999). For a bank, multiple banking creates an extra relationship with customers, which is good from a statistical point of view. From a customer's perspective, multiple banking enable a customer to access a wider range of ATMs, possibly a wider range of financial services and the ability to negotiate a better deal on financial services such as a loan.

Single banking also has certain advantages for both banks and customers. The benefit of a single banking relationship over multiple ones is that it can save overall monitoring costs (Diamond 1984) and transaction costs. Single banking creates efficiency within the banking system due to non-duplication of certain service provision (for example, saving account passbook or sending out of regular account statements). Some customers may desire to maintain relationship with one single bank to save time, cost and effort, especially if the bank is able to provide more integrated services and implement a customer-centric strategy to satisfy their banking needs.

It is assumed that banks would generally like to encourage the opening of secondary accounts where no account or other relationship current exists. This point is admittedly a debatable one, as the relationship between profitability and provision of basic transaction banking services is less than clear-cut. However, the opening of a secondary account represents an opportunity for that institution to form a relationship with a new customer and to look for profitable opportunities. Bankers appreciate that, by creating a relationship with someone who already has an account with a competitor bank, this will give that bank the opportunity to develop and exploit new opportunities. Thus, it is assumed that banks would generally welcome such business from consumers who had no prior relationship with that bank. This would be particularly useful to that bank in the event that multiple banking customers experience difficulty with their prior bank. In such circumstances, a switch of allegiance would be relatively straightforward, given that a simple account relationship already exists with the secondary bank (Devlin and Gerrard, 2005).

Several factors suggest that a firm should borrow from a single informed lender: multiple banking duplicates processing and administrative costs; it greatly complicates debt renegotiation in case of insolvency; and if monitoring is costly, free-riding among lenders can reduce the amount of monitoring with adverse effects on the debtor. Recently, Petersen and Rajan (1994, 1995) and Berger and Udell (1995) have tested various implications of the theory of banking relationships using U.S. small business data. Among other things, these studies show that U.S. small businesses

typically borrow from one bank only, suggesting that a single banking relationship is all they need. While single banking appears to be broadly characteristic of the U.S., the pattern differs in other countries, where firms often borrow from multiple banks. A striking feature of Italian firms, for instance, is that they ordinarily do business with a variety of different banks. Even quite small firms rarely rely on a single bank. They also find that the severity of the lemons problem depends directly on the inefficiency of bankruptcy procedures and inversely on the “fragility” of the banking system.

Chan, LL, Ghees, SF & Ho, KS (1993) established that 70.6 per cent of a Singapore undergraduate sample practiced multiple banking. Study by Gerrard and Cunningham (1999), using a sample of adult Singaporeans, found that 76.8 per cent of the respondents engaged in multiple banking. Chan (1993) found that 70 per cent of a Hong Kong undergraduate sample practised multiple banking. A study by Kaynak and Kucukemiroglu (1992) also conducted in a Hong Kong setting; showed that 83 per cent of the respondents engaged in multiple banking.

Denton and Chan (1991) ranked the selection criteria of multiple bank customers in Hong Kong. They reported that multiple bank usage was widespread and was heavily influenced by factors such as a desire for risk reduction and improved convenience in terms of number of branches and automatic teller machines, to benefit from the known relative advantage that one bank had over another and to meet product prestige needs. Statistically significant differences were found in the evaluation of the relative importance of these factors on multiple banking behaviors based on sex, age, marital status, and income and education discriminators. The gender comparison revealed that males are influenced to a greater extent by the need for risk reduction through diversification (including mixing large and small banks), the opinions of business associates, the number of branches available, the amount of available credit, getting a credit card, and the level of professionalism of the bank. Women are more influenced by the rate of return from various banks and the fact that one bank may not offer the optimal return for all bank services. Women also are affected to a greater degree by parental influence as they seem less likely to close bank accounts opened for them by their parents when they were young. Furthermore, they identify Younger adults report that they are influenced to a greater degree by the need and usage preferences for credit cards and also for automatic tellers and automatic teller cards. As is expected, given their relative youth, they also report greater influence of their parents in not closing

accounts that were opened for them by their parents when they were younger. The older group, however, is more greatly influenced by maximizing rates of return, taking advantage of each bank's relative strength, reducing risk after 1997, and the opinion of friends.

Lam and Burton's (2005) qualitative study on business customers in Hong Kong indicated that specialized bank skills, perceived risk and a perception of having a better negotiation position were identified as a key factor influencing the choice to use more than one bank.

Menegotto and Sapienza (1996) rely on heterogeneity in firm quality and in banks' monitoring technology to explain the distribution of debt across lenders. High quality firms will prefer to be monitored and will accordingly tend to concentrate their debt on a bank with efficient monitoring technology. Low quality firms dislike monitoring and thus tend to spread borrowing among various banks.

Burnett and Chonko (1981) in the USA and Gerrard and Cunningham (1999) in Singapore sought to distinguish multiple bank customers from single bank customers using various demographic and psychographic characteristics. Both studies were able to identify distinguishing demographic characteristics while only Burnett and Chonko (1981) found differences in psychographics.

Gerrard and Cunningham (2001) collected responses from a sample of young Singaporeans about various choice criteria from those who were multiple bank users and made a comparison with those who were single bank users. Of the seven choice dimensions that were compared, only convenience was found to be significantly different.

Devlin and Gerrard (2005) in their British study, analyze the relative importance of various choice criteria for main and secondary banks and highlight their differences. Their study exhibited marked differences between selecting a first and secondary bank. Recommendations from others were found influential and significantly more important in prompting choice of secondary bank but it less influential in terms of overall ranking of importance. Service expectation and low fees/overdraft charges were found less significant in prompting secondary bank choice.

More highly educated people in Hong Kong (matriculation or beyond) are more greatly influenced

by the need for diversification to reduce risk, the relative professionalism of banks, and the common perception that most people in Hong Kong have multiple accounts. they also reveals that the more educated group, more likely to also be younger, is influenced more strongly by their parents in terms of not closing accounts opened for the respondents when they were young Denton and Chan (1991). In addition in this study, even though most Hong Kong people patronize multiple banks, they tend to use only a limited number of services at each bank and more than 63 per cent of respondents use only one or two services on average at each of their banks.

Mokhlis, Safrah and Hazimah (2009), in their Malaysia study, sought to compare between single and multiple bank users. The study indicated that attractiveness, branch location, ATM service, financial benefits and secure feeling as a key factor influencing the choice to use more than one bank.

Detragiache, E, Garella G & Guiso, L (1997) in the Italy study, identified that firms may choose multiple banking relationships to reduce the risk that financing will be denied by “relationship banks” should the latter experience liquidity problems and refuse to roll over lines of credit. The inability to refinance from relationship banks signals unfavorable information about the quality of the firm’s project, which may also prevent the firm from obtaining credit from other banks. they show that if this lemons problem is severe, then it is optimal to establish a relationship with more than one bank in spite of higher transaction costs; if it is mild, a single banking relationship is optimal .

In a number of other studies, the precise definition adopted is unclear. In this study multiple banking exists where a consumer uses active accounts at more than one bank, irrespective of whether the types of account are the same (e.g. both savings accounts or current accounts) or different (e.g. a savings account and a current account).

In general, it can be concluded that even though there have been few studies on bank selection criteria on multiple bank users in some developed nations, as per the knowledge of the researcher, there appear to be no studies that examine the factors affecting customer preferences in multiple banking behavior in Ethiopia. It is, therefore, not known whether the customers of the Ethiopian banks choose second or above banks based on proximity, effective service, financial benefits, friendliness of bank personnel, or any other criteria.

## **Chapter Three**

### **3 Research Design and Methodology**

This chapter gives an outline of the research methodology used in the study. Therefore, the research approaches, research method, the source of data and sampling technique for the study, design of the research, description of the method of data collection techniques, data analysis and interpretation is given. In the last part of this chapter the statistical method used to analyze the data, was discussed.

#### **3.1 Research Approaches**

There are three basic types of research approaches, quantitative, qualitative, and mixed approach. Quantitative research approach is based on the philosophy of post positivism world view. It is also reductionist in that the intent is to reduce the ideas into a small, discrete set of ideas to test, such as the variables that constitute hypotheses and research questions. In addition, quantitative approach uses statistical methods in describing patterns of behavior and generalizing findings from samples to population of interest, and employs strategies of inquiry such as experiments and surveys (Creswell 2003).

Under qualitative approach or social-constructivist world view inquirers generate or inductively develop a theory or pattern of meaning rather than starting with a theory as in post positivism. Qualitative researchers tend to use open-ended questions so that participants can express their views and meanings are constructed by human beings as they engage with the world they are interpreting (Creswell 2003).

Mixed method or pragmatist world view is not committed to any one system of philosophy and reality. In this approach, inquirers draw liberally from both quantitative and qualitative assumptions.

In order to achieve the general and specific objectives of this study, the researcher has incorporated both quantitative and qualitative (Mixed) research approach because, the basis of such an approach helps to neutralize or cancel the limitations of applying any of a single

approach. The rationale of using such a mixed approach is to gather data that could not be obtained by adopting a single method and for triangulation (Creswell, 2003).

### **3.2 Research Method**

Research methods are research approaches used by investigators to analyze and interpret various data (Catherine, 2002). Descriptive research approach is among these methods used to describe the characteristics of particular groups, samples or populations using clear specification of the research. The study has preferred descriptive research approach because it provides flexibility to the research in order to describe and analyze the factors influencing for multiple bank users. Thus, the study has employed descriptive analysis using primary data originally gather from potential respondents. In this study structure questionnaires employed to collect pertinent data for the study. Beside this, the study has used SPSS statistical package for data tabulation, interpretation and analysis using descriptive statistics.

### **3.3 Source Of Data And Sampling**

Sample design deals with the sample frame/ population, sample size, sampling techniques. Paragraphs that follow discuss issues pertaining to sample frame, sample size and sampling techniques respectively.

According to Diamantopoulos, A & Schlegelmilch, BB (2006) a population is a group of items that a sample will be drawn from. A sample, on the other hand, refers to a set of individuals/companies/ selected from an identified population with the intent of generalizing the findings to the entire population. A sample is drawn as a result of constraints that make it difficult to cover the entire research population (Leedy and Ormord 2005).

For this research the target population for the study was included business person and employees dwelling in Addis Ababa City. From the total of 200 respondents, fifty percent of the respondents are employees from different organizations namely, Ethiopia Customs Authority, Ethiopian Shipping lines, Ethiopian Insurance Corporation, MoFED, USAID and other employees who are customers of CBE, Awash bank and NIB bank using multiple banks. These employees were selected based on initially conducting interview whether they are using multiple

banks or not. When they are eligible, the questionnaire is given for them. The remaining fifty percent are business person from Merkato, Piassa, Mexico, Haya hult Mazoria, Megenagna and other businessmen who are customers of CBE, Awash bank and NIB bank. These business person also were selected on the same way that the employees were selected. These groups are expected to represent all types of population categories in the city, while conducting assessment of the determinants that affect customers' preference in using multiple banks. Given the nature of the study (due to the unavailability of sampling frame of bank customers' or infinite population), a non- probability (convenience) sampling was chosen. Therefore, from a total of 200 questionnaires distributed from the defined target population, 195 were returned, out of which 193 were deemed usable (valid and completed), thereby yielding a response rate of about 96.5 percent. Such a response rate was considered sufficient for statistical reliability and generalizability (Tabachnick & Fidell, 2001) and most satisfactory especially when compared with earlier research works on bank selection decisions (Gerrard & Cunningham 2001 & Mokhlis, Safrah and Hazimah 2009). This relatively high response rate was attributed to the self-administered approach undertaken in distributing questionnaires. The Convenience sample selection of the respondents has been accomplished by distributing the questionnaires to the available customers of the sampled occupations. However, an attempt was made to achieve gender balance in the selection of the respondents.

### **3.4 Research Design**

The research design was used to study the factors that affect multiple bank users, and the quantitative and qualitative data has been used to assess those factors. Survey questions of the questionnaire form were gathered from various studies (Denton and Chan, 1991; Devlin and Gerrard, 2005; Gerrard and Cunningham, 2001 and Mokhlis, Safrah and Hazimah, 2009) in the relevant literature review, objectives of the study, also feedback from the focus group and revised and adopted to the Ethiopian banking system.

### **3.5 Data Collection**

It is the purpose of this study to understand the factors that affect multiple bank users. In order to achieve the research objectives, the study adopted both quantitative and qualitative research

approach specifically survey method through personally administered questionnaire including close-ended and open-ended questions. This study used the cross-sectional survey method because the data was collected at a point in time. The quantitative and qualitative measurement approach was employed in this study in view of the popularity of the previous studies (Denton and Chan, 1991; Gerrard and Cunningham, 2001; Devlin and Gerrard, 2005 and Mokhlis, Safrah and Hazimah, 2009).

The adoption of the survey design, in this study, is to gather information that was not available from document records and make conclusions about the factors that affect multiple banking behaviors, and their significance in banks based on responses of a sample of respondents. In this regard, Fowler & Floyd, J (1993) noted that the strengths of survey methods that result in their wider use included the value of statistical sampling, consistent measurement, and the ability to obtain information not systematically available elsewhere or in the form needed for analysis.

The questions were organized into three sections according to the following topics: personal background, multiple banks selection criteria and number of banks and types of services utilized at each bank.

The first section of the questionnaire asked respondents to obtain personal background of the respondents, questions regarding their gender, age, marital status, education level, occupation and number of banks at which accounts are maintained.

The second section of the questionnaire asked respondents to rate the relative importance of 30 bank attributes when choosing which banks to patronize. They were measured on a five point Likert-type scale of importance ranging from 5 (very important) to 1 (not important at all). The list was based on previous similar studies (Mokhlis, Safrah and Hazimah, 2009; Almosawi, 2001; Gerrard & Cunningham, 2001). Finally, the respondents were asked to list the name of the banks that they use currently and what principal services use at each bank.

To determine the potential effectiveness of the questionnaire and whether further revision is needed prior to conducting the survey, the questionnaire was pilot tested. In addition, the pilot study was conducted to ensure the validity, sequence and relevance of the questionnaire to this

study. It should be noted that the test was not used for statistical purposes and therefore responses from the pilot test were not included in the research findings.

The researcher distributed the questionnaire to 10 business person and 10 employees as a sample group. The subjects were asked if they had any problems understanding the questionnaire or have specific comments regarding the questionnaire. The format for responding was through both open-ended and close ended questions. The subjects were encouraged to be very free with their responses, make suggestions for improvement and define any difficulties they found. After each questionnaire was completed, each subject was asked what he/she meant in checking various answers. Comments were solicited on the clarity of the questions and what the changes should be done in order to make the questions simpler. These respondents also gave their comments on understanding the instructions about the scaling and the time taken to answer the questions. The test found no serious problems and minor amendments were made to the survey questions based on the verbal feedback received from the interview. The final result of the pilot test finally indicated that the questions had face validity.

In addition, the pilot study was conducted to ensure the validity, sequence and relevance of the questionnaire to this study. The questionnaire was originally written in English and then translated into Amharic to ensure clarity and interpretation of meaning. The translated version was included in the Appendix.

### **3.6 Data Analysis and Interpretation**

To determine the underlying dimensions in the set of bank selection criteria on multiple bank users, the importance ratings for the 30 evaluative criteria were factor analyzed. Factor analysis is a technique which is used to “reduce a large number of variables to some smaller number by telling us which belong together and which seem to say the same thing” (Emory & Cooper 1991). This technique was deemed to be appropriate for this particular analysis because banking selection factors on multiple bank users have many connotations. As noted by De Vaus (2002), such factors are not single measurable entities but are constructs of a number of other directly observable variables. By factor analysis, these observable variables can be clustered into factors, each reflecting an underlying property, which is commonly shared by a certain group of

variables (De Vaus 2002). It also helps to validate that respondents are able to distinguish between the various variables despite the similarity of the items questioned.

The study was finally organized, summarized and analyzed using Statistical Package for the Social Sciences (SPSS version 20 for windows). SPSS was used for the simple descriptive data to compute the mean score of factors and to the advanced statistical procedures of factor analysis. This was done with the help of analytical tools like the tabular system. Having done such analysis, it was presented using figures, tables and percentages. Eventually, interpretation of data and discussions of the findings follows suited.

### **3.7 Ethical Consideration**

As this study required the involvement of persons, (businessmen and employees) different ethical issues were addressed. The consideration of these ethical issues was necessary for the purpose of ensuring the privacy of participants as well as the confidentiality of respondents' data. In order to secure the consent of the selected participants, the researcher clarified the purpose of the study and the role of participants in completion of the study. The researcher also informed participants that their participation in the study was based on their willingness, and the idea and comments they raised are highly honored and kept confidential. In the final result of the research paper personal information was not included, only the summery of relevant data that helped in answering the research questions were included.

## Chapter four

### 4 Data Analysis and Discussions

The previous chapters presented introduction of the study, literature review and the research methods adopted in the study. This chapter basically provides the data analysis and discussion part of the study. The descriptive and factor analysis are provided in the subsequent sections.

#### 4.1 Descriptive Analysis

The descriptive analysis of customers' responses to each item in section one (general information of respondents), section two (bank selection criteria on multiple bank users) and finally list the name of the banks and principal services customers' use at each bank on the survey questionnaire. From a total of 200 questionnaires distributed, 195 were returned. The returned questionnaires are carefully checked, and those with excessive missing data were discarded, resulting in 193 usable as most items are sufficiently responded.

##### 4.1.1 Response rate

As tried to describe in methodology part, Primary data that are used for this study were gathered from 2 different sources, such as business men and employees. Moreover, the following table is summarized the respondents share that shows total response rate along with returned.

Table 1: Response rate

Respondents	Distributed questionnaires	Share of respondents	Returned questionnaires	Percentage
Business persons	100	50%	93	93%
Employee	100	50%	100	100%
TOTAL	200	100%	193	96.5%

Source: SPSS output from field survey data, September 2015

Table 1 depicts that, the total questioners that were returned from business person and employee were 93% and 100% respectively. The unreturned questionnaires fully from the business men due to they have feared to express their financial affairs. This shows that the overall questioner

that returned from respondents was 96.5%. This indicates that the returned questioners are enough to carry out the analysis without fear of spurious sample problem.

#### 4.1.2 Customers profile

A summary of findings on customers profile along variables: Sex, Age, Marital status, level of education and Occupation has been presented in table 2.

Table 2: Results of profile data of the respondents

Variable	Categories	Frequency	Percent	Valid %	Cumulative %
Sex	Male	116	59.5%	59.5%	59.5%
	Female	79	40.5%	40.5%	100%
Age	18 – 24 years	25	12.8%	13%	13%
	25 – 34 years	81	41.5%	42%	54.9%
	35 - 44 years	50	25.6%	25.9%	80.8%
	45 – 54 years	25	12.8%	13%	93.8%
	55 – 64 years	10	5.1%	5.2%	99%
	65 and above	2	1%	1%	100%
Marital Status	Single	76	39%	39.8%	39.8%
	Married	97	49.7%	50.8%	90.6%
	Divorced	16	8.2%	8.4%	99%
	Widowed	2	1%	1%	100%
Level of Education	Not completed Secondary school	2	1%	1%	1%
	Completed secondary school	11	5.6%	5.6%	6.7%
	Diploma	54	27.7%	27.7%	34.4%
	Degree	113	57.9%	57.9%	92.3%
	Masters and above	15	7.7%	7.7%	100%
Occupation	Business men	93	48.2%	48.2%	48.2%
	Employee	100	51.8%	51.8%	100%

Source: SPSS output from field survey data, September 2015

**Note:** \*In Ethiopia, completion of secondary school means accomplishment of 12 years of schooling starting with class/grade 1.

From the above table 2, 116 are males and 79 are females which comprise 59.5 percent and 40.5 percent of the customers respectively. This is somewhat 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.

The results for respondents' age as depicted on the table specifies that 12.4% the respondents were 18 -24 years, the majority of the vigorous customers (about 41.5 percent) range between 25 - 34 years of age, while 25.6 percent fall between the age bracket 35 – 44 years and 17 percent are placed above 44 years. This might be related to the reality that the age brackets structure the young and middle age population of Ethiopia who are in vital services and can therefore hold bank account. It also shows that the youth and middle age populations are superior users of the various banking services than the aged population.

In terms of customers' marital status, the results of this study showed that, the majority of respondents (about 49.7 percent) are married, 39 percent are single and the rest are both divorced and widowed.

The respondents possess a high level of education. While about 58 percent of the respondents have a bachelor degree, about 27 percent have diploma also about 8 percent have attained either a Master or a PhD degree. About 7 percent of the respondents have education at or below secondary school level. In terms of customers' occupation, which comprise businessmen and employees each takes 50 percent of shares respectively.

Table 3: Number of banks at which accounts are maintained

Number of banks	Frequency	Percent
2	78	40%
3	68	34.9%
4	35	17.9%
5	8	4.1%
6 and above	6	3.1%
<b>TOTAL</b>	<b>195</b>	<b>100%</b>

Source: SPSS output from field survey data, September 2015

The results for respondents' number of banks as depicted on the table specifies that the majority of the customers (about 40 percent) have an account with two banks, 35 percent of the respondents have an account with three banks, while 25 percent of the respondents have an account with four and above banks .

The next table 4 shows the proportion of customers' occupation based on their gender distribution within each profession.

Table 4: Distribution of respondents' gender by occupation

Occupation	Gender	Number	Percentage
Businessmen	Male	59	63.4%
	Female	34	36.6%
Employee	Male	54	54%
	Female	46	46%
Total		193	100%

Source: SPSS output from field survey data, September 2015

As shown in the above table, males account for about 63.4 percent and 54 percent of the businessmen and employees respectively.

Table 5: Average number of services utilized at each bank

Number of bank services	Count	Percentage
1	62	16.5%
2	131	34.8%
3	113	24.2%
4	51	13.6%
5	28	7.4%
6 and above	13	3.5%
Total	376	100%

Source: SPSS output from field survey data, September 2015

Note: \*376 banks mentioned by 193 respondents

## **4.2 Average Number and Types of Services Utilized at Each Bank**

The above table explains that even though half of the respondents such as businessmen and employees utilize multiple banks, they tend to use only one or two number of bank services at each bank. The above table demonstrates that more than 51 percent of respondents use only one or two services on average at each of their banks. This finding is consistent with the previous study. For example Denton and Chan (1991) study indicated that even though most Hong Kong people patronize multiple banks, more than half percent of respondents use one or two services on average at each of their banks.

## **4.3 Factor Analysis**

Factor analysis was employed in this research. This is a statistical technique that can be used to analyze interrelationships among a large number of variables and to explain these variables in terms of their common underlying dimensions (factors). This analysis is a data reduction statistical technique and designed to simplify the correlation matrix that reveals a small number of factors which can explain the correlation. Correlation coefficients vary from sample to sample, much more so in small samples than in large. Hence, the reliability of factor analysis is as well dependent on sample size (Hair et al., 1998).

The sample size necessary for factor analysis depends on many things. As a general rule, factor analysis requires a minimum of around 150 participants (Jeromy, 2007) and communalities after extraction should be above 0.5 (Field, 2005) in order to get a reliable solution. Such analysis is useful in gaining understanding on the main dimensions that inspire the observed sets of items (Hair et al., 1998). 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 eigenvalues 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., 1998).

Exploratory factor analysis is used in order to identify constructs and investigate relationships among key interval scaled questions regarding factors that affect multiple bank users from 193 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 components analysis (PCA) is employed for extracting the data, which allows determining the factor underlying the relationship between a numbers of variables. The total variable explained table is suggesting that it extracts one factor accounts for 66.87% 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. 1998). 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. (See table C3 in the appendix)

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.

#### **4.4 Factor Formulation**

All analysis is conducted using SPSS statistical software version 20 for Windows. As an introduction step, evaluative criteria items were factor analyzed to reduce the variables to a manageable number of components. 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., 1998).

Factor analysis deemed appropriate for the items because the Keiser-Meyer-Olkin (KMO) measure of sampling adequacy test index equaled .780 in which Keiser's measure of sample adequacy above .5 is good enough to perform a factor analysis. Moreover, the Bartlett's test gives a significance level of less than 0.0001 confirming the appropriateness of the factor model. (See table C1 in the appendix)

#### 4.5 Explanation of Bank Selection Factors

Using the Eigen value greater than one rule, eight factors are identified. All characteristics with factor loadings of 0.40 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 multiple bank selection process. In terms of overall factor means, the first factor is the most important in terms of multiple bank behavior and the fourth factor is the least important.

Table 6: Results of factor analysis

Factors and Items	Factor loadings	Eigen Values <sup>1</sup>	% variances <sup>2</sup>
<b>Factor 1 – Branch location</b>			
Improved convenience in terms of number of branches	.507	7.016	11.828
Convenience branch locations	.459		
<b>Factor 2 – service provision</b>			
Specialized bank skills	.518	3.791	10.834
To benefit from the known relative advantage that one bank has over the other	.527		
Possibly a wider range of financial services	.559		
To meet product prestige/esteem/ needs	.707		
<b>Factor 3 – Secure feeling</b>			
To reduce the risk that a bank might go out of business	.522	2.240	10.228
Financial stability of the bank	.782		
Confidentiality	.808		
<b>Factor 4 – Marketing promotion</b>			
Free gifts for customers	.696	1.738	9.001
<b>Factor 5 – Availability of ATM</b>			
Availability of ATM/Automatic Teller Machine/ in several locations	.911	1.495	7.531
Convenient ATM locations	.920		
24 hours availability of ATM machines	.912		
<b>Factor 6 – Proximity</b>			
Proximity to my business place	.735	1.432	7.344
Proximity to my home	.762		

<b>Factor 7 – Financial benefits</b>			
Low service charges	.585	1.244	5.280
The ability to negotiate a better deal on financial services such as a loan	.598		
Quick loan approval	.789		
Low interest rates on loans	.765		
High interest rate on saving account	.421		
To get foreign currency for import	.824		
To facilitate money transfer /receive for customers /family out of Addis Ababa	.672		
<b>Factor 8 – Attractiveness</b>			
Friendliness of bank personnel	.533	1.103	4.820
Class of the famous/rich people who used the bank	.527		
Pleasant bank atmosphere	.502		

Source: Computations from the field survey data, September, 2015

*The first factor* in Table 6 delineates a selection factor based on improved convenience in terms of number of branches and convenience in branch location. This factor accounts for 11.828 percent of the total variance. This factor may be labeled a branch location factor. Here, it can be noticed that both convenience in branch location (mean = 4.49) and convenience in terms of number of branches (mean = 3.99) are important attributes within this factor while convenience in branch location is important item from convenience in terms of number of branches in determining multiple bank selection for customers.

*The second factor* identifies a dimension based Specialized bank skills, to benefit from the known relative advantage that one bank has over the other, possibly a wider range of financial services and to meet product prestige/esteem/ needs. This factor accounts for 10.834 percent of the total variance. This factor may be categorized service provision factor

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<sup>1</sup> The average variance explained in the items by a component multiplied by the number of components. An eigenvalue of 1 is equivalent to the variance of 1 item.

<sup>2</sup> These represent the percentage of total variance in the items explained by a component. This is equivalent to the eigenvalue divided by the number of items.

Within this factor, the most important attribute is specialized bank skills (mean = 4.33), the

second most important attribute is possibly a wider range of financial service (mean = 3.86), while the least important item is to meet product prestige/esteem/ needs (mean = 3.58).

*The third factor*, containing items related to reduce the risk that a bank might go out of business, financial stability of the bank and confidentiality. This factor may be categorized as secure feeling. Attributes falling within this factor accounts 10.228 percent of the total variance. within this factor, financial stability of the bank is the most important determinant item (mean = 3.84) in multiple banks decision process and confidentiality (mean = 3.78) is the second most important attributes . Also, to reduce the risk that a bank might go out of business (mean = 3.40) is the least important attribute in this factor.

*The fourth factor* has been labeled as “Marketing promotion factor”. This factor contains two items such as free gifts for customers and influential marketing campaign. This factor accounts for 9.001 percent of the total variance. However; influential marketing campaign is not included within this factor because of lowest score in its loading factor (0.324). This implies that customers did not choose the second or above banks depending on influential marketing campaign rather they select based on other criteria. Therefore; the only influential attributes in this factor is free gifts for customers (mean = 2.68). An implication of this is that customers consider free gifts to be an important measurement in their bank selection decision on multiple bank users within this factor.

*The fifth factor* comprises items related to ATM including availability of ATM in several locations (mean = 4.15), convenient ATM locations (mean = 4.23) and 24 hours availability of ATM (mean = 4.18). Hence, these items are considered as Availability of ATM. Even though all items are most important within this factor, a convenient ATM location is the most significant attribute. This factor accounts for 7.531 percent of the total variance.

*The sixth factor* encompasses proximity to my home and proximity to my business place. Hence, these items are considered as proximity strategy. Attributes falling within this factor accounts 7.344 percent of the total variance. Proximity to my business place is the most important item with a mean score of 4.10. Also, the contribution of proximity to my home is very significant

(mean = 3.67).

The *seventh factor* has been labeled as “Financial benefits” includes items associated to low service charges, the ability to negotiate a better deal on financial services such as loan, quick loan approval, low interest rates on loans and high interest rates on saving account. This factor accounts for 5.28 percent of the total variance. Here, it can be noticed that both to facilitate money transfer/receive from customers/family out of Addis Ababa (mean = 3.98) and to get foreign currency for import (mean = 3.67), have the two highest means in this factor, it indicates that both are the vast important determining on decision multiple bank users. Finally, *the Eighth factor* includes items associated to attractiveness like friendliness of bank personnel, class of the famous/rich people who used the bank and pleasant bank atmosphere. Friendliness of bank personnel is the most important item (3.59). Also, the second most important attributes in this factor is pleasant bank atmosphere. While the least important item is class of the famous/ rich people who used the bank (mean = 2.7463).

In addition, among the eighth factors reported above, it is worth mentioning that the first, the second and the fifth three factors are characterized by much higher mean importance ratings than the other characteristics, emphasizing the importance of branch location, service provision and Availability of ATM, for bank selection decision on multiple bank users by this market segment.

The “people influences” (mean = 2.6928) factor was found to be the least important criterion rated by the multiple bank users. This may indicate that, when making their selection, business men and employees are more confident to act independently rather than relying on the recommendations of others. This finding is reflective of the results of Gerrard and Cunningham (2001), Mokhlis, Safrah and Hazimah, (2009) and Almosawi (2001). On the contrary, this factor was the most important in prompting choice of secondary bank in the study conducted by Devlin and Gerrard (2005).

The analysis from the above table yielded the eight principal components solution, which together explained more than half of the variance observed in the variables (66.87 percent), that satisfies the percentage of variance criterion for social science research (Hair et al. 1998)

(See table C2, total variance explained, in the appendix).

#### **4.6 Reliability Test**

Reliability refers to the property of a measurement instrument that causes it to give similar results for similar inputs. Mathematically, reliability is defined as the proportion of the variability in the responses to the survey that is the result of differences in the respondents. Thus, to assess the internal consistency of each factor group obtained, a reliability analysis was carried out (see table A4 in the appendix). The assumption behind this approach is that the items of a measure 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. The Cronbach alpha was used to measure internal reliability by unit weighting items with salient loadings in a factor where Cronbach's alpha coefficient at 0.5 or higher was considered acceptable (Kerlinger & Lee, 2000). These factors produced alpha coefficients between 0.600 and 0.937, indicating high internal consistencies and reliability.

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

In order to analyze differences in the importance of bank selection criteria on multiple bank users employed, here below a ranking table was produced showing the mean score of each factor. Table 7 presents findings with respect to relative importance of bank selection criteria on multiple bank users' factors.

The top two factors that found in the listing were branch location (mean = 4.2408) and Availability of ATM (mean = 4.1821). It indicates that bank customers' place great emphasis on the attribute of saving time and many consumers place great emphasis on their bank(s) offering locational convenience. Also, it shows customers are tending to rely increasingly on ATMs. The importance of the convenience factor has been seen in those previous studies. For example, Gerrard and Cunningham (2001); Denton and Chan (1991) and Mokhlis, Safrah and Hazimah, 2009 found convenience factor was rated significantly higher by multiple bankers. Also, the significance of Availability of ATM exhibits some consistency with the earlier study, Mokhlis, Safrah and Hazimah, (2009) found ATM service is to place significantly more important factor in multiple bankers while Devlin and Cunningham's

(2005) study indicated that the process of choosing a secondary bank is strongly influenced by the incentive offered by banks.

The “proximity factor” (mean = 3.8797) factor was rated as the third most important decisive factor influencing customers when deciding multiple bank users. Devlin and Gerrard, (2005) identified that this factor was dominate the rankings for both main and secondary banks.

The service provision (mean = 3.8610) was ranked the fourth important factor to influence multiple bankers. It indicates that customers’ has recognized that banks vary in terms of quality service and service performance. This finding exhibit inconsistency with the previous study due to Lam and Burton’s (2005) qualitative study on business customer in Hong Kong indicated that specialized bank skills was identified as a key factor influencing the choice to use more than one bank. Similar to this study, in Gerrard and Cunningham’s (2001) study, the service provision factor was ranked third most influential out of seven factors while Devlin and Cunningham’s (2005) found service expectation is reasonably important in prompting choice of main bank but is significantly less so in choice of secondary bank.

‘Secure feeling’ (mean = 3.6649) came next in terms of the relative importance. It implies that respondents’ not feel that risk can be reduced through a strategy of bank diversification. In particular, ‘secure feeling’ reflects respondents’ desire of banking with a stable bank and assurance of confidentiality when making a transaction. This finding is not consistent with other studies. (For example, Devlin and Cunningham’s (2005); Denton and Chan, 1991) found that it is a primary determinant of multiple bank use.

The financial benefits factor was rated as the sixth factor influencing customers when deciding multiple bank users. This finding is consistence with the previous study. Devlin and Cunningham’s (2005) found financial benefit was rated the least at the time of choice criteria secondary account. As opposed to the study by, Mokhlis, Safrah and Hazimah, (2009) in which financial benefits and attractiveness appear to place significantly more importance by multiple bankers, in this study these factors financial benefits and attractiveness also given the least level.

The last factor was ranked is marketing promotion. This factor is low importance (ranked in the bottom criteria for main bank choice while is of medium importance (ranked in the middle) in the case of secondary account according to Devlin and Cunningham’s (2005) study. It may take a number of forms, including a free gift of some description or preferential product terms for a set period.

Table 7: Ranking importance of bank selection criteria factors

Factors	Mean	Rank
<b>Branch location</b>	4.2408	1
<b>Service provision</b>	3.8610	4
<b>Secure feeling</b>	3.6649	5
<b>Marketing promotion</b>	3.0466	8
<b>Availability of ATM</b>	4.1821	2
<b>Proximity</b>	3.8797	3
<b>Financial benefits</b>	3.5443	6
<b>Attractiveness</b>	3.1399	7

Based on a five-point Likert scale 5 = very important; 1 = not important

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

While the survey data is analyzed based on gender separately to male and female customers, it provides different components than the result found in the above analysis for the total sample. The analysis for both male and female customers produced nine factor groups (See table C5 and C6 in the appendix).

*Factor 1:* The first component for male customers was items related to availability of ATM in which well-organized and ranked based on their factor loading. Items with high loading for instance; convenient ATM location (.933), 24 hours availability of ATM (.906) and availability of ATM in several locations (.891) while the first component for female was

items related to financial benefits such as quick loan approval (.844), to get foreign currency for import (.842), low interest rates on loan (.804), the ability to negotiate a better deal on financial services such as a loan (.733) and High interest rate on saving account(.564) are grouped under this denominator.

Factor 2: The second component was related to availability of ATM for female customers (convenient ATM location, availability of ATM in several locations and 24 hours availability of ATM) whereas items related to people influences (recommendation of relatives, recommendation of friends and influence of parents) were the second factor for male customers.

Factor 3: The third component for male customers was items related to secure feeling while people influence was the third component for female customers. Service provision was forth component for female customers while financial benefits were the fourth component for male customers. Proximity was the fifth component for male customers while it is sixth for female customers. Secure feeling is the fifth component for female while attractiveness is sixth component for male. Branch location is the seventh factor for females but service provision was the seventh factor for the male customers. Marketing promotion and attractiveness components were the last factor for female respondents while branch location and marketing promotion are the last component for male respondents. (See table C7 and C8 in the appendix).

#### **4.9 Gender Based Ranking of Importance**

Table 8 shows the choice criteria in multiple banks for both male and female customers ranked in order of mean importance of each factor. Visual inspection of the table reveals that ‘branch location’ and ‘Availability of ATM’ are most important in the selection decision of both male and female respondents, being in the top two criteria in each case. Male respondents ranked ‘service provision’ as a third most important factor but ranked fourth by female respondents. On the other hand, ‘proximity’ is ranked third by female respondents while male respondents ranked this factor as fourth. Female respondents ranked the remaining four factors the same as male respondents’. Apparently, the least important

selection factors for both male and female respondents are ‘attractiveness’ and ‘marketing promotion’.

There are some similarity between the findings of this study and the findings of earlier studies. The identification of branch location and availability of ATM as most important factor in selection decision by male and female is consistent with the findings by Gerrard and Cunningham (2001). On the contrary, there is no similarity between the findings of this study and the findings earlier one study. Denton and Chan (1991), identified that women are more influenced by the rate of return from various banks and the fact that one bank may not offer the optimal return for all bank services. Women also are affected to a greater degree by parental influence as they seem less likely to close bank accounts opened for them by their parents when they were young. Also, males are influenced to a greater extent by the need for risk reduction through diversification (including mixing large and small banks), the opinions of business associates, the number of available credit, getting a credit card and level of professionalism of the bank.

Table 8: Ranking importance of bank selection factors by gender

Factors	Male		Female	
	Mean	Rank	Mean	Rank
<b>Branch location</b>	4.2434	1	4.2372	2
<b>Availability of ATM</b>	4.0957	2	4.3080	1
<b>Service provision</b>	3.9439	3	3.7359	4
<b>Proximity</b>	3.9273	4	3.8117	3
<b>Secure feeling</b>	3.7434	5	3.5498	5
<b>Financial benefits</b>	3.6694	6	3.3668	6
<b>Attractiveness</b>	3.1930	7	3.0633	7
<b>Marketing promotion</b>	3.1667	8	2.8734	8

Based on a five-point Likert scale 5 = very important; 1 = not important.

Due to their low mean scores, two factors: ‘attractiveness’ and ‘marketing promotion’ were considered least important bank selection criteria for both male and female respondents. The two least important factors in selecting a bank for both male and female respondents – ‘attractiveness’ and ‘marketing promotion’ and yet again, are reflective of the results of Gerrard and Cunningham (2001).

#### **4.10 Occupation Based Ranking of Importance**

Means are computed for all attributes retained for each factor to identify the relative importance of such attributes to the customers in their bank selection decision on multiple banks. In addition, using the Eigen value greater than one rule, eight factors by the businessmen and employees are identified. All characteristics with factor loadings of 0.40 and above were retained.

To examine the influence of occupation, respondents were categorized in to two groups such as business men and employees. Table 9 reveals that ‘branch location’ and ‘service provision’ are the most important factors in the selection decision of multiple bank users of business men while ‘availability of ATM’ and ‘branch location’ are the most important factor for employees’ respondents, being in the top two criteria in each case. Business men respondents ranked ‘branch location’ as the first most important factor but ranked second by employee respondents. On the other hand, ‘availability of ATM’ is ranked first by employee respondents while businessmen respondents ranked this factor as third. Also ‘service provision’ ranked second by businessmen but fourth by employees. In addition, prior to self-service technologies becoming available, over the counter delivery of bank services was the common method of conducting banking business. With the start of self-service technologies, reliance on the branch will be declined better than today for the future. Due to this ‘availability of ATM’ ranked first and third by employees and businessmen respondents accordingly. Employee respondents ranked ‘proximity’ third while businessmen respondents ranked it fifth. ‘Secure feeling’ ranked fourth for businessmen respondents and ranked fifth for employees respondents. Apparently, the least important selection factor for both businessmen and employee respondents are ‘financial benefit’, ‘attractiveness’ and ‘marketing promotion’.

Table 9: Ranking importance of factors between businessmen and employees

Factors	Businessmen		Employee	
	Mean	Rank	Mean	Rank
<b>Branch location</b>	4.1167	1	4.3434	2
<b>Service provision</b>	3.9235	2	3.8187	4
<b>Availability of ATM</b>	3.8007	3	4.5467	1
<b>Secure feeling</b>	3.7582	4	3.5739	5
<b>Proximity</b>	3.7222	5	4.0156	3
<b>Financial benefits</b>	3.5284	6	3.5638	6
<b>Attractiveness</b>	2.9963	7	3.2833	7
<b>Marketing promotion</b>	2.9944	8	3.1040	8

Based on a five-point Likert scale 5 = very important; 1 = not important.

The findings of ‘Branch location’ and ‘Availability of ATM’ as the most important factor in this study is consistent with findings of previous study Mokhlis, Safrah and Hazimah, (2009) in which branch location and ATM service appear to place significantly more important to all these factor.

#### 4.11 The Influence of Age

Table 10 shows the choice criteria in multiple banks among different age groups customers ranked in order of mean importance of each factor. Visual assessment of the table reveals that ‘branch location’ and ‘Availability of ATM’ are most important in the selection decision of in the age groups of 18 – 44 years respondents, being in the top two criteria in each case. In addition, ‘secure feeling’ and ‘Availability of ATM’ ranked the top two criteria for the age groups of above 44 years. It is interesting to note ‘Marketing promotion’ is the least important

selection factors for the age groups of 18 – 54 years respondents while ‘Attractiveness’ is the least important selection factor for more than 54 years old.

Table 10: Ranking importance of factors among different age groups

Factor	Mean					
	18 -24 years	25 – 34 years	35 – 44 years	45 – 54 years	55 – 64 years	65 and above
<b>Branch location</b>	<b>4.3261</b>	<b>4.3272</b>	<b>4.3125</b>	4.0400	3.5500	3.5000
<b>Service provision</b>	3.8452	3.9764	3.7969	3.9130	3.0313	3.1250
Secure feeling	3.4133	3.5641	3.6667	<b>4.1806</b>	<b>3.7333</b>	<b>4.6667</b>
Marketing promotion	2.9600	3.2222	2.6354	3.2000	3.3000	<b>3.7500</b>
Availability of ATM	<b>4.5067</b>	<b>4.2083</b>	<b>4.1400</b>	<b>4.0667</b>	<b>3.8333</b>	2.5000
Proximity	4.0600	3.8506	4.1122	3.6875	3.0000	3.2500
Financial benefits	3.3571	3.7867	3.5227	3.3274	2.7857	2.6429
Attractiveness	3.0533	3.3542	2.9116	3.2400	2.7667	2.0000

Based on a five-point Likert scale 5 = very important; 1 = not important.

The above identified result of ‘Availability of ATM’ as the most important factor for less than 45 years old in this study is consistent with findings of previous study Denton and Chan, (1991) in which younger adults report that they are influenced to a greater extent by the need and usage preferences for credit cards and also for automatic tellers and automatic teller cards. In addition, ‘secure feeling’ and ‘Availability of ATM’ ranked the top two criteria for more than 44 years while it has some inconsistent with the findings of Denton and Chan, (1991) because of their findings indicated that the older group is more greatly influenced by maximizing rates of return, taking advantages of each bank’s relative strength, reducing risk and the opinion of friends.

#### 4.12 The Influence of Education

Means are computed for all attributes retained for each factor to identify the relative importance of such attributes to the customers in their bank selection decision on multiple banks. In addition, using the Eigen value greater than one rule, all characteristics with factor loadings of 0.40 and above were retained

More educated people in Addis Ababa (Degree or beyond) and Diploma holders are more greatly influenced by the need for ‘Branch location’ and ‘Availability of ATM’ while the most important factors for not completed secondary school respondent are ‘proximity’ and secure feeling. ‘Branch location’ and ‘service provision’ are the most preferred factors by Completed secondary school respondents. The least important factor for completed secondary school up to masters and above respondents is ‘attractiveness’ in Addis Ababa while marketing promotion is the least important factor for not completed secondary school respondents when they make decision on multiple banking behavior.

Table 11: Ranking importance of factors among different education level.

Factor	Mean				
	Not completed secondary school	Completed secondary school	Diploma	Degree	Masters and above
<b>Branch location</b>	3.7500	<b>3.9545</b>	<b>4.1154</b>	<b>4.3514</b>	<b>4.1333</b>
<b>Service provision</b>	4.0000	<b>3.9773</b>	3.7696	3.8787	3.9643
Secure feeling	<b>4.5000</b>	3.8788	3.6918	3.6545	3.3571
Marketing promotion	3.2500	3.3182	2.9615	3.0088	3.4000
Availability of ATM	3.5000	3.5455	<b>4.0440</b>	<b>4.3333</b>	<b>4.0889</b>
Proximity	<b>5.000</b>	3.5455	3.6731	4.0092	3.8214
Financial benefits	3.6429	3.6883	3.4643	3.5742	3.4762
Attractiveness	3.8333	3.3030	3.0494	3.1231	3.3778

Based on a five-point Likert scale 5 = very important; 1 = not important.

This finding shows not consistency with the previous study. For example, Denton and Chan (1991) found more highly educated people in Hong Kong (matriculation or beyond) are more greatly influenced by the need for diversification to reduce risk, the relative professionalism of banks and the common perception that most people in Hong Kong have multiple accounts. It indicates that more highly educated people in Hong Kong are highly paid and can save more money because they are greatly influenced by the need for diversification while More educated people in Addis Ababa (Degree or beyond) are not well paid compared to the cost of living in the city. So, they may not influenced by the need for diversification to reduce risk.

### 4.13 Marital Status Based on Ranking Importance

In order to analyze differences in the importance of bank selection decision on multiple banks by marital status, the following table clarifies the investigation results of the significance rank of selection criteria with the mean scores for the sample distribution.

Table 12: Ranking importance of factors by marital status

Factors	Mean			
	Single	Married	Divorced	Widowed
<b>Branch location</b>	<b>4.3378</b>	<b>4.2216</b>	<b>3.8000</b>	4.7500
<b>Service provision</b>	3.9776	3.7885	3.7813	4.0000
<b>Secure feeling</b>	3.6393	3.6491	<b>3.7917</b>	3.8333
<b>Marketing promotion</b>	3.0592	2.9842	3.3438	2.7500
<b>Availability of ATM</b>	<b>4.2622</b>	<b>4.1718</b>	3.7083	<b>5.0000</b>
<b>Proximity</b>	3.9236	3.9263	3.3667	<b>5.0000</b>
<b>Financial benefits</b>	3.6508	3.4795	3.3524	4.4286
<b>Attractiveness</b>	3.2632	3.1088	2.7708	3.8333

Based on a five-point Likert scale 5 = very important; 1 = not important.

The above table indicates that both single and married respondents are more greatly influenced by the need for 'Branch location' and 'Availability of ATM'. 'Branch location' and 'Secure feeling' are the most important factors for divorced respondents while 'Availability of ATM' and 'Proximity' are the most preferred factors by widowed respondents.

It is exciting that the determinants of the multiple bank selection factors related to people influence and influential marketing campaign are not that highly ranked on multiple bank users. The "Branch location" and 'Availability of ATM' are the determinants that are highly ranked followed by proximity and service provision by most of multiple bank users that also leads to the conclusion that the respondents consider improved convince in terms of number of branches, convenience branch location, Availability of ATM in several locations and convenience ATM location are the most determinant factors for multiple banking behavior.

## Chapter Five

### 5 Conclusion and Recommendations

#### 5.1 Conclusion

The importance of this study has considered from two dimensions such as: Theoretical contributions and Practical implications. Because of the scant attention paid to multiple banking behavior in the marketing literature, this study can be viewed as a part of the foundation for future, more detailed work on the same topic and would fill an important gap in the literature that is, exploring bank selection criteria on multiple bank users in the Addis Ababa city. The findings of the study will also assist the management of the bank for making such policies criteria, and marketing strategies which will be fruitful for increasing attraction and retaining existing customers.

This research illustrates a range of factors that determine Addis Ababa bank customers' on multiple bank users' behavior through an exploratory investigation. This study also shows that some factors are more influential than others. An understanding of these influencing factors allows managers to direct efforts and resources in the most effective and efficient way to identify and manage the factors that determine bank selection decision on multiple bank users.

Findings from this study reveal that multiple bank users place more emphasis on factors 'Branch location' and 'Availability of ATM' are the most important factors. This finding indicates that bank customers' place great emphasis on the attribute of saving time and many customers place great emphasis on their banks offering locational convenience. Proximity and Service provision are the third and fourth important determinants of bank selection decision on multiple bank users, among others. It is interesting to know that influential marketing campaign is significantly less that customers did not choose the second or above banks depending on influential marketing campaign rather they select based on other criteria. Also, the "people influences" factor was found to be the least important criterion rated by the multiple bank users. This may indicate that, when making their selection, business men and employees are more confident to act independently rather than relying on the recommendations of others.

With regards to the demographic characteristics, 'Branch location' and 'Availability of ATM' are most important in the selection decision of both male and female respondents, being in the top two criteria in each case. Male respondents ranked 'service provision' as a third most important factor but 'Proximity' ranked third by female respondents. Therefore; it is important to note that commercial banks should be followed similar campaign no matter customers are males or females, since this study did not find and significant differences of multiple bank selection factors in gender.

The research reveals that 'branch location' and 'service provision' are the most important factors in the selection decision of multiple bank users of business men while 'availability of ATM' and 'branch location' are the most important factor for employees' respondents.

'Branch location' and 'Availability of ATM' are most important in the selection decision of in the age groups between 18 – 44 years respondents. In addition, 'secure feeling' and 'Availability of ATM' ranked the top two criteria for the age groups of above 44 years.

Finally, The finding demonstrates that not only more educated people in Addis Ababa (Degree or beyond) and Diploma holders are more greatly influenced by the need for 'Branch location' and 'Availability of ATM' but also single and married respondents while the most important factors for not completed secondary school respondent are 'proximity' and secure feeling. 'Branch location' and 'service provision' are the most preferred factors by Completed secondary school respondents.

In general, the greater the knowledge the bank management has about the factors determining multiple bank users' behavior, the greater their ability to develop appropriate strategies to attract them.

## **5.2 Recommendation**

For firms to survive in contemporary highly competitive business environment they should be able to attract and retain customers, bank management must develop customer-oriented strategies in order to compete successfully in the competitive retail banking environment. The longer a bank can retain a customer, the greater revenue and cost savings from that customer. And to meet

customers' needs, there is need to understand what is valuable to them and how they make decisions. Sometimes marketing planning of organizations' do fail due to improperly identifying the factors or determinants that consumer consider in bank selection of multiple bank users. So, Bank management need to understand the factors that determine consumer's multiple banks behavior.

Based on the findings of the study, I have forwarded the following recommendations.

- Customers place more emphasis on factors like branch location, ATM availability, Proximity and Service provision. Therefore, such factors should be considered seriously by the commercial banks in designing their marketing strategies by expanding their branches and ATM availability with convenient location and providing good customers services to customers. Banks also have to work on the above areas to understand the needs of the client and have to implement strategies to satisfy the needs in order to retain their existing clients and attract new clients.
- Results can also be used to design campaigns that are more narrowly targeted to the needs of particular groups of customers, for example employees versus businessmen, results indicate that employees use multiple banks to increase the number of automatic bank tellers at their disposal. A campaign could be targeted at this employees group using a narrowly targeted media campaign that focuses on the number and convenience of automatic tellers offered by that particular bank. Also, 'Branch location' is the most important attribute for multiple bank users whose age falls between 18 – 44 years while 'Secure feeling' is the most important factor for respondents their age falls above 44 years.
- It is essential for bank marketers to know the degree to which various multiple bank behavior attributes are important and how these factors influence multiple bank users' choice of their banks. Armed with this knowledge, bank marketers can focus on relevant features and benefits when interacting with potential businessmen and employees customers. Retaining them as customers poses another challenge, so it is also important to know how well banks in the marketplace perform on certain attributes. In the light of such information, bank marketers can adapt their marketing strategies to ensure that they

emphasize attributes which are the most important in prompting multiple banks choice and ones that can differentiate a bank from its competitors.

- It is evident from the fact that four out of top nine factors are found to be the factors linked with service provision. Service quality should focus not only on the service offered, but also on the people who deliver the service. The service characteristics of the banking industry make interactions between customers and employees necessary. Banks' staff should have good banking knowledge, act professionally, and have a courteous attitude towards all customers. An appropriate people management strategy is necessary in order for bank staff to deliver high quality services and to have significant role to play in influencing bank selection decisions on multiple bank user. Hence banks have to take significant efforts in selecting, training and motivating the staff members to perform to the satisfaction of customers. In addition, Service quality plays an important role in supporting business development as service quality has favorable impact on customer satisfaction, repurchase behavior and business profitability. Bank management needs to focus more on achieving high service quality as a competitive differentiation method. Service attributes, such as ease of access, provision of information and innovative products, can enhance customer loyalty and attract other customers.

### **5.3 Directions for Future Research**

As the present study focus on businessmen and employees consumer segment, it would be interesting to examine the underlying factors influencing multiple banking behavior of the business organization such as small and medium enterprises and also can examine dimensions that influence customers to engage in switching behavior from one bank to another.

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# APPENDIXES



5) የሥራ ሁኔታ : በንግድ ስራ ላይ የተሰማራ/ች  ሠራተኛ

6) የባንክ ሂሳብ ከፍተው የሚጠቀሙባቸው የባንኮች ብዛት

2  3  4  5  6 እና ከዚያ በላይ

**ክፍል ሁለት : የባንክ ሂሳብ ከፍተው የሚጠቀሙባቸው ባንኮችን የመረጡባቸው መመዘኛዎች**

ከታች ከተዘረዘሩት መመዘኛዎች ውስጥ ከአንድ በላይ የሚገለገሉባቸውን ባንኮች ሲመርጡ የተጠቀሙባቸው መመዘኛዎችን ውስጥ ከሚከተሉት አማራጮች ውስጥ ባላቸው ጠቀሜታ መሠረት ይህን ምልክት '\✓' ሰንጠረዥ ውስጥ በማድረግ መልስዎን እንዲያስቀምጡ በአክብሮት እጠይቃለሁ። (መፍቻ 5 = በጣም ጠቃሚ 4 = ጠቃሚ 3 = ለመወሰን ይቸግረኛል 2 = አነስተኛ ጠቀሜታ 1 = ጠቀሜታ የሌለው)

ተ. ቁ	መመዘኛዎች	በጣም ጠቃሚ	ጠቃሚ	ለመወሰን ይቸግረኛል	አነስተኛ ጠቃሚ	ጠቀሜታ የሌለው
1	የቅርንጫፎች ቁጥር የተሻለ ስለሚሆን					
2	ቅርንጫፎችን በአመቺ ቦታ ለማግኘት					
3	ጥራት ያለው አገልግሎት ስለሚሰጥ					
4	አንዱ ባንክ ከሌላው ባንክ በተሻለ ሁኔታ የሚሰጠውን አንጻራዊ ጥቅም ለማግኘት					
5	ሰፊ ያለ የባንክ አገልግሎት ለማግኘት					
6	ልዩ የሆኑ አዳዲስ የባንክ አገልግሎቶችን በማግኘት ፍላጎትን ማሟላት					
7	የጓደኞቼን ምክር ሰምቼ					
8	የዘመዶቼን ምክር በመስማት					
9	በቤተሰብ ተጽዕኖ					
10	ጥሩ የሆነ መስተንግዶ ስለሚሰጥ					
11	በአንድ ባንክ ሁሉንም ገንዘብ በማስቀመጥ የሚመጣን አደጋን ለመቀነስ					
12	የተረጋጋ የፋይናንስ አቅም ስላለው					
13	ሚስጥርን ለመጠበቅ					
14	ለደንበኞች ስጦታን ስለሚሰጥ					
15	በከፍተኛ ሁኔታ አገልግሎቶቹን ስለሚያስተዋውቅ					

16	የኤቲኤም/አውቶማቲክ የገንዘብ መክፈያ ማሸን/ አገልግሎት ብዙ ቦታዎች ላይ ለማግኘት					
17	የኤቲኤም አገልግሎት በአመቺ ቦታ ለማግኘት					
18	24 ሰዓት የኤቲኤም አገልግሎት ለማግኘት					
19	ለመስሪያ/ለንግድ ቤት ቅርብ ስለሆነ					
20	ለመኖሪያ ቤቱ ቅርብ ስለሆነ					
21	አነስተኛ የአገልግሎት ዋጋ ስለሚያስከፍል					
22	ባንኩ በሚሰጣቸው አገልግሎቶች እንደ ብድር ባሉት ላይ በተሻለ ሁኔታ ለመደራደር ችሎታ ስለሚፈጥር					
23	ብድርን በቶሎ ለማስፈቀድ					
24	ብድር በዝቅተኛ ወለድ ስለሚሰጥ					
25	በቁጠባ ሂሳብ ላይ ከፍተኛ ወለድ ስለሚከፍል					
26	ከውጭ ሀገር ዕቃ ለማስመጣት የውጭ ምንዛሪ ለማግኘት					
27	ከአዲስ አበባ ውጭ ላሉ ደንበኞች/ ቤተሰቦች በቀላሉ ገንዘብን ለመላክ/ ለመቀበል					
28	የባንኩ ሠራተኞች ጓደኛዎቹ አቀባበል					
29	ሥመ ጥር/ዝነኛ ሰዎች ባንኩን ስለሚጠቀሙ					
30	በባንኩ ውስጥ አስደሳች ሁኔታ መኖር					

**ክፍል ሦስት :** በአሁኑ ወቅት የባንክ ሂሳብ ከፍተው እየተጠቀሙባቸው የሚገኙትን ባንኮች ስም ዝርዝር እና በእያንዳንዱ ባንክ ላይ እየተጠቀሙ ያሉትን አገልግሎቶች ይህን ምልክት '√' ሰንጠረዥ ውስጥ በማድረግ መልስዎን እንዲያስቀምጡ በአክብሮት እጠይቃለሁ።

የአገልግሎት አይነቶች:	የቁጠባ ሂሳብ	አውቶማ ቲክ የገንዘብ መክፈያ ማሻሻያ	የተንቀሳ ቃሽ ሂሳብ	ከውጭ ሀገር ዕቃዎችን ለማስመጣት	ብድር	ሀገር ውስጥ ገንዘብ ለመቀበል/ለመላክ	ወደ ውጭ ሀገር ምርቶችን ለመላክ	የውጭ ምንዛሪ አገልግሎት	ሌሎች አገልግሎቶች
የባንኮች ስም									
1.									
2.									
3.									
4.									
5.									
6.									
7.									
8.									
9.									
10.									

**በጥናቱ ላይ ማንኛውም አይነት አስተያየት ካለዎት**

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**ላደረጉት ቀና ትብብር ክልብ አመሰግናለሁ።**

## **APPENDIX B: Survey Questionnaire (English Version)**

**ADDIS ABABA UNIVERSITY**

**COLLEGE OF BUSINESS AND ECONNOMICS**

**DEPARTMENT OF ACCOUNTING AND FINANCE**

**Dear participants:**

The purpose of this questionnaire is to collect data for the thesis work in requirement for partial fulfilment of MSC in Accounting and Finance in Addis Ababa University. The study aimed at identifying factors influencing for using more than one bank or multiple bank users. I would like to emphasise that your response are extremely valuable for the successful completion of this thesis and I would greatly appreciate your response for all questions genuinely. I can assure you that the information you provide will be completely anonymous and will not be used for any other purpose it will be used only for academic purpose. Hence, I request you to fill the questionnaire carefully and at your best knowledge in all regard.

I thank you very much in advance for your cooperation and for sacrificing your invaluable time. If you have any questions about this survey, please contact me on 09-11-65-03-25 /Endale Tessema/

Put tick (✓) mark in the appropriate answer box

### **PART I Personal Information**

- 1) Gender:            Male                                   Female
- 2) Age: 18 – 24     25 – 34     35 – 44     45 – 54   
55 – 64     65 and above
- 3) Marital Status: Single  Married  Divorced  Widowed
- 4) Education level: Not completed Secondary school  Completed secondary school   
Diploma  Degree  Masters and above
- 5) Occupation: Businessman  Employee

6) Number of banks at which accounts are maintained :

From: 2  3  4  5  6 and above

## PART II Multiple Banks Selection Criteria

Indicate in the following table the rate of importance of the criteria you considered when choosing to use more than one bank (multiple banking users). Please tick (√) mark in one number for each statement by using the following scale ranging from “5 = Very important” to “1 = not important at all” based on their degree of importance.

5 = Very important 4 = Important 3 = Neutral 2 = Less important 1 = Not important at all

No.	Factors	Very important	Important	Neutral	Less Important	Not important at all
1	<b>Factor 1 – Branch location</b> Improved convenience in terms of number of branches					
2	Convenience branch locations					
3	<b>Factor 2 – service provision</b> Specialized bank skills					
4	To benefit from the known relative advantage that one bank has over the other					
5	Possibly a wider range of financial services					
6	To meet product prestige/esteem/ needs					
7	<b>Factor 3 – People Influences</b> Recommendation of friends					
8	Recommendation of relatives					
9	Influence of parents					
10	Reception at the bank					
11	<b>Factor 4 – Secure feeling</b> To reduce the risk that a bank might go out of business					
12	Financial stability of the bank					
13	Confidentiality					
14	<b>Factor 5– Marketing promotion</b> Free gifts for customers					
15	Influential marketing campaign					
16	<b>Factor 6 – Availability of ATM</b>					



*Your participation in this survey is greatly appreciated. Thank you for your time and if you have further comments about Bank selection criteria on multiple bank users, please feel free to comment in the space provided below. Once again, I assure you that identity will remain STRICTLY CONFIDENTIAL.*

If you have any comments on the study

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## Appendix C: Statistical Results of Factor Analysis

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

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.780
Bartlett's Test Approx. Chi-Square of Sphericity	2221.961
df	435
Sig.	.000

**Table C2 : Total Variance Explained**

Component	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.016	23.388	23.388	7.016	23.388	23.388	3.548	11.828	11.828
2	3.791	12.638	36.025	3.791	12.638	36.025	3.250	10.834	22.662
3	2.240	7.468	43.494	2.240	7.468	43.494	3.068	10.228	32.890
4	1.738	5.794	49.288	1.738	5.794	49.288	2.700	9.001	41.891
5	1.495	4.982	54.270	1.495	4.982	54.270	2.259	7.531	49.422
6	1.432	4.772	59.042	1.432	4.772	59.042	2.203	7.344	56.765
7	1.244	4.147	63.190	1.244	4.147	63.190	1.584	5.280	62.045
8	1.103	3.676	66.866	1.103	3.676	66.866	1.446	4.820	66.866
9	0.970	3.233	70.099						
10	0.900	3.001	73.100						
11	0.884	2.947	76.047						
12	0.800	2.665	78.712						
13	0.688	2.294	81.007						
14	0.635	2.117	83.124						
15	0.573	1.912	85.036						
16	0.553	1.842	86.878						
17	0.515	1.716	88.594						
18	0.492	1.641	90.235						
19	0.410	1.366	91.601						

20	0.378	1.259	92.860					
21	0.334	1.112	93.973					
22	0.324	1.079	95.052					
23	0.295	0.985	96.037					
24	0.259	0.862	96.899					
25	0.238	0.794	97.693					
26	0.201	0.671	98.363					
27	0.165	0.552	98.915					
28	0.135	0.449	99.364					
29	0.099	0.329	99.693					
30	.092	.307	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
A1_Q1_ Improved convenience in terms of number of branches	.507							.408
A2_Q2_ Convenience branch locations					.315		.459	.377
B1_Q3_ Specialized bank skills				.345		-		.518
B2_Q4_ To benefit from the known relative advantage that one bank has over the other				.527		.310		
B3_Q5_ Possibly a wider range of financial services				.424			.559	
B4_Q6_ To meet product prestige/esteem/needs				.707				
C1_Q7_ Recommendation of friends		.842						
C2_Q8_ Recommendation of relatives		.868						
C3_Q9_ Influence of parents		.777						
C4_Q10_ Reception at the bank				.776				

D1_Q11_ To reduce the risk that a bank might go out of business		.341					.522
D2_Q12_ Financial stability of the bank					.782		
D3_Q13_ Confidentiality		.311			.808		
E1_Q14_ Free gifts for customers		.696					
E2_Q15_ Influential marketing campaign					.324		-
F1_Q16_ Availability of ATM/Automatic Teller Machine/ in several locations	.911						.576
F2_Q17_ Convenient ATM locations	.920						
F3_Q18_ 24 hours availability of ATM machines	.912						
G1_Q19_ Proximity to my business place						.735	
G2_Q20_ Proximity to my home						.762	
H1_Q21_ Low service charges						.585	
H2_Q22_ The ability to negotiate a better deal on financial services such as a loan		.598	.377			.358	
H3_Q23_ Quick loan approval		.789					
H4_Q24_ Low interest rates on loans		.765				.313	
H5_Q25_ High interest rate on saving account	.328	.421	.369				
H6_Q26_ To get foreign currency for import		.824					
H7_Q27_ To facilitate money transfer /receive for customers /family out of Addis Ababa							.672
I1_Q28_ Friendliness of bank personnel		.355	.533				
I2_Q29_ Class of the famous/rich people who used the bank		.527	.328				-
I3_Q30_ Pleasant bank atmosphere	.396		.390	.502			.311

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.

**Table C4: Reliability Test**

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha based on standardized Items	N of items
0.872	0.872	30

Factor	# Item	Cronbach's Alpha
Branch location	2	0.666
Service provision	4	0.699
People influences	4	0.694
Secure feeling	3	0.642
Marketing promotion	2	0.600
Availability of ATM	3	0.937
Proximity	2	0.704
Financial benefits	7	0.813
Attractiveness	3	0.618

**Table C5: Rotated Component Matrix for male respondents**

	Component								
	1	2	3	4	5	6	7	8	9
A1_Q1_ Improved convenience in terms of number of branches	.561	- .039	.242	.112	.041	.148	.254	.428	.005
A2_Q2_ Convenience branch locations	.243	.156	.252	.026	.386	.192	.120	.574	.089
B1_Q3_ Specialized bank skills	.151	- .086	- .146	.050	.081	.281	.784	.003	.172
B2_Q4_ To benefit from the known relative advantage that one bank has over the other	.169	- .061	.012	.238	.172	.189	.221	.078	.720
B3_Q5_ Possibly a wider range of financial services	.362	.164	.249	.010	.300	.221	.111	.121	.490
B4_Q6_ To meet product prestige/esteem/ needs	.181	- .118	.240	.102	.164	.496	- .206	.243	.391
C1_Q7_ Recommendation of friends	.001	.854	- .046	- .005	.126	- .049	.008	- .172	.040
C2_Q8_ Recommendation of relatives	- .106	.908	.107	- .013	- .016	- .081	.021	.037	- .005
C3_Q9_ Influence of parents	- .080	.775	.153	- .026	- .184	.022	.119	.070	- .048
C4_Q10_ Reception at the bank	- .052	.085	- .015	- .103	.305	.739	.068	.168	.182
D1_Q11_ To reduce the risk that a bank might go out of business	- .005	.298	.334	- .050	.022	- .146	.628	.018	- .032
D2_Q12_ Financial stability of the bank	- .054	.145	.770	- .006	.332	.062	.075	.065	.034
D3_Q13_ Confidentiality	.096	.258	.795	- .014	.089	- .009	- .022	- .144	- .047
E1_Q14_ Free gifts for customers	.060	.626	.136	- .095	- .061	.145	- .157	- .474	- .206
E2_Q15_ Influential marketing campaign	.443	.216	.082	- .135	.161	.170	- .371	- .114	- .406
F1_Q16_ Availability of ATM/Automatic Teller Machine/ in several locations	.891	- .094	.105	.113	.105	.070	.009	- .040	.092

F2_Q17_ Convenient ATM locations	.933	-	.007	.108	.123	.020	.049	.079	.052
		.066							
F3_Q18_ 24 hours availability of ATM machines	.906	-	.033	.162	.162	.013	.025	-	.024
		.043						.055	
G1_Q19_ Proximity to my business place	.092	-	.170	.152	.821	-	.171	.032	.133
		.077				.027			
G2_Q20_ Proximity to my home	.281	-	.187	.055	.745	.215	-	.042	.017
		.033					.105		
H1_Q21_ Low service charges	.326	-	.391	.397	.354	.132	.060	.155	.227
		.043							
H2_Q22_ The ability to negotiate a better deal on financial services such as a loan	.229	-	.071	.410	.546	.512	-	-	-
		.069					.064	.062	.138
H3_Q23_ Quick loan approval	.299	.041	.140	.758	-	.040	-	.183	-
				.026			.191		.036
H4_Q24_ Low interest rates on loans	.124	-	.162	.751	.279	.209	-	-	.144
		.122					.021	.023	
H5_Q25_ High interest rate on saving account	.273	.065	.468	.298	.082	.454	-	-	.069
							.045	.134	
H6_Q26_ To get foreign currency for import	-	-	-	.745	.055	.010	.207	-	.077
	.003	.009	.120					.125	
H7_Q27_ To facilitate money transfer /receive for customers /family out of Addis Ababa	.227	.097	.172	.161	.243	.141	.319	.258	-
									.482
I1_Q28_ Friendliness of bank personnel	.065	-	.126	.288	-	.701	.213	-	-
		.111			.114			.237	.059
I2_Q29_ Class of the famous/rich people who used the bank	.093	.299	.276	.091	.081	.111	.098	-	-
								.715	.006
I3_Q30_ Pleasant bank atmosphere	.316	-	.613	.266	.014	.349	.048	.043	.037
		.307							

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Gender = Male

b. Rotation converged in 17 iterations.

**Table C6: Rotated Component Matrix for female respondents**

	Component								
	1	2	3	4	5	6	7	8	9
A1_Q1_ Improved convenience in terms of number of branches	.094	.289	.046	.203	-.006	.119	.794	.003	-.057
A2_Q2_ Convenience branch locations	.115	.182	-.161	.055	.207	-.081	.820	.111	.044
B1_Q3_ Specialized bank skills	.367	.216	.058	.091	-.177	-.578	.288	.301	.239
B2_Q4_ To benefit from the known relative advantage that one bank has over the other	.180	.204	-.224	.598	.010	.039	.117	.114	-.235
B3_Q5_ Possibly a wider range of financial services	-.011	.145	.117	.313	.253	-.211	.163	.617	-.031
B4_Q6_ To meet product prestige/esteem/ needs	.247	.281	.116	.678	-.329	-.053	.001	.255	.058
C1_Q7_ Recommendation of friends	-.029	-.226	.834	.065	.240	-.083	-.140	.003	-.052
C2_Q8_ Recommendation of relatives	.135	-.239	.875	.102	.112	.018	-.053	.027	.001
C3_Q9_ Influence of parents	-.012	.085	.773	-.036	-.124	.029	.068	.186	.192
C4_Q10_ Reception at the bank	.068	-.089	.030	.767	-.008	.125	.074	-.002	.131
D1_Q11_ To reduce the risk that a bank might go out of business	.138	-.118	.144	-.009	.142	.050	-.012	-.094	.878
D2_Q12_ Financial stability of the bank	.204	.142	.037	.031	.801	.048	.053	.038	.079
D3_Q13_ Confidentiality	.092	-.030	.352	-.125	.790	-.020	.250	.064	.104
E1_Q14_ Free gifts for customers	.290	.153	.668	-.055	.418	.036	-.027	.133	.006
E2_Q15_ Influential marketing campaign	.210	.265	.228	.330	.531	.035	-.338	.189	.045

F1_Q16_ Availability of ATM/Automatic Teller Machine/ in several locations	-.023	.896	-.024	.245	.072	.060	.149	.060	-.045
F2_Q17_ Convenient ATM locations	.068	.917	-.101	-.072	.044	.143	.176	.052	-.029
F3_Q18_ 24 hours availability of ATM machines	-.012	.889	-.086	.116	.122	.147	.147	.110	-.049
G1_Q19_ Proximity to my business place	.291	.221	-.048	-.053	-.062	.624	.223	-.118	-.109
G2_Q20_ Proximity to my home	.260	.354	-.084	.244	-.052	.720	-.138	-.111	.043
H1_Q21_ Low service charges	.035	.095	.151	.186	.120	.730	.059	.230	.246
H2_Q22_ The ability to negotiate a better deal on financial services such as a loan	.733	.059	.133	.289	.011	.103	.104	.122	.211
H3_Q23_ Quick loan approval	.844	-.159	.060	.017	.163	.079	.084	.065	.047
H4_Q24_ Low interest rates on loans	.804	.078	.036	.251	.098	.153	-.087	-.066	.121
H5_Q25_ High interest rate on saving account	.564	.421	.029	.298	.104	.020	-.093	-.134	-.033
H6_Q26_ To get foreign currency for import	.842	.004	.108	.004	.152	.001	.209	.134	-.149
H7_Q27_ To facilitate money transfer /receive for customers /family out of Addis Ababa	.088	.035	.088	-.028	.002	.053	-.007	.867	-.071
I1_Q28_ Friendliness of bank personnel	.266	.160	.197	.507	.331	.089	.054	-.043	-.061
I2_Q29_ Class of the famous/rich people who used the bank	.432	.180	.524	.090	.191	.042	-.024	-.223	.223
I3_Q30_ Pleasant bank atmosphere	.203	.407	.153	.463	.339	.155	.175	-.125	-.035

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Gender = Female

b. Rotation converged in 8 iterations.

**Table C7: Rotated Component Matrix for the whole respondents**

	Component							
	1	2	3	4	5	6	7	8
A1_Q1_ Improved convenience in terms of number of branches	.507	-.068	.072	.155	.158	.205	.252	.408
A2_Q2_ Convenience branch locations	.231	-.095	-.031	.181	.315	.267	.459	.377
B1_Q3_ Specialized bank skills	.191	.025	.250	.345	-.101	-.310	.256	.518
B2_Q4_ To benefit from the known relative advantage that one bank has over the other	.181	-.167	.189	.527	-.064	.108	.206	.156
B3_Q5_ Possibly a wider range of financial services	.187	.116	.020	.424	.220	.077	.559	.021
B4_Q6_ To meet product prestige/esteem/ needs	.165	-.053	.143	.707	-.037	.145	.211	-.089
C1_Q7_ Recommendation of friends	-.107	.842	-.005	-.024	.039	-.019	.111	-.075
C2_Q8_ Recommendation of relatives	-.159	.868	.008	-.018	.053	.013	.111	.033
C3_Q9_ Influence of parents	-.010	.777	-.095	.016	.001	.017	.008	.202
C4_Q10_ Reception at the bank	-.104	.072	-.034	.776	.045	.224	.001	.041
D1_Q11_ To reduce the risk that a bank might go out of business	-.087	.341	.083	-.061	.267	.143	-.087	.522
D2_Q12_ Financial stability of the bank	-.002	.104	.114	.097	.782	.204	.113	.005
D3_Q13_ Confidentiality	.058	.311	.089	-.097	.808	.000	.142	.015
E1_Q14_ Free gifts for customers	.072	.696	.152	-.022	.299	-.125	-.015	-.284
E2_Q15_ Influential marketing campaign	.227	.276	.120	.121	.324	.054	.196	-.576

F1_Q16_ Availability of ATM/Automatic Teller Machine/ in several locations	.911	-.043	.052	.173	.063	.104	.040	-.039
F2_Q17_ Convenient ATM locations	.920	-.080	.073	.015	.000	.154	.140	-.006
F3_Q18_ 24 hours availability of ATM machines	.912	-.035	.070	.057	.044	.169	.099	-.060
G1_Q19_ Proximity to my business place	.134	-.057	.168	.060	.051	.735	.097	.108
G2_Q20_ Proximity to my home	.262	-.015	.124	.257	.050	.762	-.055	-.191
H1_Q21_ Low service charges	.214	.046	.234	.191	.217	.585	.069	.120
H2_Q22_ The ability to negotiate a better deal on financial services such as a loan	.118	.077	.598	.377	.077	.358	.091	-.087
H3_Q23_ Quick loan approval	.055	.032	.789	-.015	.120	.152	.114	.010
H4_Q24_ Low interest rates on loans	.094	-.020	.765	.250	.065	.313	-.078	.013
H5_Q25_ High interest rate on saving account	.328	.087	.421	.369	.258	.139	-.123	-.093
H6_Q26_ To get foreign currency for import	-.011	.021	.824	.041	.040	-.049	.187	.104
H7_Q27_ To facilitate money transfer /receive for customers /family out of Addis Ababa	.120	.099	.191	.020	.054	.001	.672	-.069
I1_Q28_ Friendliness of bank personnel	.167	.084	.355	.533	.262	-.119	-.240	.002
I2_Q29_ Class of the famous/rich people who used the bank	.137	.527	.328	.091	.245	.026	-.311	-.046
I3_Q30_ Pleasant bank atmosphere	.396	-.109	.252	.390	.502	.106	-.097	.004

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 7 iterations.