



ST.MARY UNIVERSITY
SCHOOL OF GRADUATE STUDIES

DETERMINANT FACTORS INFLUENCING CUSTOMERS BANK
SELECTION DECISION AND ITS IMPACT ON CUSTOMERS
LOYALTY: EVIDENCE FROM SELECTED ETHIOPIAN
COMMERCIAL BANKS

BY - METASEBIYA BORU

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ADDIS ABABA, ETHIOPIA

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ST.MARY UNIVERSITY
SCHOOL OF GRADUATE STUDIES
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DECLARATION

I hereby declare that this study is my original work and has not been presented for a degree or diploma to any other University or other institute of higher learning.

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

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LIST OF ABBREVIATIONS

ATM	Automated Teller Machine
KMO	Keiser-Meyer-Olkin
SPSS	Statistical Package for Social Science
NBE	National Bank Of Ethiopia

ABSTRACT

Customer choice of bank is an important element of banking strategy in today's increasingly competitive environment. Bank management must identify and improve upon factors that can increase customer retention. To plan a suitable marketing strategy, to keep existing customers and for attracting new customers, commercial banks need to identify the criteria on which customers determine their bank selection decision. Hence, the purpose of this study is to examine the significance of bank selection criteria and to present the most determinant factor influencing customers in respect of selecting a bank by customer in Ethiopia. Using responses given by 101 customers, both quantitative and qualitative approach is employed in the analysis. Six factors including 38 attributes on 5 point Likert scale were used to determine the criteria of selecting bank. A non-probability convenience sampling was used and data was factor analyzed to reduce the number of total variables in to manageable way. The findings revealed that the chief factors determining customers' bank selection are: the speed of services, the extent of the branch network, the location of branches, Forex resources influence as fundamental determinants of bank selection, among others. On the reverse price, innovation, financial performance, e-banking are the least factors that customers consider when they make a bank selection. Given this findings, It is recommended that there should be frequent marketing research by the banks to monitor and evaluate the ever changing customer perspectives in order to develop products or services to meet the current tastes of their customers.

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

CHAPTER ONE: INTRODUCTION

In this chapter the background of the selected area is introduced. Then the problem statement are discussed to provide a deeper understanding about the research area for the reader. The objective of the study, the research hypothesis, significance of the study, the scope and limitation of the study and definition of key terms are also included.

1.1. Background of the Study

Commercial banks contribute positively to economic growth by channeling surplus funds to their most productive uses (Beshir, 2007). The literature not only showed the greater function of banks in the economy but also stressed that without the existence of a sound and efficient banking system, the economy can't function well. When a bank fails, the whole of a nation's payment system is thrown in to jeopardy (Ikhide, 2000).

On the other front, studies show that banks can be successful by becoming customer-focused (Driscoll, 1999). This is because the customer, which is the supplier of the fund and the one borrowing from them, remains the lifeblood of banks. Therefore, it will be imperative for banks to explore how customers make a choice among banks to conduct their day-to-day financial transactions. Such assessment will be helpful to banks to identify the appropriate marketing strategies needed to attract new customers and retain existing ones (Kaynak and Kucukemiroglu, 1995).

Moreover, meeting the needs of the customers in respect of banking service provision has emerged as a significant element of bank reputation that attracts customers to select a bank (Leibert, 2004). Therefore, banks should identify the main factors that determine the basis upon which customers select banks.

In Ethiopia as well the banking sector has been flourishing with the sector entertaining more participants from both private and public sector (NBE, 2012).

The increase in the number of banks in the industry to some extent has increased the sense of competition among banks (Yigremachew, 2007).

Such competition spirit will obviously calls for banks to orient their strategies towards attracting customers. A notable progress in the industry in such regard is the expansion in the number of branches and the advance in the level of technology (NBE 2012) which are both intended to offer efficient services to clients. Therefore, such competitive atmosphere via branches and technologies require banks to improve their service quality and follow new technologies among other.

In addition, Ethiopian banks should need to be aware of the customer's choice criteria so as to increase the level of customer satisfaction.

This study focuses on determining the major factors to be demonstrating high influence on customers' bank selection criteria through considering the commercial banks operating in Ethiopia.

1.2. Problem Statement

The similarity of services offered by banks (Holstius and Kaynak, 1995), it has become increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of financial services. This is because bank customers are likely to have unlimited switching choices in an industry with intense competition. Therefore, it remains increasingly significant that banks identify the factors that determine customers choose between different providers of financial services (Rao and Sharma, 2010). In addition, understanding customers' banks selection criteria has been argued to be helpful to banks in identifying the appropriate marketing strategies needed to attract new customers and retain existing ones.

To the best of the researcher knowledge,there's limited literature on why customers of banks in Ethiopia would shift from one bank to another.It is against this background that this research seeks to investigate the factors that influence the customer's choice of commercial banks in Ethiopia.Such a study is hopefully expected to fill the gap in literature by scrutinizing the determinants of customers' bank selection in Ethiopia. Therefore, the study basically aims to answer the following major research question:

Research Questions

1. What product and services offered by Commercial banks influence customer choice of banks?
2. How the personal factors (those related to customer age, education, occupation and level of income) influence customers' choice of a bank?
3. Do customers have an intention to continue with their respective bank?

1.3. Objectives of the study

1.3.1. General objective

The general objective of the study is to investigate the main determinants of bank selection decision and customer loyalty in Ethiopia.

1.3.2. Specific objectives

- To determine how bank related factors (price, service quality and availability, innovation and E-banking, financial performance and reputation, promotion and quality and accessibility of human and physical resources) influence customers while choosing a bank
- To examine how the personal factors (those related to the customer age, education, occupation and level of income) influence choice of a bank.
- To examine the customer intention to continue with their respective bank.

1.4. Research hypothesis

Based on the above objectives the following hypothesis are developed:

H1: There exists significant relationship between personal factors and customers bank selection decision.

H2: Price factors have effect on customers' bank selection decision.

H3: The service quality and availability offered by banks has significant influence on its customer bank selection decision.

H4: Innovation and E-banking services has effect towards customers' bank choice.

H5: There exists significant relationship between financial performance and reputation factors and customers bank selection decision.

H6: Promotional factors have effect on customers' bank selection decision.

H7: There exists significant relationship between the quality and accessibility of human and physical resources and customers bank selection decision.

1.5. Significance of the study

The research examine the determinants of customer's bank selection decision in Ethiopia. The findings of this study will help bank decision makers (both governmental and private banks) to identify the major factors that may determine bank selection decisions among customers. Such information will help the management of banks in formulating appropriate marketing strategies for reaching and attracting customers.

In addition, it will be helpful to the retention endeavor of their customers. In addition, the result of the study can be cascaded to other financial service providers like micro-finance, insurance etc.

1.6. Scope of the study

Regardless of the diverse characteristics of bank service the study selected the account holder customers that being served at various operation of the bank mainly of branch, credit and international banking and the survey considered eight commercial banks and it conducted only restricted to Addis Ababa region.

The study is basically intended to assess the determinants of customers bank selection factors: those related to banks factors (related with banks product and services such as price, service quality and availability, innovation and E-banking, financial performance and reputation, promotion and quality and accessibility of human and physical resources) and personal factors (those related to customer age, education, occupation and level of income) on bank choice.

1.7. Limitation of the study

The study limited to include other factors affecting customer choices are not part of the study. In addition, the study is being done considering the input from the customer. Therefore, it will not have coverage the perspective of the banks. It also considers banks established for commercial motive only.

1.8. Definition of key terms

Banks are the major types of deposit taking institution; they make their living predominantly by taking deposits which represent their liabilities and loaning these funds to borrowers which represent their assets (Pilbeam, 1998).

Banker- a banker or bank as a person or a company carrying on the business of receiving money, collecting drafts, for customers subject to the obligation of honoring cheques drawn upon them from time to time by the customers to the extent of the amounts available on their current accounts.

Banking-is an activity which involves acceptance of deposits for the purpose of lending or investing. In addition to accepting deposits and lending funds, banking also involves providing various other services along with its main banking activity. These are mainly agency services, but include several general services as well.

1.9. Organization of the Paper

The thesis structured into five chapters. The first chapter covered background of the study, statement of the problem, objectives of the study, research hypothesis, significance of the study, the scope and limitation of the study and definition of significant terms used in the proposal. Chapter two contains a review of related literature. The research design and methods are presented in chapter three. In chapter four, the results and findings of the study are also discussed. Finally, the last chapter enclosed the summary of findings, conclusions drawn and recommendations.

CHAPTER TWO: REVIEW OF RELATED LITERATURE

The review of the literature is divided into four parts. The first part discusses the theoretical foundation for the study, while a review of related literature and empirical review for the study are discussed in the second part and third part. Finally, a conceptual framework developed from the literature.

2.1.Theoretical Foundation

In this study the relevant theoretical expositions support the study are the rational choice theory and the competition theory.

2.1.1. Rational choice theory

Rational choice theory is the process of determining what options are available and then choosing the most preferred one according to some consistent criterion (Levin,2004).

In rational choice theory, individuals are seen as motivated by the wants or goals that express their 'preferences'. They act within specific, given constraints and on the basis of the information that they have about the conditions under which they are acting. At its simplest, the relationship between preferences and constraints can be seen in the purely technical terms of the relationship of a means to an end. As it is not possible for individuals to achieve all of the various things that they want, they must also make choices in relation to both their goals and the means for attaining these goals (Scott, 2000).

Rational choice theory hold that individuals must anticipate the outcomes of alternative courses of action and calculate that which will be best for them.

Rational individuals choose the alternative that is likely to give them the greatest satisfaction (Scott, 2000).

The relevance of rational choice, where people compare the costs and benefits of certain actions, is easy to see in respect of bank selection behavior of customers. Since people want to get the most useful products/services at the lowest price/convenience, they will judge the benefits/significance of a certain bank's services/offers (for example, how useful is it or how attractive is it) compared to similar ones from other banks. Then they will compare prices or costs and benefits. In general, people will choose the bank that they perceive provides the greatest reward or benefits at the lowest cost, given their preferences (Levin, 2004).

2.1.3. Competition theory

Competition theory explains how firms try to win customers' patronage and loyalty through service excellence, meeting customers' needs and providing innovative products. Competition occurs when two or more organizations act independently to supply their products to the same group of consumers. Direct competition exists where organizations produce similar products that appeal to the same group of consumers. Indirect competition exists when different firms make or sell items which although not in head-to-head competition still compete for the same money in the customer's pocket. Both direct and indirect competition cause commercial firms to develop new products, services and technologies, which would give consumers greater selection and better products (Aregbeyen, 2011).

To prepare an effective competitive marketing strategy, a company must consider its competitors as well as its actual and potential customers. It must continuously analyze its competitors and develop competitive marketing strategies that effectively position it against competitors and give it the strongest possible competitive advantage. (Armstrong, 1999).

Thus, the competitive strategy of firms is dependent upon consumers' choice characteristics which tend to influence firms' productive decision towards the satisfaction of consumers' preferences.

2.2. Related Literature Review

2.2.1. The Consumer Behavior

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

It is the process individuals or groups go through to select, purchase, use and dispose of goods, services, ideas or experiences to satisfy their needs and desires (Kotler and Armstrong, 2011).

Consumer behavior is of importance to the marketers as it helps them understand why and how individuals make decisions so that they can make better marketing decisions to have a great competitive advantage at the market place (Kotler and Armstrong, 2011).

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

2.2.1.2. Steps in the Customer Decision Process

A. Need or problem recognition

The buying process starts with need recognition. The buyers recognizes a problem or need. The need can be triggered by internal stimuli external stimuli. At this stage, the marketer should research consumers to find out what kinds of needs or problems arise, what brought them about, and how they led the consumer to this particular product (Kotler, 2011).

B. Information search

After a need is recognized, the consumer goes for an information search, so as to be able to make the right purchase decision. The sources of information search could be personal (family, friends, peers and colleagues), commercial (marketers' communication in the form of advertising, salespersons, publicity etc), public (mass media, consumer forums, government rating agencies) and experiential (self and others' experiences). Personal contacts are highly influential sources, public sources are highly credible (Kotler, 2011).

C. Evaluation of alternatives

Once the consumer has gathered information and identified the alternatives, he/she compares the different alternatives available on certain features. These are those features that a consumer considers in choosing among alternatives.

These could be functional/utilitarian in nature (benefits, attributes, features), or subjective/emotional/(emotions, prestige etc.). The consumer also uses decision rules that help a consumer simplify the decision process at the end of the evaluation, purchase intentions are formed (Kotler, 2011).

D. Purchase decision

After the consumer has evaluated the various alternatives, he/she selects a particular brand. Consumer purchases may be trials/first purchases or repeat purchases. The consumer may further have to make decisions on where to buy from, how much to buy, whom to buy from, when to buy and how to pay.

It is noteworthy that a purchase intention (desire to buy the most preferred brand) may not always result in a purchase decision in favor of the brand; it could get moderated by attitudes of others and unexpected situational factors.

E. Post purchase behavior

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

2.2.2. Customer Loyalty

Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. The vital issue for the continued success of an organization is its potential to retain its current customers and make them loyal to its brands. Therefore, gaining customer loyalty becomes a key objective for banking organizations which decide to adopt a relationship marketing perspective (Filip and Anghel, 2007).

According to Dick and Basu, loyalty is a complex construction, which comprises both psychological and behavioral components; different loyalty types are supposed to form a combination of repeated purchasing and relative attitude towards business firms (Dick and Basu, 1995). Therefore, customer loyalty can be defined both in terms of customer behavior, which will be synonymous with customer retention, and in terms of customer attitudes.

In the first case, retention or behavioral loyalty is evaluated with the help of different quantitative indices like: the number of purchases made by the customer from the product portfolio of a company, the frequency of acquisition, the percentage from the total expenditures made by a customer for a certain product or service, with regard to a certain organization, the cross-buying potential of the customer. This type of loyalty or customer retention may be called spurious loyalty, if the repeated customer behavior happens without a strong attitude or a clear preference of the customer toward the current bank.

In cases of spurious loyalty, customers continue to patronize a certain bank due to familiarity or habit, inertia, passivity, deals, low income or lack of others alternatives, but do not have a corresponding positive relative attitude.

In terms of attitudes, customer loyalty incorporates consumer preferences and their affective

disposition toward the bank, which combined with repeat purchasing, describes the ideal situation of true loyalty. Thus, the value of psychological variables cannot be underestimated, because behavior reflects a current situation or, even more probably, a series of events from the past, whereas attitudes offer details regarding the customers' future behavior. Due to the reasons mentioned above, simply repetitive customer behavior is not enough for them to be considered loyal towards the respective banks; repeated acquisitions or visits need to be doubled by a favorable attitude towards the company Filip and Constantinescu, M (2007).

2.2.3. Bank selection criteria

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

Customer employ a number of process for product/service evaluation which will eventually leads to the choice and/or preference of a particular product or service provider. Thus, Zeithalm (2000) categorize 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 minimize the risk and uncertainty that is related to the purchase of service customer more or less rely on the tangible cues such as place, equipment's, people, symbols among others as the evidence of service quality (Morley, 2004). In most of the previous studies the investigators used a broad and in most cases different set of bank selection criteria. After a literary study on these different sets of criteria the study distinguish two factors (bank and customer) specific factors of criteria of bank selection choices by customers which are coming back in most of the studies.

2.2.3.1. Bank specific factors of selection criteria

2.2.3.1.1. Physical presence

In their study of selection factors used by Hong Kong consumers in choosing domestic and foreign banks to find the importance Kayanak and Kucukemiroglu (1995) found that convenient location ranked first among the other factors. The proximity of the branch and ATM might construct a convenient network to satisfy the customer's demand without too much cost for a bank (Meister, 1996).

2.2.3.1.2. E-banking

According to Almosawi (2001) technology is one of the determinant of commercial bank selection. In his study of college students' bank selection in Bahrain, he found high ranking for e-banking services such as convenient ATM locations, availability of ATMs in several location and 24 hours availability of ATMs. Almosawi (2001) notes that the vast majority of young people prefer to use ATMs, not only for their speed and convenience, but also for the mental structure of today's young people who have been very much involved with computer-based activities.

Gerrard and Cunningham (2001) and Kaynak and Harcas (2005) contend that electronic services are of relative importance. Even though they were not available for that long, the current well-educated generation has been exposed to modern technology in their higher education which will increase their drive to patronise banks that are regarded as technology leaders.

2.2.3.1.3. Service quality

As Julian and Ashen (1995) stated delivering quality services and products to customers had significant positive influence for success and survival of today's competitive banking environment. By using a survey of households Omar and Orakwue (2006) also evaluated the relative importance of bank selection criteria used by bank customers in Nigeria. The results suggest efficient service quality have significant positive influence on customers' bank selection decision.

Lymperopoulos (2006) examined the importance of service quality in bank selection and found bank service quality is the most important element that customers consider in order to select their mortgage providers and establish a long-term relationship with them.

2.2.3.1.4. Availability of service

A number of studies have argued that efficiency of banking services are the main selection criteria of a specific bank (e.g., Holstius and Kayank, 1995; Yue and Tom, 1995; Mylonakis, 1998; Coyle, 1999; Driscoll, 1999; and Moosawi, 2001).

2.2.3.1.5. Price and accessibility

Findings of Boyd (1995) reveal that interest paid on savings accounts, interest charged on loans, quick service, reputation and hours of operation are viewed as having more importance than other criteria. Schlesinger et al. (1998) in his study conducted in New York State found that the three most important factors in selecting a bank for small business customers were lending rates, accessibility of borrowing, and the number of services offered.

2.2.3.1.6. Innovative products

A study conducted by Kumar (2009) found that innovative of various products are one of the most important factors affecting the decision of the customers on making the choice of the bank in Malaysia. The paper recommended to banks to be innovative in creating more types of channels by riding on technological advancement.

2.2.3.1.7. Quality of premises

Sarwar and Mubeen (2012) conduct a research about the factors that affected the bank selection decision of the undergraduate students. They find that attractiveness of the bank's building had significant influence on the bank selection decision of undergraduate students. Holstius (1995) found that the external appearance and interior comfort of the bank counter partitions are one of the most influential factors reported by customers.

2.2.3.1.8. Promotion

The findings of Mylonakis (2008) in Greece found that Bank customers may not be interested in advertising at first while choosing their bank, but this is the initial reaction of all those who are interested in achieving the most cost-beneficial and favorable terms. The point is that advertising is not the main criterion for consumers in choosing their bank. However, its existence is a prerequisite, as it verifies a bank's critical presence in the market and plays an important role in their choices.

According to Gerrard and Cunningham (2001) the key focus of any marketing campaign should be on making customers feel secure more particularly emphasizing the bank's stability. Banks should also try to build good brand image, as many of customers prefer to have accounts in prominent banks where security arrangement are good so they can be assured of the safety of their money (Sharma & Rao, 2010).

2.2.3.1.9. Staff and management

When selecting a bank, it is not only the price of the services or how fast a transaction can be done, but also friendliness of staff plays the major role in the bank decision process (Goiteom, 2011).

In Ghana, Owusu-Frimpong (1999) has conducted a survey on patronage behavior of bank customers findings from 225 respondents discovered that friendly employees are the most important attributes determining the image of the banks for their selection decision pursued by size of the bank.

2.2.3.1.10. Reputation and confidence

A study conducted by Almosawi (2001) in Bahrain to examine the bank selection criteria employed by college students in Bahrain, reveal that bank's reputation is one of the key factors. This means that confidence in the bank management leads to the conclusion that the customers consider management to be most responsible for both success and failure of the banks. Creating a positive image in the minds of young people bring them to the understanding that the firm is customer conscious.

The key focus of any marketing campaign should be on making customers feel secure more particularly emphasizing the bank's stability. Banks should also try to build good brand image, as many of customers prefer to have accounts in prominent banks where security arrangement are good so they can be assured of the safety of their money (Sharma & Rao, 2010).

2.2.3.1.11. Financial performance

A study was conducted by Abduh (2010) on the Indonesian customer's attitude. They targeted the customers of Islamic banks. Finding of his study were that most customers prefer banks based on announcements of the country's council on interest rates is their first consideration in patronizing a particular bank and puts reason of safety of fund during the financial crisis, has greater possibility to patronize Islamic banks in Indonesia.

2.2.3.1.12. Bank Loyalty/ shifting to other banks /

According to (Keaveney, 1995) customer reasons to switch service providers are pricing (high price, price increases, unfair pricing and deceptive pricing), inconvenience (location/hours, wait for services), core service failure, service encounter failure (uncaring, impolite, unresponsive and unknowledgeable personnel), response to service failure (negative response, no response or reluctant response), competition (found better service), ethical problems (cheat,hard sell, unsafe, conflict or interest) and involuntary switching (customer moved or provider closed).

2.2.3.2. Customer (personal) specific factor of selection criteria

2.2.3.2.1. Age

Buying is also shaped by the family life cycle - the stages through which families might pass as they mature over time. People change the goods and services they buy over their lifetimes (Kotler ,2011) .A number of studies have devoted part of their analysis to the importance of selection factors relative to age of customers. For example, in part of their study, Boyd (1995) investigated the importance of bank selection criteria in terms of the age of the head of the household.

2.2.3.2.2. Income

A person's economic situation will affect his/her decision of bank selection. Marketers of income sensitive products watch trends in personal income, savings, and interest rates. Banks need to follow closely the economic conditions so as to avoid setting of rates that are too high above the average rates in the market. Having favorable rates may in itself be a customer attraction technique (John, 1995).

2.2.3.2.3. Education

Kaynak (1996) reported differences in bank selected criteria based on gender, age, education background of bank customer in Turkey.

According to educational segmentation, customers with more than primary education considered empathy, fast and efficient services, location of the banks more important than the uneducated group.

Farooq (2010) studied the section criteria of Islamic customers in patronizing a particular bank. The result 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 from friends and family.

2.2.3.2.4. Occupation

A person's occupation affects the bank a consumer chooses. For instance blue collar workers tend to buy more rugged work clothes, whereas executives buy more business suits. A company can even specialize in making products needed by a given occupational group. Therefore marketers try to identify the occupational groups that have an above average interest in their products. A bank can even create a bank account only appropriate for a given occupation group (John, 1995).

2.3. Empirical Review

Various experimental research using different methodologies and approaches have been done in various parts of the world to investigate the bank selection criteria of the customers.

Holstius and Kaynak (1995) surveyed 258 banking customers in terms of bank selection criteria and results indicated that the customers select the bank on the basis of these important factors ranked respectively. Fast and efficient services, reception at the bank, friendliness of personnel, lower service charges and perceived confidentiality.

A study in Bahrain by Almosawi (2001) focused on examining the bank selection criteria being employed by college students. He used 1,000 sample students from University of Bahrain.

His findings reveal that the chief factors determining college students' bank selection are: bank's reputation, availability of parking space near the bank, friendliness of bank personnel, and availability and location of automated teller machines (ATMs), such as their availability in several convenient locations and 24-hours availability of ATM service.

Mokhlis (2008) sampled 350 undergraduate students in Malaysia to identify factors which influence their bank selection decisions and to examine whether undergraduates constitute a homogeneous group in relation to the way they select a bank. Using “factor analysis” they found that undergraduates secure feelings was the most important factor in influencing the students in selecting a bank. ATM service was the second prioritized factor followed by financial benefits. The next three criteria, ranked fourth, fifth and sixth, respectively, were service provision, proximity and branch location that can be grouped as moderate factors.

Aregbeyen (2011) conducts a research about the determinants of banks selection criteria by business customers in Nigeria. A total of 1750 respondents on the importance of 25 different factors while choosing a deposit bank are sought and analyzed. The study reveals that the safety of funds and the availability of technology based service(s) are the main reasons for customers' choice of banks.

In India, Rao (2010) conducted research in the area of student banking focusing on factors that influence their selection of banks. A sample of 312 respondents took part in this study. The responses were shows reliability is a significant choice criterion, which includes employee's courtesy, parking facility, loyalty programs, brand name, security system and low charges with the bank. Other factors, which have also increased in importance are the responsiveness, value added services and convenience. Assurance factors, such as speedy services, good rate of interest and zero balance account facility are also significant in importance in motivating choice of a bank.

Most recently, Maiyaki (2011) in his survey in Nigeria obtained information about the factors determining the selection and preference of banks by retail customers. He used 417 sample bank customers using multi-stage sampling procedure and found that size of bank total asset, has the greatest influence on customer choice of banks, followed by availability of large branch network across the country, then reputation of the bank, personal security of customer, and then convenient access to bank location. On the other hand, recommendations of friends/relatives, attractiveness of bank's physical structure, opportunity of telephone banking, availability of assorted retail bank services and reasonable terms of credit/loans repayment were the factors that have the least influence on customer choice of banks. Finally he recommended banks management should pay attention to factors that have significant effect on the choice of banks.

Gerrard and Cunningham (2001) surveyed a sample of 184 Singapore's undergraduates to establish a ranking of the various dimensions which influence their bank selection decisions. Using factor analysis, seven bank selection dimensions were identified by the researchers, the most important being undergraduates should "feel secure", followed by "electronic services" and "service provision".

Other research literature's Lympelopoulos (2006) examined the importance of service quality in bank selection and found four distinct factors as the main choice criteria that influence consumers' bank choice. Bank service quality is the most important element that customers consider in order to select their mortgage providers and establish a long-term relationship with them. The other three refer to product attributes, access, and communication

In Malaysia, Dusuki (2007) studied using self-administered questionnaires involving a sample of 750 respondents from four different regions. He used banking criteria ranking as perceived by the respondents are analyzed using Friedman Test. The most significant determinants perceived to be important for selecting banks were comprise: convenient location, friendly employees, large, profit minded, and efficient service.

Table 1: Selected studies of bank selection criteria done in banking frame work

Author/s and Topic	Methodology and Technique (s) (Scope/ area)	Sample Size	Main finding (s)
Almossawi (2001) “Bank Selection Criteria Employed by College Students in Bahrain: An Empirical Analysis”	Self-administered questionnaire Descriptive analysis and Factor Analysis (Bahrain)	1000 students from University of Bahrain	Most important factors: <ul style="list-style-type: none"> ✓ Reputation ✓ Availability and location of ATM ✓ Parking space near bank ✓ Friendliness of personnel Other findings: difference in selection process between male and female
Rao (2010) “Bank Selection Criteria Employed by MBA Students in Delhi: An Empirical Analysis”	Self-administered questionnaire Descriptive analysis and Factor Analysis (India)	312 MBA students was selected from Delhi	Most important factors: <ul style="list-style-type: none"> ✓ Employee’s courtesy ✓ Parking facility ✓ Loyalty programs ✓ Brand name ✓ Security system and low charges Other findings: responsiveness, value added services, convenience.
Maiyaki (2011) “Effects of Electronic Banking Facilities, Employment Sector and Age-Group on Customers’ Choice of Banks in Nigeria	Self-administered questionnaire Descriptive analysis, mean scores and standard deviations (Nigeria)	417 customers were selected from Kano metropolis	Most important factors: <ul style="list-style-type: none"> ✓ Size of bank total asset ✓ Availability of large branch ✓ Reputation of the bank ✓ Personal security of customer Other findings: recommendations of friends/relatives, attractiveness of bank’s physical structure and opportunity of telephone banking
Aregbeyen, (2011) “Determinants of banks selection criteria by business customers in Nigeria.”	Self-administered questionnaire Descriptive analysis, mean scores and standard deviations (Nigeria)	1750 respondents from seven locations from Nigeria	Most important factors <ul style="list-style-type: none"> ✓ :Safety of Funds;secured ATMs ✓ availability of technology based service ✓ convenience (location);

Gerrard and Cunningham (2001) "Singapore Undergraduates: How they Choose which Bank to Patronize":	Self-administered questionnaire Descriptive analysis and Factor Analysis (Singapore)	184 Singapore's undergraduates students	Most important factors ✓ Feel secure electronic services" and "service provision".
Holstius and Kaynak (1995) "Retail Banking in Nordic Countries: The Case of Finland"	Self-administered questionnaire	258 banking customers from Finland	Most important factors ✓ fast and efficient services ✓ ,reception at the bank, ✓ friendliness of personnel
Lymperopoulos et al (2006) "The Importance of Service Quality in Bank Selection for Mortgage Loans"	Self-administered questionnaire Descriptive analysis and mean scores (Greek)	1,092 bank customers in the greater area of Athens	Most important factors: ✓ Bank quality service ✓ Product attributes ✓ Product access ✓ Communication Other findings: banks should try to design the right mortgage loans, interest and service charges
Dusuki A. W. and Abdullah N. I (2007). "Why do Malaysian Customers Patronize Islamic banks?"	self-administered questionnaires Friedman Test	750 respondents from four different regions.	Most important factors ✓ Convenient location, ✓ Friendly employees, large, profit minded, and efficient service.

Source: Own summary of previous studies, 2017

2.4. Conceptual framework

The study guided by the following conceptual variables which are derived from both bank specific and customer specific factors. The variables exhaustively selected from the literature review and classified in to major categories as shown below:

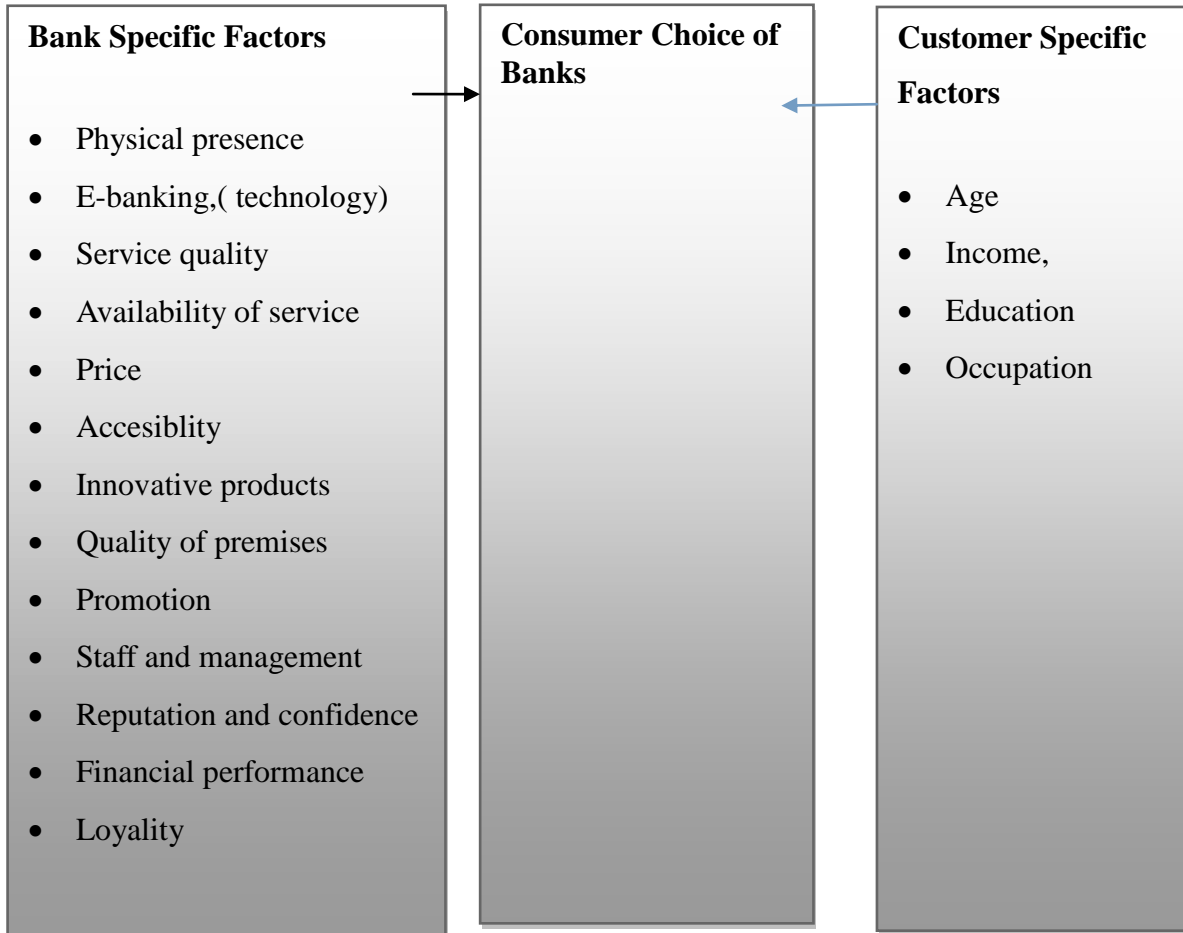


fig 1. Conceptual Framework of the Study

Figure 1 shows the relationship between the bank specific factors and the customer specific factors on the consumer choice of banks.

This conceptual framework hypothesizes that there is a relationship between the bank related factors i.e physical presence,E-banking, service quality, availability of service,price, accessibility, innovative products, quality of premises, promotion, staff and management, reputation and confidence, financial performance, loyalty and the level of customer bank selection decision. Also it shows that there is a customer specific factors i.e. Age, income, education, occupation; influence the customer bank selection decision.

CHAPTER THREE: RESEARCH METHDOLOGY

This chapter gives an outline of the research methodology used in the study. Therefore, the research design and methods, sources of data for the study, population and sample size, the sampling technique, research instrument, the data analysis methods and ethical consideration are discussed.

3.1. Research Design

This is a road map showing the arrangement of collection of data, measurement and analysis of data in a manner that aims to combine relevance to the research purpose. It includes all the methods, techniques and procedures used to execute the research project (Yun 2003). Selecting appropriate research design and method is crucial to the success of any research and must be driven by the research problem or question and the state of knowledge in the area being studied. As Leedy and Ormrod (2005) put it in qualitative research data can be fetched from many sources. Like people, objects, textual material etc....

The research design used the descriptive study employing both quantitative and qualitative approaches. Obviously in this study references about the entire population sought to be drawn by choosing sample that can presume to represent the population industry under study. As it is supported by researches purposeful or discriminate sampling is most appropriate in case of qualitative research. The quantitative level of effect analyzed using trend analysis, ratio, percentage and average.

3.2. Data sources

To conduct this research, information obtained from both primary and secondary data sources are used. The method chosen to collect primary data for the assessment is the survey method, specifically, (1) a questionnaire designed and distributed in person to one hundred fifty selected customers being served at various operation of the bank but mainly of branch, credit and international banking.

The study also collects secondary data from related research paper and report used for

literature review and for empirical analysis. Other additional secondary data obtained from written materials like: academic books, journals, magazines, research papers, internet resources are consulted.

3.3. Population and sample size

The population of interest group is account holder customers who are banking with one of the selected Ethiopian commercial banks. Since the study's interest is pointing out factors that determine the choice of customers for bank services, the study limits the sampling frame on selected banks.

3.3.1. Sample Size

Variability is given due attention in sample determination that is, the heterogeneity and homogeneity. For heterogeneous population larger sample size is required to capture the diversity in the population. Whereas for homogeneous/identical population small number of samples though there is no fast and strict rule the general consensus by researchers should be large enough up to one hundred or more units and minimum of thirty to fifty units (Diamantopoulos and Schlegelmilch, 2000). As the industry being studied is having a homogeneous characteristics but with different profile of customers, the study selected 150 respondents.

3.4. Sampling techniques

Judgmental or purposeful sampling technique is adopted to select the target banks which the data were obtained. This strategy is considered more intellectual strategy than simple demographic stratification of epidemiological studies, though it is important (Marshall, 1996). He also gives emphasis on its being advantageous to study a broad range of subjects, outliers, those with specific experiences (critical case sample) and expertise (key informant sample).

Probability sampling techniques like stratified sampling method are adopted during applying the personal expert judgment of the researcher for selecting banking operation. Customer that being served at various banking operation in branch, credit, and international banking selected.

The sampling technique is therefore a multi-stage process. The research considers eight commercial banks for its data collection. This is intentionally done to get input from banks which stayed in the business from medium to longer periods as well as from new entrants in the industry.

From the structure and history of Ethiopian banking industry two government banks were operated in the sector for more than fifty years. In addition six private banks have been in the business from ten up to fifteen years and the rest eight were relatively new banks that are in the sector ranging two to five years. Hence, the bank selection made following such structure and bank formation years.

Due to the small number of government commercial banks and the recent merger decisions, the Commercial bank of Ethiopia considered for the research and among the six private banks which stayed in the industry the study selected Awash international bank, Wegagen bank, Nib bank, and from small banks, the study has selected four banks. These are Berhan bank, Enat bank, Lion bank and Zemen bank which is noted in the industry for trying to introduce new technology related banking products.

The selection of the sample from each bank is done by using convenient sampling where customers that were banking in the head office are selected to fill the questionnaire. In such regard attempt to get heterogeneities of clients that are being served in branches, credit department and international banking operation are selected. This is in addition to the age, sex and other observable profile of customers.

3.5. Data collection Instrument

After extended literature review a questionnaire was developed in line with the conceptual framework of the study (see annex). The developed questionnaire is pilot tested in order to identify and eliminate potential problem. Based on feedback the questionnaire refined for clarity.

The questionnaire consists of two sections. The first section gathers information about respondents profile like age, gender, income, education etc. The second section specifies bank related factors such as price, service quality, innovation etc. The five point likert scale is used for customers to rate statements from the second section ranging from strongly agree, agree, neutral (no opinion) disagree and don't know.

3.6. Validity and Reliability

Reliability can be defined as the degree to which measurements are free from error and , therefore yield consistent results where as validity is concerned whether the findings are really about what they appear to be about (Saunders 2003). In order to reduce the possibility of getting wrong answer, attention need to be paid to: reliability and validity (Saunders 2003).

Responses evaluated based on Cornaboch alpha test of reliability. In addition, the research procedure and methodology are clearly documented for other researchers who want to replicate this study. In addition, to ensure the validity, a three-stage validation is conducted. First, whenever possible, items selected for the constructs were carefully selected to be coherent with the theoretical framework and the literature reviews. Second, the survey instrument pretested by my adviser to identify any gaps or inconsistencies. Third, a pre-test of the questionnaire administered to a sample of 3 randomly choose bank employees in order to correct any issues related to language and response options. The researcher thus manage to make the appropriate changes in the survey questions before the distribution and administration process.

Reliability statistics of the five point Likert scale questions.

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.886	.89	20

Reliability coefficient which are more than or equal to 70 % ($A > 0.7$) is acceptable. So, Reliability of the question was evaluated and the result Cronbach's Alpha was used to test the reliability of the materials used in this research. Thus, the reliability coefficient of the above item is above 70% and/or the overall reliability test for the item is 89%. This implies that the item were reliable and understandable to the respondents.

3.7. Model Description (Variable Description)

3.7.1. Regression Analysis

The study uses a regression model to explore the relationship between customers loyalty and bank selection determinants through the equation:

$CL = F(BSD) \dots \dots \dots (1)$, where CL stands for Customer Loyalty and BSD is for Bank Selection Determinants.

The bank selection determinants mainly consist of six components: Price factors, Service quality and availability, Innovation and e-banking Offerings, Financial Performance and reputation, Promotion and Quality and accessibility of human and physical resources. The theme of the paper mainly lies to test the relationship between those variables explaining bank selection with customer loyalty. Therefore, the model can be modified in full form as follows:

$CL = f(PF, SQA, IEO, FPR, PRO, QAHP) \dots \dots \dots (2)$ where
 PF- Price Factors, SQA- Service Quality and Availability, IEO- Innovation and e-banking Offerings, FPR- Financial Performance and Reputation, PRO- Promotion, QAHP- Quality and accessibility of human and physical resources

Therefore,

$$CL = b_0 + b_1PF + b_2SQA + b_3TRP + BRTDM + e \dots\dots\dots(3) \text{ where } e \text{ is the error term}$$

Description of Variables

Dependent

Customer Loyalty- it's the level of commitment from customers to work with the chosen bank for the long-term.

Independent

Price factors- describe banks charge for deposit, loans and other financial services

Service Quality and Availability- is the extent at which customers perceive the existence of satisfactory services and their availability to meet their demands

Innovation and e-banking offerings- is the rate at which banks are involved in new product and service offers as well as introduced technologically supporter products/services.

Financial Performance and Reputation- is the financial standing of the bank as well as the it image/brand value as perceived by the customers.

Promotion- is the means used by banks to attract customers through various approaches including advertising, personal selling etc.

Quality and accessibility of human and physical resources- refers to the quality of staff and management working in banks as well as the quality and accessibility of the physical infrastructure of banks.

3.8. Data Analysis Methods

Attempt to separately analyze the secondary and primary data made so that a careful conclusion can be drawn from such data sources. The primary data collected through questionnaire are sorted and screened for any errors and then processed using Statistical Package for the Social Sciences (SPSS version 20 for windows). Responses ranked and rated for their significance of impact. Factor analysis, Correlation as well as a Regression analysis was used as part of the data analysis. Besides, qualitative method of analysis is used to show the logical arguments and relationships. The outcome of such analysis displayed in tabular form.

In addition, the qualitative data obtained from the open-ended questions in the questionnaire are carefully recorded and assessed so that a meaningful conclusion is derived.

The quantitative secondary data analyzed using trend analysis, percentage and average. In addition, attempt to draw a careful interpretation from empirical findings and literature reviews is done. Besides, there is an attempt to analyze the various issues that are involved in customer choice of banks considering regulatory frameworks.

3.9. Ethical Consideration

- All participants views and responses kept highly confidential. No disclosure of individual identity and all participants are free from any liability or risk arising from the study or the response. Only interested participants are part of the study. Only clear and precise questions and discussion items are presented to the participants in order to avoid emotional sensitivity and violation of personal dignity. All participants in the questionnaire filling are informed the non disclosure of identity and free from any liability or risk arising from the study or response. They are also free to withdraw at any time when they felt inconvenience of participation.
- Participants were highly advised and encouraged to give honest and genuine answer, opinion, suggestion in the course of the study.
- All bank documents or part thereof including manuals, policy, procedures etc...are confidential and will not be disclosed to third party in any form.
- All contributors to this study are acknowledged, and list of references are attached.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

This chapter provides a detail analysis on the inputs collected from the questionnaire. The questionnaire is also presented at the end of this paper as appendix I. Questionnaires were distributed to customers of selected banks which are selected based on convenient sampling. Customers were required to fill and return the questionnaire on the spot while they are conducting their routine banking activities. 150 questionnaires were distributed while 101 effective questionnaires are returned and the rest are unreturned or discarded due to missing data. The response rate is 67 percent. Such a response rate is considered sufficient for statistical reliability and generalizability (Mokhlis, 2009). This relatively high response rate was attributed to the self-administered approach undertaken in distributing questionnaires.

4.1. Customers Profile

4.1.1. Gender and Age of Respondents

As revealed in the table below, the majority of the customers are males which comprise of around 60 percent of the respondents. This is somewhat may reflect the fact that in the Ethiopian context, financial decision making is basically belongs to the male parent that is considered as a chief income earner in the family.

Age wise distribution shows that the majority of the customers belong to the age range between 36-45 years, which is reasonably in line with the expectation that financial strength emanates from long time work. There is also a banking use culture among those in age range between 26-35 years old while the bank use might decrease as age reaches to retirement, which is only 7% of the respondents.

Table 2: Demographic background of the respondents

	Descriptions	%	Number
Gender	Male	60%	61
	Female	40%	40
	Total	100%	101
Age	Below 25	12%	12
	26-35 years old	28%	28
	36-45 years old	32%	33
	46-55 years old	21%	21
	Above 55years old	7%	7
	Total	100%	101
Education stage		%	Total
	Secondary school or below	35%	35
	College Diploma	24%	24
	First Degree	26%	27
	Above first degree	15%	15
	Total	100%	101
Types of Business		%	Total
	Not working	14%	14
	Salaried Employed (Public)	16%	16
	salaried employed (private)	19%	20
	Self employed (own business < 1 million capital)	36%	36
	Self employed (own business > 1 million capital)	15%	15
	Total	100%	101

Income (in Birr)	Frequency	Percent
Below 2,000	15	14%
2001 – 4000	28	28%
4001 – 5000	30	30%
Above 5000	28	28%
Total	101	100
Service	Frequency	Percent
Current account	57	14.5
Saving account	65	16.5
Loan facilities	48	12.2
Money transfer services	58	14.7
ATM services	89	22.6
Internet banking	42	10.7
Forex services	35	8.9
Total	394	100.0

4.1.2 Education Level of the Respondents

Majority of the respondents have Secondary and college education. As the figure reveals, 35% have secondary education and 24% have attended college. A good number of (41%) of the respondents have also attended universities earning a first and above degree. This depicts that the adoption and use of banking services have some kind of correlation with the education level.

4.1.3 Respondents Business

The respondents' engagement by the type of business shows that the majority of them are self employed but their capital level belongs to the lower end or less than Birr 1 million. There also salaried employees of private and public institutions that constitute around 35% of the respondents.

4.1.4 Income of the Respondents

The table reveals that majority of the respondents who are using bank services have average monthly income of more than Birr 2000 per month. Mainly the great majority of the respondents have an income level between 2000-5000 Birr per month.

4.1.5 Customers' Usage of the Banking Services

As shown in the table below the majority of the respondents are users of saving accounts, ATM services as well as money transfers. The aforesaid products remain the basic types of customers' habit of banking services. In addition, the majority of the sample respondents are beneficiaries of multiple services rather than sticking to single banking services.

This is supported by usage of additional banking products like credit and international banking services.

4.2. Descriptive Analysis on the Determinants of Bank Selection Choices

The descriptive statistics analysis on each component of the bank selection choices is organized in to various factors including:

- Price factors,
- Service quality and availability,
- Innovation and e-banking Offerings;
- Financial Performance and reputation
- Promotion
- Quality and accessibility of human and physical resources

In addition, it has measured the loyalty of customers so as to single out and take the relationship among the above mentioned factors with bank choices to loyalty level. In addition to the descriptive statistics this basically is intended to test statistically the relationship between the six independent factors with loyalty factors.

The response in each factors are rated based on the five points Likert scale. Therefore, respondents were given the chance to measure on the descriptive for the above mentioned factors. The next section of the paper presents the result of such assessment based on the percentage response rate of customers.

4.2.1. Price Factors

Out of the three points raised to observe whether bank customers are sensitive about the price of banking products, the output shows that most of the customers appear less sensitive to prices of different banking services. For instance, the sensitivity of customers towards the interest rate charged on loans is insignificant to remain as a fundamental bank selection factor. Around 57% of the banks customers suggest that rate of interest charge on loans is not a significant factor to select on banks.

Table 3: Price Factors

Price related factors	SA	A	N	D	SD
<i>Rate of interest charged for loans is small as compared to others</i>	15%	26%	2%	35%	22%
<i>Rate of interest paid on saving deposits is highest of all banks</i>	2%	24%	5%	38%	31%
<i>The Service charge paid to bank services is the lowest as compared to other banks</i>	4%	45%		27%	24%

Source: 2017 data analysis

Similarly, the deposit rate paid to savers appears to have a lesser meaning to savers as reflected on a high degree of disagreement (69%) on the statements. In contrast, customers equally responded for the service charge paid to banking services as a factor for bank selection. The result remains surprising as savers and borrowers are not in a position to consider price as selection factor while they are sensitive towards the amount of service charge levied for their routine banking duties like forex charges, money transfer charges, ATM charges etc. Therefore, customers prefer banks that offer services at lower fees and transaction rates.

4.2.2. Service Quality and Availability

With regard to service quality, the study has considered three major categories: availability of resources to provide the service, service quality and availability of the service for extended time and outlets. The response has revealed that availability of resources is very critical components of the service quality and one of the determinants of bank selection in the Ethiopian banking context. The response is much strong on the availability of forex resources as more than 85% of the respondents make their bank's choice based on availability of foreign exchange. The scenario is not a surprise considering the less availability of foreign currency in the Ethiopian market following the wide trade deficit and the net importing status of the country. Loan demand also remains a notable driver of bank choice as supported by a 73% affirmative response among the customers.

Customers' response in support of other banking services availability is also on good front as revealed in 58% support. Such clients trust that availability of money transfer services and others is also instrumental to affect their bank selection decisions. Such factors is similarly responded in the service quality category. Banks offering a comprehensive product package are well preferred than others as revealed in a 82% affirmative responses. Among the factors related to service quality, the speed of service offering remains a vital factor as suggested by 94% response rate agreed to such statement. Therefore, besides offering wide stream services, the time at which the services are delivered are significantly considered by the customers in their bank choices.

In addition, the customers also require proper information on the service offerings as shown in more than half supportive responses. The result suggest that service quality should be looked at in both three dimensions including timely service delivery, range of service provision as well as quality of information on services.

Table 4: Service Quality and Availability

Availability of Services/resources	SA	A	N	D	SD
<i>Loans are easily available or accessible</i>	32%	41%	2%	23%	2%
<i>Forex resources are easy to get in the bank</i>	80%	5%		5%	
<i>Other bank services like money transfer, check and cash related services can be accessed easily</i>	32%	26%	10%	18%	14%
Service quality					
<i>The range of services offered is among the best in the industry</i>	45%	27%	4%	15%	11%
<i>The information provided on services is among the best in the industry</i>	32%	25%	8%	18%	17%
<i>The speed of services is among the best in the industry</i>	56%	38%		5%	1%
Service availability					
<i>Branch Opening and closing hours are convenient</i>	25%	26%	6%	20%	23%
<i>Service through online banking are available 24/7</i>	18%	14%	4%	30%	4%
<i>Service through private banking is need when needed</i>	2%	26%	12%	22%	28%

Source: 2017 data analysis

On the other front, availability of services through extended working and/or branch opening hours is also valued by the customers. 51% of the respondents agree that they prefer banks that have an extended branch opening hours. Surprisingly, customers are not that much consider availability of internet banking as well as private banking services in their bank choice. This shows that most customers basically rely on the traditional mass and branch based service rather than their substitutes like internet banking and private services. This shows that the Ethiopian banking customer still prefer the traditional brick and mortar approach rather than the digitalization process and exclusive service offering for individual clients.

4.2.3. Innovation and E-banking Offering

With regard to banks technique to offer various innovative means to attract customers, the result shows that customers by large doesn't consider product and service innovation in their decisions. Customer's expectation seems set towards the common banking activities rather than anticipating for new innovative products and services. Only 41% of the respondents has oriented their bank choice based on 'being a first mover in product and service introduction'. Others however don't take into account such factor.

Customers also appear satisfied on mass rather than differentiated products. They basically are interested to see the mass market serving banking products rather than expecting for a differentiated market and product category. Only 34% of the respondents has shown interest on different product package than the normal banking offerings.

Similarly, market segmentation based on various factors such as race, religion, income group etc even if is considered in the Ethiopian market as market segmentation strategy, it appears not to be valued by a large (50%) part of the customer group. This appears to be surprising considering the race, religion and other based market segmentation strategy of some of the banks in the market. The customer choice however is not highly relied on such factors rather is looking for other factors beyond market segmentation strategy like service quality and others as stated above.

Table 5 :Innovation and e-banking

Innovation	SA	A	N	D	SD
<i>The Bank has done a lot in providing a differentiated product</i>	12%	22%	6%	35%	15%
<i>The bank has implemented a better Market segmentation (strategy influencing my choice)</i>	21%	19%	2%	31%	27%
<i>The bank is always first with new products/services</i>	9%	32%		34%	25%
e-banking					
<i>The number of ATMs is adequate and accessible</i>	24%	32%	5%	18%	21%
<i>The bank provides mobile banking services</i>	12%	21%	2%	32%	33%
<i>Internet banking services are available</i>	15%	24%	6%	26%	29%
<i>Point of sale terminals are available</i>	4%	26%	12%	26%	32%

Source: 2017 data analysis

In terms of customer choice based on the type of e-banking products, some instances were given like ATM's, mobile banking, internet banking and POS. The response is a bit surprising as customers have a significant reliance on adequate ATM networks. Around 56% of the respondents have considered the accessibility and adequacy of ATM network of a bank during their selection decisions. On the other front, the customer demand for other e-banking products like mobile banking, internet banking and POS is very limited to affect their bank choices. This in one side is a result of the less availability of such services in the Ethiopian market, less adoption rate and infrastructure related problems such as internet facilities etc.

4.2.4. Financial Performances and Reputation

Amazingly, a big percentage of customers don't account for the financial performance of the bank in their decision for banking relationship. Nevertheless, this might not be amazing in the banking industry characterized by high regulation. Customers usually trust on the regulatory rather than the financial standing of the banks. The situation in Ethiopia remains the same as only few customers consider the financial strength of banks (42%), the profitability (31%), risk exposures (25%) and their growth (28%).

A significant portion of the respondents however has not seriously consider such factors in their bank choices as they believe that the regulation is strong to observe and address problems related to the above factors.

Table 6 : Financial Performance and Reputation

<i>Reputation and confidence</i>	SA	A	N	D	SD
• <i>the reputation in the market</i>	16%	23%	1%	23%	37%
• <i>Safety of funds and confidence</i>	22%	34%	5%	20%	19%
• <i>Implicit/explicit guarantees to the depositors such as deposit insurance</i>	25%	26%	14%	26%	19%
Financial performance					
<i>The bank is heading in growth path</i>	10%	18%	15%	32%	15%
<i>Profitability of the bank is on the highest</i>	16%	15%	2%	45%	13%
<i>Risk exposure of the bank is not significant</i>	5%	20%	6%	34%	35%
<i>There is no worry in the financial standing of the bank</i>	12%	30%	8%	34%	16%

Source: 2017 data analysis

On the other side, customers provide consideration to the safety of their funds in times of bank runs and others. As shown in the table more than half of the respondents trust that government banks offer an implicit guarantee to get back their money in times of bank crisis. Therefore, they have made their bank choices based on such factor as government is fully trusted by the public rather than the private counter parts. Even if such customers have opened accounts in other private banks, they still have maintained accounts with the state banks. Therefore, they remained loyal to the state owned banks than the private banking system. The main intent of the customers' loyalty basically hence relied on confidence and trust on government rather than the reputation of the banks. Only 39% of the respondents have considered bank reputation as a factor in bank choices. Others as stated above value more confidence and trust, which implicitly is obtained from state owned banks.

4.2.5. Promotion

Banks attempt to attract customers through promoting themselves in various ways appears moderately successful to influence the customer bank choices. Banks that appropriately promotes themselves has influenced their customers to choose them. Most importantly however contact by marketing staff (43%), TV/Radio advertising (45%) and above all customer referral (55%) has a higher influence on customers. On the other front, print media advert has the lowest customer attraction rate following the limited circulation of print Medias. The result shows that the major means of promoting banking product is offering quality of services that result in a higher customer referral rate. A satisfied customer can be considered as a marketing staff of a bank.

Table 7 : Promotion

Promotion	SA	A	N	D	SD
<i>The bank is Advertising itself appropriately</i>	25%	32%	2%	22%	18%
<i>TV/radio presence has made me to choose the bank</i>	21%	24%	3%	32%	20%
<i>Presence in newspaper and print media has made me to choice the bank</i>	16%	23%	5%	26%	20%
<i>Personal contact from bank marketing staff has influence my choice</i>	21%	22%	7%	32%	18%
<i>Referral from other customers has influenced my bank decision</i>	32%	23%	8%	17%	20%

Source: 2017 data analysis

The result to prefer on mass media like TV/Radio presence is also in line with our previous findings that customers are not in a position to prefer for more differentiated products. They are still interested to hear promoted the common banking offering for undifferentiated market. The promotion means there for closely attached with a mass market and mass product scenario, hence the customer prefers to be served in banks offering universal product package.

4.2.6. Quality and Accessibility of Human and Physical Resources

Accessibility through branch networks remained on the high side to influence customers' bank choice. Banks with wide branch network are suggested to be on top of the customer choice list.

The respondents (89%) consider adequate branch networking as a prominent factor to choose banks as it allows them to conduct their banking activities on easily accessible premises. Such fact has been supported by a similar (87%) support from the respondents on the branch location of banks. Banks with suitable branch location could offer convenience to their clients and increase their customer bases.

Table 8: Quality and Accessibility of Human and Physical Resource

Physical Presence	SA	A	N	D	SD
<i>The extent of the branch network is adequate.</i>	65%	24%		10%	1%
<i>The location of branches is appropriate.</i>	67%	20%	2%	6%	5%
Quality of Premises					
<i>The quality of head office is appreciable as compared to other banks</i>	36%	23%		22%	19%
<i>Branches are in convenient location having good ambience for service</i>	34%	26%	3%	12%	15%
Staff and Management					
<i>There are friendly and helpful personnel in the bank</i>	45%	32%		6%	7%
<i>Management responds well to complaints and service failures</i>	35%	41%	4%	16%	4%
<i>The bank is run by reputable management group and board members</i>	16%	14%	12%	20%	28%

Source: 2017 data analysis

The quality of branch and head-office premises similarly is viewed to remain one of customer attraction point as suggested by the respondents. A good number of (59%) of the respondents look for quality of head office premises during their decision to select a bank. Others (60%) also look for the quality of branch premises critically before deciding the bank to work with. In general, the physical facility at branch and head office level remained a significant factor affecting customers while selecting their banks.

Interestingly, customers also value some intangible elements other than physical premises such as quality of staff and management in their decisions. Customers look

beyond the quality premises up to the extent of a friendly service provision from helpful personnel of the Bank. Most of them (87%) expect a welcoming banking environment from the banking staff that ultimately increases their service experience. They also would like to see a responsive management in case of failure in service delivery. Almost an equivalent (86%) respondents claim that management need to take timely corrective action for service failures and this determines their bank selection.

Consequently, there is consideration to look for management group and board members profile for different sources including websites and others. Posting board and management profile on banks website is a mandatory requirement of the National Bank of Ethiopia. Few Customers has the tradition to use the data in the website to evaluate the management and board mix. Nevertheless, most of them are not utilizing these resources very well despite their interests for a responsive management group.

4.2.6. Bank Loyalty/ shifting to other banks

With regard to bank loyalty, the majority (60 percent) of the customers do not have a plan to change their existing banks. However, (40%) responded to switch to another bank. It is, therefore majority of the clients want to continue in their existing bank.

Table 9: Loyalty

<i>Loyalty</i>	SA	A	N	D	SD
<i>You have plan to switch to other banks</i>	14%	16%	10%	35%	25%
<i>You continue to deal with your bank even if there are failures in basic matters</i>	25%	35%	5%	15%	25%

Source: 2017 data analysis

4.3. Determinants Of Choice of Commercial Banks

A much broader analysis basing on the mean scores and standard errors for each multi-item scale identified four critical factors that determine choice of commercial banks. These factors whose score exceeding 4 out of the five point Likert scale include:

- *The speed of services is among the best in the industry*
- *The extent of the branch network is adequate.*
- *The location of branches is appropriate.*
- *Forex resources are easy to get in the bank*

In contrast, several factors remain among the least important items concerning customers' bank selection registering a score 2 and below out of the five point Likert Scale. These include:

- *The bank has implemented a better Market segmentation (strategy influencing my choice)*
- *The reputation in the market*
- *Presence in newspaper and print media has made me to choice the bank*
- *Internet banking services are available*
- *The Bank has done a lot in providing a differentiated product*
- *The bank provides mobile banking services*
- *Service through online banking are available 24/7*
- *Profitability of the bank is on the highest*
- *The bank is run by reputable management group and board members*
- *Points of sale terminals are available*
- *The bank is heading in growth path*
- *Service through private banking is need*
- *Rate of interest paid on saving deposits is highest of all banks*
- *Risk exposure of the bank is not significant*

The result remains surprising as some of them are conventionally considered to be major factors to influence customer bank choices. Nevertheless, the study finds that several factors including market segmentation, e-banking offerings, prices, bank risk position, management profile etc were not a major bank selection drivers in the Ethiopian context. Most importantly, service quality, accessibility through branches and availability of forex resources remained dominant bank selection criteria.

Table 10: Determinants of bank selection

Rank	Items	Mean	Standard Error
1	<i>The speed of services is among the best in the industry</i>	4.7	0.78
2	<i>The extent of the branch network is adequate.</i>	4.45	0.80
3	<i>The location of branches is appropriate.</i>	4.35	0.91
4	<i>Forex resources are easy to get in the bank</i>	4.25	0.92
5	<i>There are friendly and helpful personnel in the bank</i>	3.85	0.96
6	<i>Management responds well to complaints and service failures</i>	3.8	0.96
7	<i>Loans are easily available or accessible</i>	3.65	0.98
8	<i>The range of services offered is among the best in the industry</i>	3.6	1.07
9	<i>Branches are in convenient location having good ambience for service</i>	3	1.12
10	<i>The quality of head office is appreciable as compared to other banks</i>	2.95	1.17
11	<i>Other bank services like money transfer, can be accessed easily</i>	2.9	1.18
12	<i>The information provided on services is among the best in the industry</i>	2.85	1.08
13	<i>The bank is Advertising itself appropriately</i>	2.85	
14	<i>The number of ATMs is adequate and accessible</i>	2.8	0.98
15	<i>Safety of funds and confidence</i>	2.8	1.10
16	<i>Referral from other customers has influenced my bank decision</i>	2.75	1.10
17	<i>Branch Opening and closing hours are convenient</i>	2.55	0.94
18	<i>Implicit/explicit guarantees to the depositors such as deposit insurance</i>	2.55	1.21
19	<i>The Service charge paid to bank services is the lowest as compared to other banks</i>	2.45	1.14
20	<i>TV/radio presence has made me to choose the bank</i>	2.25	1.16
21	<i>Personal contact from bank marketing staff has influence my choice</i>	2.15	1.21
22	<i>There is no worry in the financial standing of the bank</i>	2.1	1.01
23	<i>Rate of interest charged for loans is small as compared to others</i>	2.05	1.13
24	<i>The bank is always first with new products/services</i>	2.05	1.14
25	<i>The bank has implemented a better Market segmentation</i>	2	1.04
26	<i>the reputation in the market</i>	1.95	1.16
27	<i>Presence in newspaper and print media has made me to choice the bank</i>	1.95	1.20
28	<i>Internet banking services are available</i>	1.95	1.12
29	<i>The Bank has done a lot in providing a differentiated product</i>	1.7	1.13
30	<i>The bank provides mobile banking services</i>	1.65	1.14
31	<i>Service through online banking are available 24/7</i>	1.6	1.17
32	<i>Profitability of the bank is on the highest</i>	1.55	1.17
33	<i>The bank is run by reputable management group and board members</i>	1.5	1.24
34	<i>Point of sale terminals are available</i>	1.5	1.20
35	<i>The bank is heading in growth path</i>	1.4	1.21
36	<i>Service through private banking is need when needed</i>	1.4	1.23
37	<i>Rate of interest paid on saving deposits is highest of all banks</i>	1.3	1.31
38	<i>Risk exposure of the bank is not significant</i>	1.25	1.18

A further aggregation of the individual items in terms of their components so as to reduce the 38 items into six major categories would enable to investigate the relationships among the components in a manageable manner. For such kind of analysis the next section uses a factor analysis through exploratory factor approach.

4.4. Exploratory Factor Analysis

The exploratory factor analysis basically helps to simplify the wide individual items in the questionnaire through summarizing them in a gross component. The 38 items therefore are categorized into six components that incorporate Price factors, Service quality and availability, Innovation and e-banking Offerings, Financial Performance and reputation, Promotion and Quality and accessibility of human and physical resources.

Such approach as compared with mean-ranking analysis improves the quality of the analysis as well as provides an aggregate view of the selection criteria. In short, the 38 variables of the survey are analyzed to six underlying dimensions in the set of choice criteria. There appears three steps in exploratory factor analysis:

1. KMO and Bartlett's Test
2. Factor extraction and rotation
3. Factor interpretation

1. KMO and Bartlett's Test

Before running on the exploratory factor analysis, there is a need to decide on if the data gathered is appropriate for factor analysis. The test pertinent to the above investigation is the Kaiser-Meyer-Olkin (KMO) and Bartlett's Test that measures the sampling adequacy which describes the strength of inter-correlations among those items. The KMO index should be above 0.6 and the Bartlett's test of sphericity index should less than 0.05(Sig.<0.05) which suggests the sample of survey is good enough for factor analysis. The value of KMO for the data used is 0.725 which is above 0.6 and similarly the Bartlett's test of sphericity (0.000) witness the fact that the factor analysis could be used on the data.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.725
Bartlett's Test of	Approx. Chi-Square	721.423
Sphericity	Df	96
	Sig.	0.000

2. Factor extraction and rotation

Next to the confirmation for the application of the factor analysis in the data through both the KMO and Bartlett's Test there is a need to go further step to identify the interrelationships among the set of variables. The study applies the Principal components analysis to meet the aforesaid purpose as well as to determine the number of factors to be retained in the study. The Kaiser's criterion which is also named as eigenvalue rule sets the factor with an eigenvalue above 1.0 would be retained for further analysis. As shown in the below table six variables has an eigen value above 1. That is to say maximum 6 factors are identified and represented 64% of the original data.

Before the items are classified regarding the above number of factors, rotation is necessary as it clarifies the variables load onto specific factor. The higher loading of the items shows higher correlation with each factor. In addition, variable with a loading less than 0.4 would be omitted. A matrix of the factors loadings shows which variable load on which factor (See Table below: Rotated Component Matrix). Each items has 6 types of factor loading number (component), the highest number in the 6 components indicate that the item belong to which factor.

3. Factor interpretation

The rotated matrix has resulted in six components having 38 variables which all of them are retained due to their highest loading factor (above 0.4). On the other hand the mean score of the variables is also computed in order to evaluate the level of importance of the variables in bank selection choice of customers. The cumulative variance for each components is also shown depicting the variation in the responses among the selected group of customers.

The first factor consisting of price related issues accounts for 7.47% of the variation in bank selection choices. Nevertheless, the mean score for each variables in this components are less than the average mean from the five point Likert scale showing that price related factors are not a major drivers of bank choices. The customers basically doesn't take into account the price charge for both loans and deposit accounts. A rather high but below average record is shown on the service charge on banking services. There appears a response by some conscious clients on the service fees paid for different banking service offerings.

A rather strong variation and determinant factors are observed in the second component, service quality and availability. In particular, the speed of services as well the availability of forex achieved an average score above 4 witnessing the fact that they remain on top of determinant factors for bank selection. Others like availability of loans and vast range of service provisions are also among the factors considered by customers.

The innovation and e-banking offerings has also 10.3% variation but most of its variables are not in the list of significant determinants except the adequacy and number of ATMs, which has a mean score above the average. Other innovation and e-banking offerings surprisingly are not arising to influence customers bank choices showing the fact that the dominance in the traditional banking system and the less e-banking adoption rate in the Ethiopian banking system.

Table 11: Results of factor analysis

	Factors and Items	Loadings	Means	% of Variance
Factor 1: Price related factors				7.47
	<i>Rate of interest charged for loans is small as compared to others</i>	.739	2.05	
	<i>Rate of interest paid on saving deposits is highest of all banks</i>	.523	1.3	
	<i>The Service charge paid to bank services is the lowest as compared to other banks</i>	.624	2.45	
Factor 2: Service quality and availability				37.8
	<i>Loans are easily available or accessible</i>	.889	3.65	
	<i>Forex resources are easy to get in the bank</i>	.633	4.25	
	<i>Other bank services like money transfer, check and cash related services can be accessed easily</i>	.893	2.9	
	<i>The range of services offered is among the best in the industry</i>	.751	3.6	
	<i>The information provided on services is among the best in the industry</i>	.671	2.85	
	<i>The speed of services is among the best in the industry</i>	0.741	4.7	
	<i>Branch Opening and closing hours are convenient</i>	.730	2.55	
	<i>Service through online banking are available 24/7</i>	.711	1.6	
	<i>Service through private banking is need when needed</i>	.853	1.4	
Factor 3: Innovation and e-banking				10.3
	<i>The Bank has done a lot in providing a differentiated product</i>	.649	1.7	
	<i>The bank has implemented a better Market segmentation (strategy influencing my choice)</i>	.719	2	
	<i>The bank is always first with new products/services</i>	.813	2.05	
	<i>The number of ATMs is adequate and accessible</i>		2.8	
	<i>The bank provides mobile banking services</i>	.825	1.65	
	<i>Internet banking services are available</i>	.745	1.95	
	<i>Point of sale terminals are available</i>	.749	1.5	
Factor 4: Financial Performance and reputation				11.3
	<i>the reputation in the market</i>	.830	1.95	
	<i>Safety of funds and confidence</i>	.545	2.8	
	<i>Implicit/explicit guarantees to the depositors such as deposit insurance</i>	.677	2.55	
	<i>The bank is heading in growth path</i>	.673	1.4	
	<i>Profitability of the bank is on the highest</i>	.692	1.55	
	<i>Risk exposure of the bank is not significant</i>	.634	1.25	
	<i>There is no worry in the financial standing of the bank</i>	.732	2.1	
Factor 5: Promotion				5.6
	<i>The bank is Advertising itself appropriately</i>	.695	2.85	
	<i>TV/radio presence has made me to choose the bank</i>	.599	2.25	
	<i>Presence in newspaper and print media has made me to choice the bank</i>	.672	1.95	
	<i>Personal contact from bank marketing staff has influence my choice</i>	.794	2.15	
	<i>Referral from other customers has influenced my bank decision</i>	.723	2.75	
Factor 6: Quality and accessibility of human and physical resources.				26.6
	<i>The extent of the branch network is adequate.</i>	.815	4.45	
	<i>The location of branches is appropriate.</i>	.765	4.35	
	<i>The quality of head office is appreciable as compared to other banks</i>	.851	2.95	
	<i>Branches are in convenient location having good ambience for service</i>	.713	3	
	<i>There are friendly and helpful personnel in the bank</i>	.616	3.85	
	<i>Management responds well to complaints and service failures</i>	.724	3.8	
	<i>The bank is run by reputable management group and board members</i>	.766	1.5	

The financial performance and reputation factors also explains a variation of 11.3% which were basically are not considered by the customers during bank choices. Nevertheless, there is still a tendency by the customers to prefer the state owned banks that are believed to provide an implicit guarantee during a bank failure. This shows that there is still a trend to trust the government banking system rather than the private banks which have emerged recently in the financial landscape of the country.

There is also an emerging trend to promote banking services which is positively influencing the customers' bank choices. Most importantly, customers rely on referral from other satisfied clients. The presence in different media like newspaper, TV/Radio are not influencing customers as expected but still there is a trust that proper advertising enhances the possibility of bank selection as witnessed in a mean score above the expected average.

Quality and accessibility of physical and human resources appear to be the major determinant factor in bank choice explaining 26.6% variation. Most importantly, the adequacy and accessibility of branches remain on the top list of customer choices. The result shows that despite the development in technologies and branch substituting outlets, branches remained to be the preferred customer choices. In addition to their location and large networks, the quality and ambience of branches is among the factors considered by the customers. Besides such physical resources, the quality of staff and management are one of the matters valued by customers. Staff offering quality customer service experience as well as a management team that supports customers during service failures are valuable components for the customers.

4.5. Differences in bank selection criteria by various factors

4.5.1. Gender

The distribution of bank choices by gender shows that both male and female customers have almost similar order of mean importance rating of factors. Despite a marginal difference in sum male and female clients respond similarly to bank attributes.

However, male respondents appear to place more importance on innovation and e-banking offerings while there is a consideration for price aspect among female customers.

Table 12 : Gender based Factors

Component Factors	Gender			
	Male		Female	
	Mean	Rank	Mean	Rank
Price factors	1.9	6	2.1	5
Service quality and availability	3.2	2	3.4	2
Innovation and e-banking Offerings	2.0	5	1.8	6
Financial Performance and reputation	2.6	4	2.3	4
Promotion	2.9	3	2.6	3
Quality and accessibility of human and physical resources	3.5	1	3.7	1

4.5.2. Age

Age wise distribution of factors shows some variation across various age groups. For instance, innovation and e-banking offerings are the most preferred factors among the youth group while the middle age customers prefer for service quality. The old age groups however are sensitive to reputation and financial performances. Customers in all age however have close preferences towards quality and accessibility of human and physical resources. With related to prices, much sensitivity is observed among the old age groups rather than the youth and middle ages. Promotion is also more important to the young than the middle and old age groups.

Table 13 : Age based factors

Component Factors	Age									
	<25		26-35		36-45		46-55		>55	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Price factors	2.1	6	2.4	5	2.6	6	2.9	4	3.1	3
Service quality and availability	3.4	2	3.3	3	3.7	1	3.8	1	3.0	4
Innovation and e-banking Offerings	3.5	1	3.6	1	2.9	4	2.4	5	2.1	5
Financial Performance and reputation	2.3	5	2.1	6	3.1	3	3.3	2	3.4	1
Promotion	3.1	4	3.2	4	2.7	5	2.1	6	2.0	6
Quality and accessibility of human and physical resources	3.2	3	3.4	2	3.5	2	3.2	3	3.3	2

4.5.3. Education Level

The educational profiles of respondents appear to create a significant variation in terms of bank selection decisions. Customers with low educational profile prefer the quality and accessibility of human and physical resources while educated customers are sensitive to the financial performance and reputation of banks, In addition there is a similar profile with regard to service quality and availability as well as price factors among both educated and low educated customers.

Table 14 : Education based factors

Component Factors	Educational Level							
	Secondary		Diploma		First Degree		Above 1 st deg	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Price factors	2.4	4	2.1	6	2.6	6	3.1	5
Service quality and availability	3.2	2	3.3	2	3.4	2	3.5	3
Innovation and e-banking Offerings	2.2	5	2.9	4	3.1	4	3.7	2
Financial Performance and reputation	2.0	6	2.6	5	3.6	1	3.8	1
Promotion	2.8	3	3.1	3	3.0	5	2.7	6
Quality and accessibility of human and physical resources	3.4	1	3.5	1	3.2	3	3.3	4

4.5.4. Income

The variation in customer choice attributes based on income shows a marginal variation. Customers in all income ranges are found to value more the quality and accessibility of human and physical resources. The price factors sensitivity however rises as income increases as customers with high value income expect to get the maximum price for their income to be deposited in the banks. Low income earners are also responsive to promotion and service quality while financial performance and reputation as well as service quality and availability are the concerns of high income earners.

Table 15 :Income based factors

Component Factors	Monthly Income level in Birr							
	<2000		2001-4000		4001-5000		>5000	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Price factors	2.4	5	2.1	6	2.7	6	3.0	4
Service quality and availability	2.7	3	3.2	2	3.2	3	3.4	2
Innovation and e-banking Offerings	2.1	6	2.9	3	2.8	5	2.8	5
Financial Performance and reputation	2.6	4	2.7	5	3.4	2	3.1	3
Promotion	3.2	2	2.8	4	3.0	4	2.7	6
Quality and accessibility of human and physical resources	3.5	1	3.4	1	3.6	1	3.7	1

4.6. Descriptive Statistics of Variables

As described in the previous sections, the average response rate for the dependent variable, Customer Loyalty (CL) is above the average. This shows that the attributes for bank selection not only are a decision factor to establish first time contact but also are capable to influence the customer to remain as a bank client. Similarly, most of the independent variables are mostly towards the medium point and above with an observed high variation across responses. Of all the variables only the price factors has got a small average score (below 2) which reveals the less attraction of prices for bank choices.

Table 16 : Descriptive Statistics

Descriptive Statistics					
Variables	N	Minimum	Maximum	Mean	Std. Deviation
CL	101	1.00	5.00	3.00	3.167
PF	101	1.00	4.00	1.93	2.730
SQA	101	1.20	5.00	3.12	6.148
IEO	101	1.00	5.00	2.56	2.45
FPR	101	1.00	5.00	2.76	3.362
PRO	101	1.00	5.00	3.01	2.366
QAHP	101	1.00	5.00	3.54	5.152
Valid (listwise)	N 101				

4.7. Correlations

A bivariate relation using pearson correlation shows that there is a strict relationship across variables as witnessed by their significance level, which is less than 0.05 in all cases. For customer loyalty is positively related with other independent variables except with price factor which is negatively but significantly related to loyalty as witness in the significance value of less than .001 (as indicated by the double asterisk after the coefficient). On the other front, supporting the conceptual framework, the independent variables have witnessed a complex interrelationship. Therefore, the output shown in the below table provides confidence for the existence of a genuine relationship between the selected variables.

Table 17 : Correlations

		Correlations						
		CL	PF	SQA	IEO	FPR	PRO	QAHP
CL	Pearson Correlation	1	-.372*	.623* *	.396** .000	.435**	.582*	.512**
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000
	N	101	101	101	101	101	101	101
PF	Pearson Correlation		1	-.192	-.233**	.541**	.491	-.361**
	Sig. (2-tailed)			.120	.010	.000	.000	.000
	N		101	101	101	101	0	101
SQA	Pearson Correlation			1	.582* .000	.246** .007	.420* .001	.380** .000
	Sig. (2-tailed)				.000	.007	.001	.000
	N			101	101	101	101	101
IEO	Pearson Correlation				1	-.271* *	.149* *	.052
	Sig. (2-tailed)					.000	.001	.569
	N				101	101	101	101
FPR	Pearson Correlation					1	.174* *	.271*
	Sig. (2-tailed)						.007	.000
	N					101	101	101
PRO	Pearson Correlation						1	.052
	Sig. (2-tailed)							.569
	N						101	101
QAHP	Pearson Correlation							1
	Sig. (2-tailed)							
	N							101

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

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

4.8. Overall fit of the model

The overall fitness of the model as measured by both R and R square is good. R has a value of .0.762 explicating the well representation, Similar, the value of R2 is .581, shows that six independent variables can explain the variation in customer loyalty.

In other words, in the attempt to explain the variation in customers' loyalty to banks, we can look at the variation in its pricing, service quality, innovation, promotion, financial performance and quality of human and physical resources. This can provide 58.1% of the response but the rest requires looking into other factors as 42% of the variation in customer loyalty cannot be explained by the identified elements.

Table 18 :Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.762 ^a	.581	.566	.34508

a. Predictors: (Constant), PF,SQA, IEO, FPR, PRO, QAHP

4.9. ANOVA

The prediction capacity of the model is also in good front as witnessed by the *F*-ratio and the associated significance value of that *F*-ratio. The utilized data with, *F* is 39.80, is significant at $p < .001$ Therefore, there appears a less than a 0.1% chance that an *F*-ratio this large would happen if the null hypothesis were true. Therefore, we can conclude that our regression model results in significantly better prediction of customer loyalty.

Table 19 :ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18.961	6	4.740	39.809	.000 ^b
	Residual	13.694	115	.119		
	Total	32.655	119			

a. Dependent Variable: CL

b. Predictors: (Constant, PF,SQA, IEO, FPR, PRO, QAHP)

4.10. Regression Output

The regression output has established a positive relationship between most of the elements of bank selection determinants. Nevertheless, of the six identified elements four of them appear to significantly affect customer loyalty. Other has not established a statistically significant relationship with customer loyalty.

Table 20 : Coefficients

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.446	.197		2.267	.025
	PF	-.004	.058	.041	.0891	.056
	SQA	.356	.061	.301	4.359	.000
	IEO	.103	.071	.114	1.686	.004
	FPR	.189	.062	.153	2.729	.002
	PRO	.217	.058	.201	2.680	.001
	QAHP	.596	.012	.405	5.732	.000

a. Dependent Variable: CL

Service Quality and Availability (SQA)- the level of service quality as well as its availability when need by customers remains a significant factor affecting customer loyalty to banks. This can be shown with B value(.301) of relatively large and a significance level of less than 0.05. Therefore, as shown in in other section of the reports customers demand for speedy services as well as expect the availability of them at the right time.

Financial Performance and Reputation (FPR)- the financial status of banks as well as their reputation is found to have a statistically positive and significant relationship with customer loyalty. This can be shown with B value(.153).Most importantly, customers demand for confidence and trust in the bank they are transacting with.

Promotion(PRO) - the B value(.201) shown the ability of banks to promote themselves to their existing customers also established a positive relationship with loyalty.

This shows that banks need on continuous basis update their existing clients about their service and product offerings, new systems and improvements in the bank. This will ensure loyalty among the customer groups.

Quality and Accessibility of Human Physical and Resources (QAPH) - as shown in a significance value lower than 0.05 and the B value (.405), the quality and accessibility of physical and human resources has established a strong relationship with customer loyalty. Customers still demand for capable staff responding to their needs as well as a management group that timely responds to their requests and complaints, if any. Accessibility of branches and locations are also important attributes adding value to customer loyalty.

The variable, price factors has a negative relationship with low coefficient value. Therefore, this is not perceived as critical component to ensure loyalty by the respondents.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

This chapter contains a summary of the findings, conclusions and recommendation inferred from the findings. This research was carried out with a main purpose of finding out the main determinants of Bank selection decision and customer loyalty in Ethiopia. Therefore, based on the analysis and interpretations made at the previous chapter the following summaries, conclusions and recommendation are made.

5.1. SUMMARY OF FINDINGS

Today, the existing stiff competition among banks necessitates a detailed understanding of the influential factors behind the bank selection decision. Therefore, the objective of this research is to investigate the main determinants of bank selection decision by customers in Ethiopia. To trace such objective a convenience sampling procedure comprising 101 observations were used.

Descriptive analysis revealed that the majority of the customers are males which comprise of around 60 percent of the respondents and the age wise distribution shows that the majority of the customers belong to the age range between 36-45 years. Concerning their education, about 41% of the respondents have also attended universities earning a first and above degree.

The respondents' engagement by the type of business shows that the majority of them are self employed and the respondents who are using bank services have an income level between 2000-5000 Birr per month. Looking at the specific banking services, the majority of the respondents are users of ATM services, saving accounts, as well as money transfers. The respective numbers of beneficiaries are about 89 percent, 65 percent and 58 percent respectively.

On the price factor the output shows that most of the customers appear less sensitive to prices of different banking services. Around 57% of the banks customers suggest that rate of interest charge on loans is not a significant factor to select on banks.

Under service quality and availability factors, availability of resources to provide the service, service quality and availability of the service for extended time and outlets has a high effect on the consumer selection decision.

Among the factors related to service quality, the speed of service offering and availability of forex resources has high effect with a response rate 94% and 85% respectively.

Other factors from the findings from the study established that customers by large doesn't consider product and service innovation in their decisions. Only 41% of the respondents has oriented their bank choice based on 'being a first mover in product and service introduction.

Financial performance and reputation are the other factors that customers has not seriously consider in their bank choices. Only few customers consider the financial strength of banks (42%), the profitability (31%), risk exposures (25%) and their growth (28%). On the other front banks that appropriately promotes themselves has influenced their customers to choose them.

Most importantly however contact by marketing staff (43%), TV/Radio advertising (45%) and above all customer referral (55%) has a higher influence on customers but print media advert has the lowest customer attraction rate following the limited circulation of print Medias.

Accessibility through branch networks remained on high side to influence customers bank choice (89%) of respondents consider adequate branch networking as a prominent factor to choose banks and 59% of respondents look for quality of the head office premises during their decision to select a bank.

On the other hand 87% of customers expect a welcoming banking environment from the banking staff and would like to see a responsive management in case of failure in service delivery. With regard to bank loyalty, the majority (60%) of the customers do not have a plan to change their customer banks, thus, determined to continue dealing with their main banks in the future.

5.2. CONCLUSION

This study has successfully examined the major factors responsible for the choice of bank by customers. The findings revealed that customers prefer banks that offer services at lower fees and availability of resources is very critical components of the service quality, availability of foreign exchange, the speed of service offering and availability of services through extended working and/or branch opening hours, accessibility through branch networks, friendly staff, promotion, quality of premises affect the decisions of the customers.

The factor analysis results revealed that the speed of services, the extent of the branch network, the location of branches, Forex resources influence as fundamental determinants of bank selection, among others. On the reverse price, innovation, are the least factors that customers consider when they make a bank selection.

Finally, Bank Loyalty/ shifting to other banks were examined and the finding demonstrates that majority of the customers do not have a plan to change their customer banks and the regression output revealed that the service quality and availability, financial performance and reputation, promotion and the quality and accessibility of physical and human resources has established a statistically significant relationship with customer loyalty.

5.3 RECOMMENDATIONS

Based on the findings of the study, the following recommendations were forwarded.

- On personal factors, the age, education, income and occupation have a high effect on consumer choice of a bank. Therefore bank marketers should develop appropriate products and marketing plans. There should be a clear distribution of policies by the Bank Marketers on specific strategies and general strategies in attracting customers in choosing a particular bank.
- Customers place more emphasis on factors like the speed of services, the extent of the branch network, the location of branches and forex resources.

Therefore, such factors should be considered seriously by the commercial banks in designing their marketing strategies by widening their branches and providing outstanding customers services to customers.

- Though customer loyalty rate is about 60 percent, banks should keep caters high-quality service to their customers' needs in order to gain more the faithfulness of their customers and to help obtain loyal customers by having products and services that customer needed. When a banks focuses on delivering what is of highest value to their customers, this will create a reputation and customer retention.
- Since the results of this study are based on customers perceptions only, investigating the correspondence between consumers' and service providers' perceptions could be an important research area among interested future researchers.

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APPENDIX

QUESTIONNAIRE

St Mary University School of Graduate Studies

Department of Human Resource Management

MBA program

Survey questionnaire to be filled by customers of selected banks

Dear respondent,

The Questionnaire is designed to get your valuable inputs for a master thesis entitled “*determinant factors influencing customers bank selection decision and its impact on customers loyalty: Evidence from selected Ethiopian commercial banks* ”. This is purely an opinion survey and used for academic purpose maintaining confidentiality of response. Therefore, any suggestions, comments and remarks are highly appreciated and are kept confidential. Therefore, please feel free to let the survey get your valuable input by spending not more than 10 minutes of your time.

Thank You in advance for participating in the survey!

General Instructions

- ❖ No need of writing your name
- ❖ The questionnaire is designed based on 5 point Likert scale. Please respond to the questions by placing a tick mark (√) based on your level of agreement: SA= Strongly Agree, A= Agree, N= Neutral D= Disagree and SD= Strongly Disagree. You can use the back of the questionnaire if you have further comments, suggestions and remarks on pertinent issues related to the survey.
- ❖ If something happens to unclear and ambiguous please call with +251913695645 or you can mail with mtswt8295@gmail.com.

I. Background information

Please, put a mark in the boxes of your option.

1. Sex Male Female

2. Educational level:

Secondary completed or below

12+1 completed

College Diploma

University Degree

Other (specify)

3. Age:

Below 25

26-35 year

36-45 years

45-55 years

Above 55 years

4. What type of business are you engaged in

Not working

Salaried employed (public)

Salaried employed(private)

Self employed (own business < 1 million capital)

Self employed (own business > 1 million capital)

5. Income level :

Below 2000 birr

2000-4000 birr

4000-5000 birr

Above 5000 birr

6.Type of service/s do you use in the bank?

Current account

=

Money transfer service

=

ATM services

=

Saving account

=

Forex services

=

Internet banking

=

Loan facilities

=

II. Bank Choice Criteria

Please describe the reasons for you to bank with your current financial service provider (banks) (select the level of agreements on each factor)

	SA	A	N	D	SD
Price related factors					
Rate of interest charged for loans is small as compared to others					
Rate of interest paid on saving deposits is highest of all banks					
The Service charge paid to bank services is the lowest as compared to other banks					
Others (Specify).....					
Availability of Services/resources					
Loans are easily available or accessible					
Forex resources are easy to get in the bank					
Other bank services like money transfer, check and cash related services can be accessed easily					
Others (Specify).....					
Service quality					
The range of services offered is among the best in the industry					
The information provided on services is among the best in the industry					
The speed of services is among the best in the industry					
Others (Specify).....					
Physical Presence					
The extent of the branch network is adequate.					
The location of branches is appropriate.					
Others (Specify).....					

E-banking					
The number of ATMs is adequate and accessible					
The bank provides mobile banking services					
Internet banking services are available					
Point of sale terminals are available					
The range of e-Banking services (Internet Banking, POS, Mobile Banking) is adequate					
Others (Specify).....					
Accessibility					
Branch Opening and closing hours are convenient					
Service through online banking are available 24/7					
Service through private banking is need when needed					
Branches are in accessible location					
Others (Specify).....					
Quality of Premises					
The quality of head office is appreciable as compared to other banks					
Branches are in convenient location having good ambience for service					
Others (Specify).....					
Staff and Management					
There are friendly and helpful personnel in the bank					
Management responds well to complaints and service failures					
The bank is run by reputable management group and board members					
Others (Specify).....					
Reputation and confidence					
<ul style="list-style-type: none"> • the reputation in the market 					
<ul style="list-style-type: none"> • Safety of funds and confidence 					

<ul style="list-style-type: none"> • Implicit/explicit guarantees to the depositors such as deposit insurance 					
Financial performance					
The bank is heading in growth path					
Profitability of the bank is on the highest					
Risk exposure of the bank is not significant					
There is no worry in the financial standing of the bank					
Others (Specify).....					
Promotion					
The bank is Advertising itself appropriately					
TV/radio presence has made me to choose the bank					
Presence in newspaper and print media has made me to choice the bank					
Personal contact from bank marketing staff has influence my choice					
Referral from other customers has influenced my bank decision					
Others (Specify).....					
Innovation					
The Bank has done a lot in providing a differentiated product					
The bank has implemented a better Market segmentation (strategy influencing my choice					
The bank is always first with new products/services					
Others (Specify).....					
Loyalty					
You have plan to switch to other banks					
You continue to deal with your bank even if there are failures in basic matters					

SA- Strongly Agree, A-Agree, N-neutral, D- Disagree, SD- Strongly Disagree

In your opinion what other factors has influenced your bank choices?

What other factors does influence you to shift to other banks ?

What improvements do you like to see in your bank?

Appendix B: Statistical Results

Table B1 : Total variance Explained

Comp nents	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sum of Square Loadings		
	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%	Total	% of Variance	Cumulative%
1	7.257	7.283	7.283	7.257	7.283	7.283	4.886	16.456	16.456
2	5.264	8.270	15.553	5.264	8.270	15.553	3.671	13.712	30.168
3	2.114	7.648	23.201	2.114	7.648	23.201	3.471	12.778	42.946
4	2.003	19.013	42.214	2.003	19.013	42.214	2.653	10.323	53.269
5	1.72	3.960	46.174	1.72	3.960	46.174	2.444	8.023	61.292
6	1.108	3.248	49.422	1.108	3.248	49.422	1.953	3.622	64.914
7	0.995	3.368	52.790						
8	0.892	2.851	55.642						
9	0.886	1.738	57.380						
10	0.875	0.830	58.210						
11	0.863	1.063	59.273						
12	.851	1.078	60.351						
13	.784	1.515	61.866						
14	.758	1.238	63.104						
15	.723	1.328	64.432						
16	.634	1.028	65.461						
17	.619	0.928	66.389						
18	.590	0.548	66.937						
19	.572	3.083	70.020						
20	.563	1.388	71.408						
21	.551	1.068	72.476						
22	.532	1.563	74.039						
23	.510	1.798	75.838						
24	.504	1.550	77.387						
25	.499	1.503	78.891						
26	.490	1.148	80.039						
27	.476	1.973	82.012						
28	.458	0.928	82.940						
29	.410	1.498	84.438						
30	.398	2.018	86.456						
31	.375	1.443	87.900						
32	.321	2.820	90.720						
33	.290	0.663	91.383						
34	.274	1.603	92.986						
35	.213	1.443	94.429						
36	.194	0.958	95.387						
37	.192	2.788	98.176						
38	.182	2.368	100.544						

Table B2 : Factor Rotation (Rotated Component Matrix)

	Items	Components					
		1	2	3	4	5	6
1	<i>The speed of services is among the best in the industry</i>	-0.20	0.741	.134	.234	.342	-.121
2	<i>The extent of the branch network is adequate.</i>	.230	.369	-.13	.141	.078	.815
3	<i>The location of branches is appropriate.</i>	.064	-.232	.163	.121	-.17	.765
4	<i>Forex resources are easy to get in the bank</i>	-.043	.633		.360	-.05	.213
5	<i>There are friendly and helpful personnel in the bank</i>	.321	.543	-.02	.407	.115	.616
6	<i>Management responds well to complaints and service failures</i>	-.465	.495	.455	.141	.251	.724
7	<i>Loans are easily available or accessible</i>	-.446	.886	.177	.121	.378	.272
8	<i>The range of services offered is among the best in the industry</i>	.015	.751	.179	.210	-.07	.477
9	<i>Branches are in convenient location having good ambience</i>	-.095	.378	.097	.426	.342	.713
10	<i>The quality of head office is appreciable</i>	.198	.574	.000	.412	.370	.851
11	<i>Other bank services like money transfer, check and cash related</i>	-.221	.893	.341	.311	-.07	.122
12	<i>The information provided on services is among the best</i>	-.019	.671	.177	.405	.081	.296
13	<i>The bank is Advertising itself appropriately</i>	-.495	.195	-.30	.418	.695	-.321
14	<i>The number of ATMs is adequate and accessible</i>	.301	-.402	.812	-.40	.073	-.267
15	<i>Safety of funds and confidence</i>	-.492	.034	.174	.545	.209	.386
16	<i>Referral from other customers has influenced my bank decision</i>	.304	.121	.083	.481	.723	.399
17	<i>Branch Opening and closing hours are convenient</i>	.053	.730	.183	.091	.271	.137
18	<i>Implicit/explicit guarantees to the depositors</i>	.122	.473	.302	.677	.154	.123
19	<i>The Service charge paid to bank services is the lowest</i>	.624	.042	.393	.294	.301	.031
20	<i>TV/radio presence has made me to choose the bank</i>	-.177	.312	.400	.273	.599	.126
21	<i>Personal contact from bank marketing staff has influence</i>	.437	.399	.276	.395	.672	.087
22	<i>There is no worry in the financial standing of the bank</i>	.134	.309	.120	.732	.302	.187
23	<i>Rate of interest charged for loans is small as compared to others</i>	.739	.323	.083	.343	.073	.333
24	<i>The bank is always first with new products/services</i>	-.392	.429	.813	-.42	.081	.348
25	<i>The bank has implemented a better Market segmentation</i>	.291	.590	.719	-.32	.100	.062
26	<i>the reputation in the market</i>	-.232	.348	.402	.830	.193	-.031
27	<i>Presence in newspaper and print media has made me to choice</i>	-.371	.074	.479	.146	.794	.213
28	<i>Internet banking services are available</i>	.144	.091	.649	.032	.184	-.091
29	<i>The Bank has done a lot in providing a differentiated product</i>	.300	.210	.745	.612	.403	.397
30	<i>The bank provides mobile banking services</i>	.297	.149	.825	.530	.302	.477
31	<i>Service through online banking are available 24/7</i>	-.025	.711	.072	.199	-.081	-.082
32	<i>Profitability of the bank is on the highest</i>	-.231	.034	.038	.692	.193	.037
33	<i>The bank is run by reputable management group and board</i>	.423	.392	.067	.053	.163	.766
34	<i>Point of sale terminals are available</i>	.399	.264	.749	.081	-.19	-.067
35	<i>The bank is heading in growth path</i>	0.093	.308	.403	.673	.032	.532
36	<i>Service through private banking is need when needed</i>	.073	.853	.450	.343	.092	.344
37	<i>Rate of interest paid on saving deposits is highest of all banks</i>	.523	-.073	.212	.372	.046	.132
38	<i>Risk exposure of the bank is not significant</i>	.534	.079	.292	.634	.078	.199

