

**Determinants of Commercial Bank Customer Base Expansion: *An Empirical Study on Commercial Banks Operating At Jimma Town***



*A Thesis Submitted to the School of Graduate Studies of Jimma University in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (MSC)*

BY:

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**JIMMA UNIVERSITY**

**COLLEGE OF BUSINESS & ECONOMICS**

**MSC PROGRAM**

**JUNE, 2017**

**JIMMA, ETHIOPIA**

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Under the Guidance of

Dr. Arega Seyoum



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## DECLARATION

I hereby declare that this thesis entitled “*Determinants of Commercial bank customer base expansion: An Empirical study on Commercial Banks Operating At Jimma Town*”, has been carried out by me under the guidance and supervision of Dr. Arega Seyoum.

The thesis is original and has not been submitted for the award of any degree or diploma to any university or institutions.

Researcher’s Name

Date

Signature

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## CERTIFICATE

This is to certify that the thesis entitles “*Determinants of Commercial Bank Customer Base Expansion: An empirical study on commercial banks operating at Jimma town*”, submitted to Jimma University for the award of the Degree of Master of Science in Accounting and Finance (MSC) and is a record of bonafide research work carried out by Mr. *Abreham W/meskel*, under my guidance and supervision.

Therefore, I hereby declare that no part of this thesis has been submitted to any other university or institutions for the award of any degree or diploma.

*Main Adviser’s Name*

*Date*

*Signature*

*Co-Advisor’s Name*

*Date*

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## ***Abstract***

*The purpose of this study is to investigate determinants of commercial bank customer base expansion operating at Jimma town. There are 16 commercial banks operating at Jimma town, and CBE takes the lion share by having nine branches on the town. The study had used both primary and secondary data. The primary data was collected by a means of self-administered questionnaires from customers who have saving or current account and also his/her age is 18 years and above. Secondary data was collected from current account or saving account holder register books of those commercial banks under this study. The researcher distributed and collected 384 questioners that have 7 categories with a total of 51 sub variables. Out of total factors six of them are independent variables, namely: service quality, customer satisfaction, customer commitment, customer trust, switching barrier and corporate images. Meanwhile the dependent variables taken on this study is customer loyalty in respect of customer attraction and customer retention. To provide meaning full judgment to the concerned body the data is analyzed using descriptive, correlation and regression analysis. Cronbach Alpha and Klomogrov Simrov test were used to test the reliability and normality of the data respectively prior to the analysis was start. As a result of the study it was found that service quality, customer satisfaction, switching barrier, customer trust and corporate image positively and significantly affect customer base expansion of commercial banks operating at Jimma town. Meanwhile customer commitment medium but positive relationship and significantly affect customer base expansion of commercial banks operating at Jimma town. Finally the researcher had recommended that management of commercial banks operating at Jimma town should consider those six factors on their marketing strategy of expanding their customer base.*

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## ACRONYMS AND ABBREVIATIONS

SPSS: Statistical Package for Social Science

CATS: Customer Accounts and Transaction Service

NBE:-National Bank of Ethiopia

# CHAPTER ONE

## 1. INTRODUCTION

### 1.1. Background of the Study

Commercial banks are profit making financial institutions that give local and foreign money transfer, foreign currency exchange, and depository and loan service to individuals or organizations that needs these services. The commercial bank is one of the financial institutions that contribute a great role for the development of the country through a flow of money from surplus area as a deposit to the area that have slack as a loan. The way commercial banks perform their day-to-day activities such as granting loans, accepting deposits and providing other financial services are being changed in response to technological changes, policy and directives enforced by central bank, competition among banks, customer preference and the need for attaining greater efficiency and effectiveness. Commercial banks involves accept money from the depositors and lend it to the borrowers. The borrowers may either individuals or government of the country. Therefore, to have sufficient lending capacity as required as by the market, commercial banks needs to deposits more and more amount of money in their treasury.

According to Mohammad and Mahdi (2010) financial resources of banking system are naturally provided from people's deposit. Thus, this is an indication that individuals are the main source of commercial banks deposit. Given this general facts, the bank can generates this essential resources from individual households or business organization that have the ability and willingness to deposit their money at banks. Mobilizing deposits is not possible without knowing and controlling those factors that determine customer needs. Then, as the researcher's belief controlling factors that affects customers' feeling enables the banking industry easily mobilize the essential resource (deposit) through making their customer loyal to them. Thus, knowing what factors affecting customer feeling in banking industry is essential input to build a large numbers of loyal customers. Consequently the deposit capacity, lending capacity and profitability of those banks does not show variation for a long period of time. Because, loyal customer does not easily shift from their original bank (close their account from the bank in which they serve for a numbers of years and open account in other bank) to other banks, even if they are tried to hunt by other competitors within market.

The Ethiopian commercial bank industry has changed for the better following the downfall of the Socialist Regime in 1991, and financial sector reform and liberalization according to Monetary and Banking Proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 which laid down the legal basis for investment in the banking sector. Consequently, the first private bank, Awash International Bank was established in 1994. On December 31, 2013, there were 16 private and 3 government-owned banks operating in Ethiopia (CBE CATS technical training manual May, 2014).

Thus, this study focuses on what factors affects customer base expansions of commercial banks operating at Jimma town by primarily focusing on identifying the directions and significance of those factors in relation with banks activities of expanding their customer base and recommend them how easily attract new customers and retain existing customers with them to assure their continuity with sustainable deposit balance, lending capacity and profitability in the current competitive market.

## **1.2. Statement of the Problem**

Finance is the most important resources for the development of any country. Commercial banks are one of the financial centers that cover a large portion of loan needs of individual investors or government projects. The main deposit stream of commercial banks is individuals that have the potential and willingness to save their money in the bank. So, to ensure the deposit capacity of commercial banks always available as required as for lending by local banks, the researcher believed that attracting new and retain existing customer should be the first step.

As the researcher knowledge previously there is no research is conducted on this title and some of previous studies conducted in Ethiopia focused on factors that determine financial performance and profitability of commercial banks. Such previously conducted researches taken as a sample for this study are:- 1/ determinants of commercial banks profitability: an empirical review of Ethiopian commercial banks by Belayneh (2011), 2/ the financial performance of the Ethiopian commercial banks by Habtamu (2004), and: 3/ What drives the performance of commercial banks in Ethiopia by Abebaw and Depaack (2011). Thus, this indicates that they completely missed the major pillar

(customer base) that enables banks to have a capacity for deposit mobilization, loan disbursement and maximizing profit.

The facts that the main source of banks deposit is customers, the bank that have huge customers base can mobilize huge deposit balance. Meanwhile having huge deposit balance leads the bank to have huge lending capacity and having huge lending capacity leads the bank to disburse huge loan and generate huge profit. This is an indication that identifies what factors determine customer base expansion of the bank is the best strategy to score dynamic change on the overall performance of the bank and satisfy the financial needs of mega projects on the country. Therefore, this is one of the truths that motive the researcher to conduct this study on the title “Determinants of commercial bank customer Base Expansion”.

Banking industry has traditionally operated in a fairly stable environment for decades. However, now days the banking industry is facing a radically aggressive competition in a new deregulated environment. At the same time as discussed above Government of Ethiopia has taken several steps and reforms for its banking industry such as privatized number of banks which further increases the competition and involvedness among the banks. So, the researcher has no doubt competition will continue to be a more significant factor.

Ethiopia has registered remarkable economic performance with annual growth averaging 10.9% over the past ten years. This is double the Sub Sahara Africa and triples the world average growths over this period and has led to Ethiopia being rated as one of the fastest growing economies in the world (United Nations Development Program, 2014). In addition Ethiopia is the second largest country in Africa after Nigeria (Deloitte, 2014). Therefore, Sustainable economic growth and large population size of Ethiopia is a great opportunity to banking industry to mobilize additional deposit to their reserve account and support national development endeavor through supplying loan to Government and private investors projects. However, local banks did not satisfy the financial needs of the country as required as by Governmental and private investor’s projects. So, the Government of Ethiopia still cover this gap from selling of bonds, donation and in some case loan from foreign banks of the country which have good relationship. Such mechanisms of fulfilling a deficit especially from foreign government or foreign banks may results political impose on the country in



the future. Therefore, the researcher of this paper believed that the best strategy to mobilizing deposit and enhance lending capacity of banks is expanding their customer base. However, in contradict with this fact; dramatically there are still a large numbers of unbanked societies in Ethiopia. This is an indication that banking industry in Ethiopia depends on a few numbers of customers. Then, banks forced to exercise competition through hunting of customers each other. Even if each bank seems make high effort to achieve its deposit plan, it is clear that deposit mobilize achieved through hunting of customers does not have significant effect on aggregate deposit balance of all banks treasure account at national bank. So, other things being constant, to generate additional deposit and satisfy the financial needs of governmental and private projects through loan, the best strategy banks must adapt is retain existing customers and attracting the unbanked society to their bank's branch.

The researcher also understand that attracting of unbanked customers have three purposes for banks: - 1/ their deposit balance and lending capacity is promoted as a result of idle money mobilized from those customers that may kept their money for a number of years out of the circulation of money, 2/ banks dependability on few customers can be avoided, 3/ banks deposit balance and lending capacity can be sustainable without fluctuation as a result of having large customer base. Thus, these three facts enhance the lending capacity of banks as a whole and assured the national development endeavor by satisfying the financial needs (loan) of Government and private investor's mega projects. So, this precious point motivates the researcher to conduct this study on this specific area. Therefore, it is clear that to find out factors that determine customer base expansion, judge the degree of effect and significance of each factor and what relation each factor has with customer base expansion (attraction and retention) is necessary to build the capacity of the bank and then support national development endeavor. Thus, this study fills this gap by identifying and evaluating factors that determine customer base expansion and give recommendation what measurement action should be taken by commercial banks management to manage their customer base.

Finally, this research attempted to answers the following questions:-

- ❖ To what extent the factors affecting customer base expansion of selecting commercial banks operating at Jimma town?

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

### **1.3.1. General Objective**

The main objective of this study was to investigate empirically the determinants of customer loyalty of selected commercial banks operating at Jimma town.

### **1.3.2. Specific Objectives**

The specific objectives of the study are:-

- ❖ To investigate the degree of effect of service quality, customer satisfaction, switching cost, customer trust, customer commitment and corporate image on customer base expansion of selected commercial banks operating at Jimma town?
- ❖ To investigate what relationship service quality, customer satisfaction, switching cost, customer trust, customer commitment and corporate image has with customer base expansion of selected commercial banks operating at Jimma town?
- ❖ What strategy should be applied to manage their customer base expansion of selected commercial banks operating at Jimma town?

## **1.4. Hypotheses of the study**

The hypotheses are predictions about the outcome of the results, and they may be written as alternative hypotheses specifying the exact results to be expected (more or less, higher or lower of something). They also may be stated in the null form, indicating no expected difference or no relationship between groups on a dependent variable as stated by (Creswell 2009). Therefore, this study were developed the following hypotheses based on a theoretical literature review and developed conceptual framework, to investigate whether those six independent factors have an effect on the customer loyalty as a dependent factor:

Hypotheses 1: there is a positive and significant relationship between service quality and customer loyalty in respect to customer attraction and retention.

Hypotheses 2: there is a positive and significant relationship between customer satisfaction and customer loyalty in respect to customer attraction and retention.

Hypotheses 3: there is a positive and significant relationship between switching barrier and customer loyalty in respect to customer attraction and retention.

Hypotheses 4: there is a positive and significant relationship between corporate image and customer loyalty in respect to customer attraction and retention.

Hypotheses 5: there is a positive and significant relationship between customer commitment and customer loyalty in respect to customer attraction and retention.

Hypotheses 6: there is a positive and significant relationship between customer trust and customer loyalty in respect to customer attraction and retention.

Hypotheses 7: there is a positive and significant relationship between service quality and customer satisfaction in respect to customer attraction and retention.

Hypotheses 8: there is a positive and significant relationship between customer satisfaction and customer commitment in respect to customer attraction and retention.

Hypotheses 9: there is a positive and significant relationship between customer trust and customer commitment in respect to customer attraction and retention.

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

As the researcher believes this study put its contribution by identifying and evaluating the key factors that determine customer base expansion of selected commercial banks operating at Jimma town. So, the finding of this study is expected to be applied by both the academicians and concerned bank managements.

Accordingly the following facts are the significances of this study.

- This study will help commercial banks to manage their customer base by letting them know what factors determine customer base expansion and enabling them to take a measurement action on their strategy to improve their market share in terms of having a numbers of loyal customers and large deposit balance.
- In Ethiopia, specifically in Jimma town, there are no previously conducted studies on determinants of customer base expansion; therefore, this study will play an important role by filling the gap and serves as reference material for finance academicians and concerned bank managements.

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

This study aimed at investigating and reporting on limited aspects that determine customer base expansion of selected commercial banks operating at Jimma town. This research focuses on commercial banks operating at jimma town by selecting six major factors that may influence customer base expansion. Those factors are selected by reviewing various related literature and combining different factors from different literature to gain full feeling (perception) of customers regarding selected commercial banks operating at Jimma town. Those factors are service quality, customer satisfaction, switching barrier, customer trust, customer commitment and Corporate Image/Reputation. This study was conducted by using correlation study design. The data was analyzed by using descriptive statistics, correlation and multiple linear regressions analysis

## **1.7. Structure of the Thesis**

The paper for this study was organized into five chapters. The first chapter deals with the background of the study, statement of the problem, the general and specific objectives of the study, hypothesis of the study, significance of the study and scope of the study. The second chapter deals with the theoretical and empirical literature review on factors determining commercial bank customer base expansion. The theoretical review that explains what the literature says about the relationship between bank customer base expansion and the factors affecting it. The empirical review shows what findings were observed before on the same areas of study made by other researchers. The third chapter deals with the data, hypothesis and methodology of this study. The sources of qualitative and quantitative data of the study are indicated. The fourth chapter deals with analysis of the data and presentation of the output. In the fifth chapter the researcher concludes the findings of the study and recommends based on the observed findings.

## CHAPTER TWO

### 2. REVIEW OF RELATED LITERATURE

Under this chapter theoretical review and empirical evidences that provides information about the determinant of Commercial banks customer loyalty are discussed. Under section 2.1.1. overview of the banking system in Ethiopia are discussed. In section 2.1.2 overview of marketing strategies in the banking industry are discussed. In section 2.1.3 theoretical review related with factors that determine customer loyalty are discussed in detail. In section 2.2 empirical literatures that are studied earlier regarding attracting and retaining loyal customer to banking industry are discussed in a well manner.

#### 2.1. Theoretical Review

##### 2.1.1. Overview of the banking system in Ethiopia

Traditional financial system in Ethiopia has long history and paramount contribution to economic betterment and social wellbeing of the society. Traditional institutions organized with a sense of cooperation and risk sharing has enabled Ethiopians to experience saving and financial management within its cultural context. Equb and Edir are some of the informal financial institutions that shaped the social bond and interaction (Gebeyaw Aychile 2008).

Thus, modern banking business was started operation after the agreement that was reached in 1905 between Emperor Minilik II and Mr.Ma Gillivray, representative of the British owned National Bank of Egypt marked the introduction of modern banking in Ethiopia. Following the agreement, the first bank called Bank of Abyssinia was inaugurated in February 16, 1906 by the Emperor. The Bank was totally managed by the Egyptian National Bank operates until its liquidation in 1931 (CBE CATS technical training manual, May, 2014).

Then, by 1931 Bank of Abyssinia was legally replaced by Bank of Ethiopia shortly after Emperor Haile Selassie came to power. The new Bank, Bank of Ethiopia, was a purely Ethiopian institution and was the first indigenous bank in Africa and established by an official decree on August 29, 1931 with capital of £750,000. Bank of Ethiopia took over the commercial activities of the Bank of Abyssinia and was authorized to issue notes and coins. During the invasion, the Italians established

branches of their main Banks namely Banca d'Italia, Banco di Roma, Banco di Napoli and Banca Nazionale dellavoro and started operation in the main towns of Ethiopia. However, they all ceased operation soon after liberation except Banco di Roma and Banco di Napoli which remained in Asmara. In 1941 another foreign bank, Barclays Bank, came to Ethiopia with the British troops and organized banking services in Addis Ababa, until its withdrawal in 1943. In April 1943, the State Bank of Ethiopia commenced full operation and acted as the central Bank of Ethiopia and had a power to issue bank notes and coins as the agent of the Ministry of Finance. The Bank also functioned as the principal commercial bank in the country and engaged in all commercial banking activities (CBE CATS technical training manuals, May, 2014).

The Ethiopian Monetary and Banking law that came into force in 1963 separated the function of commercial and central banking creating National Bank of Ethiopia and give birth to commercial Bank of Ethiopia. Moreover it allowed foreign banks to operate in Ethiopia limiting their maximum ownership to be 49 percent while the remaining balance should be owned by Ethiopians (CBE CATS technical training manuals, May, 2014).

The National Bank of Ethiopia with more power and duties started its operation in January 1964. Following the incorporation as a share company on December 16, 1963 as per proclamation No.207/1955 of October 1963, Commercial Bank of Ethiopia took over the commercial banking activities of the former State Bank of Ethiopia. It started operation on January 1, 1964 with a capital of Eth. Birr 20 million. In the new Commercial Bank of Ethiopia, in contrast with the former State Bank of Ethiopia, all employees were Ethiopians (CBE CATS technical training manuals, May, 2014).

The first privately owned bank, Addis Ababa Bank Share Company, was established on Ethiopians initiative and started operation in 1964 with a capital of 2 million. There were two other banks in operation namely Banco di Roma S. C and Bank o di Napoli S.C. that later reapplied for license according to the new proclamation each having a paid-up capital of Eth. Birr 2 million (CBE CATS technical training manuals, May, 2014).

Following the declaration of socialism in 1974 the government extended its control over the whole economy and nationalized all large corporations. Organizational setups were taken in order to create stronger institutions by merging those that perform similar functions. Accordingly, the three private owned banks, Addis Ababa Bank, Banco di Roma and Banco di Napoli Merged in 1976 to form the second largest Bank in Ethiopia called Addis Bank. Consequently Addis Bank and Commercial Bank of Ethiopia S.C. were merged by proclamation No.184 of August 2, 1980 to form the sole commercial bank in the country till the establishment of private commercial banks in 1994 (CBE CATS technical training manuals, May, 2014).

There were other financial institutions operating in the country like the Imperial Savings and Home Ownership public Association (ISHOPA) which specialized in providing loans for the construction of residential houses and to individuals under the guarantee of their savings. There was also the Saving and Mortgage Corporation of Ethiopia whose aims and duties were to accept savings and trust deposits account and provide loans for the construction, repair and improvement of residential houses, commercial and industrial buildings and carry out all activities related to mortgage operations, until its changed to its current name ,Construction and Business Bank. On the other hand, there was a bank called Agricultural Bank that provides loan for the agricultural and other relevant projects established in 1945 and operated until it was replaced by its successor Ethiopian Agriculture and commerce bank in 1950.In 1979, Ethiopian Agriculture and commerce bank was replaced by Agriculture and industry development bank, which was then renamed to the present ,Development Bank of Ethiopia with new objectives enacted as per proclamation number 25/1991 and Councils of Ministries regulation no. 83/2002 (CBE CATS technical training manuals, May, 2014).

Subsequent to the demise of the Dergue regime in 1991, EPRDF declared a liberal economy system. In line with this, Monetary and Banking proclamation of 1994 laid down the legal basis for investment in the banking sector. Consequently, the first private bank, Awash International Bank was established in 1994. On December 31, 2013, there were 16 private and 3 government-owned banks operating in Ethiopia (CBE CATS Technical Training Manual, May, 2014).

## **2.1.2 Criteria of Bank Selection by Customers**

### **❖ Criteria of bank selection in Europe**

Lewis (1982) evaluated the behavior of college students in terms of bank selection. For this purpose he surveyed 716 students from 11 colleges and universities in England. The result revealed that “convenient of location to college” and “parental advice and influence” were found to be important factors in this regard.

Holstius and Kaynak (1995) surveyed 258 Finish banking customers in terms of bank selection criteria and results indicated that the Finish 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”.

Mylonakis, Malliaris and Siomkos (1998) conducted the research on banking customers to find out the taste and criteria to select the bank on the basis of some factors in Greece. They used sample of 811 banking customers and the result revealed that the most important factors were ranked as “convenient location” and “quality of services (personalized service, no queues, and attention to customers)”.

Kennington, Hill and Rakowska (1996) studied the consumer selection for bank in Poland. They collected the data from 204 polish respondents. The findings revealed that the reputation and pricing were the most important variables for bank selection in Poland.

Thwaites and Vere (1995) conducted the research to evaluate the bank selection criteria through college students in Britain and “ATM nearness to university” and “free banking services” were found to be high in rank in term of bank selection criteria.

### **❖ Criteria of bank selection in Africa**

Omer and Orakwue (2006) investigated the bank selection criteria used by customers in Nageria. The result stated that the important factors were considered by Nagerian customers for selection of bank and these factors were ranked in this sequence “safety of fund”, “efficient of service” and



“speed of transaction”Hinson, Owusu-Frimpong and Dasah (2009) investigated the bank selection choice in Ghana.

They used the sample of 2000 customers of 22 retail banks in Ghana. The factor “Proximity” was highly recommended by customers in term of bank selection and the “word of mouth advertising” was the least ranked factor recommended by customers.

### ❖ **Criteria of bank selection in North and South America**

The study related to bank selection decision was conducted in USA by (Kaufman, 1967) checked the factors which effect on bank selection by household, customers and firms operating in the USA. He revealed that household selects the bank on the basis of these variables like quality of services, relationship between bank and customers and suitable location to home offered by bank.

Mason and Mayer (1974) conducted the research on bank selection by two groups of customers with low income and high income in the region of USA. He found that “convenient” factor is the top in rank and other factors were priorities in this sequence: “friendly personnel”, “favorable loan experience”, “advice of friends”, and “influence of relatives”.

This study was conducted in USA by Javalgi, et al. (1989) and investigated that bank selection decision were influenced by monetary factors. The findings showed that financial factors like “interest on savings accounts”, “safety of funds” and “availability of loans” were having high scores. Some other important factors were “convenient location” and “bank’s reputation”.

Khazeh and Decker (1993) checked the view of 209 students of universities, in term of bank selection choice, in Maryland, USA. The findings showed the most important factors which influence students for bank selection: “service charge policy”, “reputation”, “interest charged on loans”, “quick loan approval and friendly tellers”.

Boyd, Leonard and White (1994) investigated the bank selection criteria on the basis of age of the household head by using telephone survey in USA. They stated that the persons having the age under 21 years recommended the factor “reputation” out of ten in top priority for bank selection and

followed by “location”, “hours of operation”, “interest on savings accounts”, “the provision of convenient” and “quick services”. The least ranked factors for bank selection criteria were to be found “friendliness of bank employees” and “the modern nature of their facilities”.

Yue and Tom (1995) determined the bank selection criteria through Chinese-American banking customers in the region of Sacramento, California USA. The important factors were ranked by customers in term of bank selection criteria in this way: “efficiency of services offered”, “bank's reputation”, “bank fees”, “convenient location”, and “interest rates on saving accounts and loans”.

Pass (2006) studied the bank selection criteria by some college students. He used a sample of 373 students from 4 colleges and universities in Western US to investigate what are the important variables on which students select the banks. Findings revealed that “pricing” and “convenience” were found to be suitable factors in selection of a new bank.

Laroche, Rosenblatt and Manaing (1986) tested 140 households in Canada to analyze that how customers select the bank in competitive banking atmosphere. The result revealed that “friendliness of staff” was having the important role in the process of bank selection and some other factors were ranked according to their importance in this sequence “hours of operation”, “size of waiting lines”, “convenience of location” and “efficiency of personnel”.

#### ❖ **Criteria of bank selection in Oceania/Australia**

The nationwide survey is conducted by Nielsen, et al.(1998) to evaluate the bank selection behavior of customers in Australia. They used the sample of 2500 from 25 banks. Results showed that the business customers strongly recommended those factors which full fill their credit needs.

#### ❖ **Criteria of bank selection in Asia**

According to (Kaynak and Kucukemiroglu, 1992) who conducted the research in Hong Kong to check how the customers of domestic and foreign banks make significant choice of bank. Findings showed that the real factors like “convenient location”, “financial counseling”, “and available parking space nearby”, “vault location”, “loans and mortgages” were prioritized by customers.

Tan and Chua (1986) investigated the customer behavior towards the bank selection in Singapore through selecting random sample and stated that “third party influence” namely bank recommended by family and bank recommended by friends were both top in rank in selecting bank and “convenience of location” was ranked in middle, while “speed of service delivery” was low in rank.

Haron, Ahmed and Planisek (1994) surveyed 301 Malaysian customers of commercial banks into two groups Muslims and non-Muslims to identify the bank selection criteria. The result revealed that the highest ranked factors were: “speed of transactions”, “fast and efficient services”, “friendliness of bank personnel”, and “confidentiality of bank”.

Mokhlis, Mat and Salleh (2008) surveyed the undergraduates to check the bank selection behavior of University students in Malaysia. They take University Malaysia Terengganu as sample and these factors “secure feelings”, “ATM service and financial benefits” were found to be important factors which influenced the undergraduates.

Erol, Kaynak and El-B (1990) conducted the research on bank selection by Islamic and conventional bank’s customers in Jordon. The result described the highly ranked factors namely “fast and efficient services”, “confidentiality of bank”, “bank reputation and image” and “friendliness of bank personnel”.

The study conducted in Bahrain by Al-Ajmi, Abo Hussain and Al-Saleh (2009) to investigate the bank selection choice. They filled the 1000 questionnaires form customers of Islamic and conventional banks with response rate of 65.5 and the results revealed that the most important factors were ranked “Islamic religious belief” and “social responsibility” by Bahrainian customers and the factor “cost benefit” was ranked in third.

Almossawi (2001) investigated the bank selection choice by university students in Bahrain. He used the sample of 1000 students of university of Bahrain having the age between 19-24 and results revealed some factors according to their importance by university students in this sequence of priority: “bank's reputation”, “friendliness of bank personnel”, “availability of parking space near the bank”, “availability of ATM” and “location of ATM (automated teller machines)”.

Rashid (2009) conducted the research to analyze the Islamic bank selection criteria in Bangladesh. He used sample of 371 customers from 5 banks in Dhaka capital city. The factors like “corporal efficiency”, “core-banking services” and “confidence” were found to be important in bank selection criteria by Bangladesian banking customers.

Hedayatnia, Eshghi and Avenue (2011) studied to check the bank selection criteria of retail banking industries in Iran with 38 factors. They took the sample of 798 banking customers and interviewed the 5 officials of bank. They used the factor analysis and Friedman analysis to check the bank selection criteria. The results revealed that “quality of services and new banking methods”, “innovation and responsiveness of bank”, “friendliness of staff and confidence in manager”, “price and cost”, “staff attitudes” and “convenience of bank location and services” were the factors ranked by students for select the bank.

Rehman and Ahmed (2008) conducted the research on bank selection criteria in Lahore, Pakistan. They collected the data from 358 customers of privatized, nationalized and private banks in Lahore. The findings revealed that such factors like “customer services”, “convenience”, “online banking facilities” and “overall bank environment” were prove to be most important for bank selection.

Awan and Bukhari (2011) studied to evaluate the Islamic bank selection criteria in Pakistan. They used the sample size of 250 respondents and results showed that the customers highly value these factors “product features” and “quality of services” according to their importance while “religious belief” is less important for selection of an Islamic bank.

Nayyab, et al. (2011) checked the impact of demographic variables on Islamic bank selection criteria in Okara, Pakistan. They collected the data from 100 respondents who were having the bank accounts of three Islamic banks “Dubai Islamic Bank Ltd.”, “Islamic Bank Ltd.”, and “Meezan Bnak Ltd.”. The result indicated that the “convenience” is the first most important factor while “corporal efficiency” and “cost and benefit” are the second most important factors for bank selection. The least important factor was found to be “compliance”.

### **2.1.3 Factors Affecting Customer Loyalty/Customer attraction and Retention in Banking Industry**

The concept loyalty as used here is different to that more common one which too often obliges scholars to include additional specifications: mental, behavioral, cognitive, affective, conative, proactive, and so on. In this context, customer loyalty is defined as the strongest form of relation between a customer and a firm.

#### **❖ *Perceived Quality***

A concept which is very closely related with satisfaction and loyalty is perceived quality, and the differences between these have not always been very clearly defined. In this study, perceived quality is defined as an overall judgment and the generally excellent or the superiority evaluated by customer on the services quality (Zeithaml *et al.*, 1988). It is pointed out that balancing customer expectation in delivering services quality influenced customer satisfaction towards services providers (Zeithaml *et al.*, 1996). However, (Zeithaml *et al.*, 1996) stated that perceived services quality is the difference or comparison of customer expectation with their perceptions of performance. Recently, researchers have investigated a variety of approaches to measure perceived quality. However, the implementations of such strategies have been compounded by the mysterious nature of service quality construct, making it extremely difficult to be defined and measured (Anadol, 2013). It has also been found that when the perceived value was low, customers would be more inclined to switch to competing businesses in order to increase perceived value, thus contributing to a decline in loyalty (Malik, 2012). Further studies indicate that all the dimensions of service quality have a positive and significant influence on customer loyalty banking industry (Auka, 2013). However, many of these studies were conducted in Europe and Asia and only a few in Sub-Saharan Africa.

#### **❖ *Customer Satisfaction***

Customer satisfaction is a complex process of various aspects, which operate in a coherent manner and form attitudes of customers towards a banking industry. Customer satisfaction is a satisfied feeling toward the performance of product/service after they consume or use it (Belás, 2014). In the process of forming customer satisfaction, the economic factors, emotional attitudes, and habits of consumers are acting. According to (Chavan *et al.*, 2013), bank business depends very much on the

quality of the customer service provided and overall satisfaction of customers. The former, (Chavan *et al.*, 2013) have further defined eight of the most important attributes of satisfaction: paying individual attention to each client, personnel behavior inducing customer trust, attractive bank equipment, zero fees for issuing checks, zero error records, the possibility of online banking, security of transactions, helpful staff, and readiness of staff to answer to customer requirements regardless of occupancy. A satisfied customer is willing to use the same product despite of the change in price and time (Fraering *etal.*,2013).

#### ❖ *Switching Barrier*

As defined by Jones et al (2002), a switching barrier is any factor that makes it difficult or costly for customers to change providers. On the other hand Shergill and Bing (2006) stated that another brand loyalty determinant is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand. According to Kon (2004) when the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behavior, because of the risk or expense involved in switching and because of the accompanying decrease in the appeal of other alternatives.

#### ❖ *Customer Trust*

Another factor that is considered to affect customer loyalty is customer trust. Loyalty will occur if the customers truly trust the bank they make transaction. The growth in the stock of trust increases the probability of repurchase (Oliver, 1999). This can be interpreted in the light of the trust placed in the subjectively perceived probability that the expected value will be effective and on the perception of the transaction costs, both in using the product - or the service - and in the hypothesis by which the customer also evaluates the option of terminating the relationship. In business, trust refers to the confidence that one partner, the customer, has in the business's reliability and integrity to deliver goods and services (Proctor, 2000). Trust relates to the belief that a customer has in an honest investment and engagement with the service provider (Peltier *et al.*, 2006). In the banking context, trust is defined as customer confidence in the quality and reliability of the services offered by the organization (Garbarino *et al.*,1999). It becomes the moral values that are established to enhance their business relationship between banks and customers. Prior studies find trust to be the

core of the relational approach and consider it key to the development of the notion of commitment in provider-user relationships (Ratnasingam *et al.*, 2003). Trust is also considered as a key element in establishing long-term relationships with customers and in maintaining a company's market share (Urban *et al.*, 2000). Banks should focus on how to build the customers trust in order to make the repeat purchase and hence become loyal to those banks.

#### ❖ *Customer Commitment*

The factor that influences customer loyalty is customer commitment to retain valuable long term relationship with the firm. According to (Morgan et al., 1994), commitment stems from trust, shared values and the belief that it will be difficult to find partners that can offer the same value. Commitment encourages partners to collaborate in order to preserve investments in the relationship (Morgan and Hunt 1994). Rauyruen *et al.*, (2007) further define commitment as “a psychological sentiment of the mind through which attitudes concerning continuation of a relationship with a business partner is formed”. The reasoning is that without high commitment of the customers, it will not bring about customer loyalty. Besides, customer commitment mediates the influence of customer satisfaction and customer loyalty (Zafar, 2012). From above literatures, it can be predicted that if customers are committed to use bank services, they are likely to make the repeat purchase.

#### ❖ *Corporate Image/Reputation*

Today's consumers have more choices for their financial needs than ever before. Technology, globalization, increased competition and increased consumer mobility have dramatically changed the way people bank (Harwood, 2002). Many financial institutions are looking at branding techniques to differentiate themselves. Harwood (2002) argued that branding, as a tool to build image, is critical in the banking industry where all firms offer about the same kinds of products. Hence, it is critical that banks have a comprehensive knowledge of customers' values, attitudes, needs and perceptions of various services the bank offers and the image which customers have of the bank itself (Kaynak, 1986a, 1986b). Accordingly, bankers must be able to build and manage their bank's image in order to clearly define the differences between their bank and its competitors. As a consequence, brand reputation is important as a potential competitive advantage.

#### **2.1.4. Theory of Constraints (TOC) in Banking Industry**

High economic growth, intensified competition, and increased customer sophistication have forced the banking industry to reevaluate techniques to improve operational efficiency and profitability.

In recent years, service industries have faced significant competitive pressures resulting from globalization, rapid advances in technology, and a high degree of customer sophistication. The strategy factors used by service organizations in today's competitive marketplace include quality, availability, customer service, brand trust, time and others. In order to enhance their competitive position in the marketplace, service organizations must constantly look for ways to improve their performance on these factors.

The theory of Constraints (TOC) was developed by Eliyahu Goldratt in 1990. The constraints begin when the firm loses its customers to its competitors or needs to attract more customers to sustain profitability. Firms use the TOC to assess the causes of customer loss or factors that cause customer gain and loyal. Banks are constrained by competitive pressures and a rapidly changing environment and need to attract and retain customers if they want to survive and prosper. Therefore, understanding factors that cause customer loss to competitors is one of the major strategy to reduce or eliminate the constraints and improve their performance in terms of attracting and retaining more loyal customer on their branch.

## **2.2. Empirical Review**

There are abundant related empirical studies that deal with Factors Determining Commercial Banks customer base expansion is presented. This will help to see where the literature on this area is and how this study will add to the existing literature. Accordingly, the articles will be discussed below one by one.

### **2.2.1. Factors Influencing Customer Loyalty of Banking Industry: Empirical Evidence from Pakistan**

This article was written in 2014 GC by Rizwan Ali, Professor Gao Leifu and Ramiz ur Rehman. They investigate the factors influencing customer loyalty on banking industry and empirically



analyze them. A total of 22 observed variables are included in this study. They used customer loyalty as dependent variable and service quality, customer trust and brand reputation as independent variables. The questionnaires were distributed to the respondents by using convenient sampling technique. The opinions were measured by requesting respondents to indicate their perception by using Likert scales. Both correlation and linear regression were used to analyze the data. Finally they demonstrate the results of the finding and recommended how banks apply those factors to improve their customers' base.

According to Rizwan Ali, Professor Gao Leifu and Ramiz ur Rehman (2014), customer loyalty is largely influenced by service quality, trust and reputation. Rizwan Ali, Professor Gao Leifu and Ramiz ur Rehman (2014) find out that the influence of each factors on customer loyalty are varies on the basis of their capacity to make a customer loyal to his/ her serving bank. When they explain the importance of loyalty to banking industry, they said the high growth in banking sector can't be achieved without the customer's loyalty existing banking structure. The net result of the recent competition and legislation is that traditional banks have lost a considerable proportion of their domestic business to essentially nonbank competition. They state that no doubt competition will continue to be a more significant factor. So, loyalty is the best strategy to attract and retain customers and also win the computation. To find out those factors that influence loyalty they set the following three hypotheses:-

Rizwan Ali, Professor Gao Leifu and Ramiz ur Rehman, (2014) stated Service quality as a major factor influencing customer loyalty. They expected (Hypothesized) that service quality positively and significantly affect customer loyalty.

Rizwan Ali, Professor Gao Leifu and Ramiz ur Rehman, (2014) stated customer Trust are believed to increase customer loyalty. They expected (Hypothesized) customer trust positively and significantly affects customer loyalty.

Rizwan Ali, Professor Gao Leifu and Ramiz ur Rehman, (2014) stated corporate reputation can increase customer loyalty. They expected (Hypothesized) corporate reputation positively and significantly affect customer loyalty.

Finally, to reduce multicollinearity, independent variables found to be highly inter correlated are introduced into regressions one at a time and only the yielding the best fit retained. In addition the purpose of regression analysis was to determine which of the three factors would have the most important influence on customer loyalty. Meanwhile, variables whose coefficients are not statistically significant at the 5% level are removed. The outcome of the analysis shows as follow:- The analysis shows that the positive relationship between customer loyalty and service quality is .591 by Pearson coefficient. Consequently, just as expected by them, customer loyalty increases with the service quality. The positive relationship between customer loyalty and trust is .543 by Pearson coefficient. Therefore, as expected by them, customer loyalty increases with the trust increase. The positive relationship between customer loyalty and reputation is .465 by Pearson coefficient. Thus, as expected by them, customer loyalty increases with the reputation increase. Thus they concluded that service quality, trust and reputation are important predictors of customer loyalty. Finally they recommended and advice others researcher to employ additional variables such as switching barriers, commitment and satisfaction as factors affecting customer loyalty.

### **2.2.2. Direct Relationship of Service Quality, Customer Satisfaction And Customer Trust On Customer Loyalty:- An Empirical Analysis .**

This article written by Zahir Osman by 2013 G.C.A total of 46 observed variables are included in this study. A total of 410 rural tourism spot tourists were requested to complete a questionnaire that contained measures of the construct out of which he got 329 filled questionnaires. The questionnaires were distributed to the respondents in Klang Valley through email and on the spot by using convenient sampling technique. The opinions were measured by requesting respondents to indicate there perception by using Likert scales. Service quality, customer satisfaction and customer trust are the factors which he have selected for his research as independent factors and customer loyalty as dependent factor.

The main purpose of his study is to establish an understanding of the direct effect of service quality on customer loyalty, customer satisfaction on customer loyalty and customer trust on customer loyalty in Malaysia rural tourism industry. Based on a review from the previous study in the area, Zahir Osman, (2013) was developed a model shows causal relationship among the variables which are service quality, customer satisfaction, and customer trust and customer loyalty. Then, he

empirically tested the proposed model to confirm that have positive direct relationship as his expectation among service quality, customer satisfaction, customer trust on customer loyalty. In his hypotheses one (H1), bank service quality is predicted to have positive impact on customer loyalty. Results concurred this hypothesis with path coefficient of 0.278 and t-value of 2.208. Thus, he confirmed that there is positive direct relationship between service quality and customer loyalty and service quality has significant impact on customer loyalty. In his hypotheses two(H2), customer satisfaction is predicted to have positive influence on customer loyalty. Results give evidence to support H2 with the path coefficient of 0.260 and the t-value of 1.977. Then, he also assured that customer satisfaction and customer loyalty has positive direct relationship and customer satisfaction has significant effect on customer loyalty. In his hypotheses three (H3), it is predicted that customer trust has a positive impact on customer loyalty. The results supported H3 with the path coefficient of 0.325 and the t-value of 2.827. He find out that customer trust has positive direct relationship with customer loyalty and customer trust has significant impact on customer loyalty.

In view of that, he finally concluded that service quality, customer satisfaction and customer trust have positive direct relationship with customer loyalty and have significant impact on customer loyalty.

### **2.2.3. Determinant of Customer Loyalty and proposing a customer Loyalty Model for the Banking Sector of Pakistan**

Afsar Bilal (2011) had conducted on factors that determine loyalty in banking sector in Pakistan. He attempts to find the factors of customer loyalty and their relationships with banking industry in Pakistan. A total of 350 questionnaires were distributed among the respondents out of which he got 325 filled questionnaires. All of this data was numerical and as a result the methodological research approach in his thesis is quantitative. The above opinions were measured by requesting respondents to indicate there perception by using Likert scales. Perceived Quality, Satisfaction, Switching cost, Commitment and Trust are the factors which he have selected for his research as independent factors and loyalty as dependent factor.

Afsar Bilal (2011) states that the managers must meet the basic needs of the customers to make them satisfied such as the prompt and error free services and pricing issues(margins on loans,

charges on usage of ATM services).once the customer is satisfied, the chances of his/her becoming loyal to the bank increases considerably. He also states that the strength of their linkage shows that if the bank managers want to make the customers loyal, they should have some special strategies to satisfy the customer. A satisfied customer never takes the risk of changing or moving to other competitors.

Afsar Bilal (2011) stated the banks are successful in increasing the tangible quality of the services; they also become successful in increasing the number of satisfied customers. Intangible perceived quality has a good correlation with commitment and satisfaction. This means by providing error free services and paying special attention to the queries of the customers, the commitment of the customers can be increased. He also stated that the highly committed customers are those who received high standard of intangible quality of services provided by the banks.

Afsar Bilal, (2011) stated that managers should always consider the needs of the customers. The loyalty comes in the customers once their stated as well as unstated needs are fulfilled by the managers of the banks. It can be the current needs or the ones which could be desired in the future. The unstated needs can be the future needs of the customers. The managers should not only think of few basic needs of the customers. They should focus on providing extra pleasures to their customers. The managers should have a team which can estimate the future requirements by having the fast movement in the world and technology, especially in the developing countries. To confirm his expectation he made analysis and the following results are found:-

The Correlations procedure computes the pair wise associations for a set of variables and displays the results in a matrix. The results of correlation matrix between the factors show that satisfaction is the most correlated element with loyalty. The correlation of 0.741 between these two factors shows that a little change in the satisfaction has a major influence on the loyalty of the customer towards his/her bank. The second factor which is more important is the commitment. The correlation between commitment and loyalty is 0.563 which shows that the highly committed customers are always loyal to the bank. The third factor which is more important is the tangible perceived quality with a correlation of 0.516 which shows a strong relationship with loyalty. These are the most important factors which show strong correlation with the loyalty. Switching cost and

trust are also correlated but not as much as the satisfaction, commitment, perceived quality with a value of 0.376 and 0.254 respectively.

Thus, finally he concluded that perceived quality, satisfaction, commitment, trust and switching cost are those factors that determine loyalty of banking industry in Pakistan.

### **2.3. Conceptual model**

As stated on statement of the problem, since the primary objectives of the researcher of this paper is to identify and evaluate factors that determine customer base expansion of commercial banks to satisfy their deposit needs and then support national development endeavor through supplying loan to Governmental and private projects. Then to assure the sustainability of deposit performance and lending capacity of banks, it advisable banks to have loyal customer which are not easily shift their attention within a short period of time. Thus, due to this facts the researcher of this paper aimed not only to identify and evaluate those factors that determine customer base expansion but also customer loyalty. This means that the identified and evaluated factors not only influence customer attraction but also the attracted customer should be right customer (loyal customer). In addition it is clear that factors that influence customer attraction may or may not influence customer loyalty. However, factors that influence customer loyalty must influence customer attraction. Then, identifying and evaluation factors that determine customer loyalty satisfy the overall factors that determine customer base expansion of banking industry. Due to those facts the researcher of this paper focused on identify and evaluate factors that determine customer loyalty that enhance both customer base expansion, deposit balance and lending capacity of commercial banks with a sustainable manner.

Different theoretical and empirical evidences suggested that customer loyalty is determined by a numbers of factors. This study will use service quality, customer satisfaction, corporate image, customer commitment, customer trust, and switching barrier as independent factors and customer loyalty as dependent factors.

## 1. Dependent variable

### ❖ Customer Loyalty

According to Baker (2004) the term customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favorable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared towards keeping a client happy so he or she will provide more business. Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. However, customer loyalty is built by keeping touch with customers using email marketing, thank you cards and more, treating the employees well so they treat the customers well, showing that the institution cares and remembering what customers like and don't like, building it by rewarding them for choosing the institution over the competitors and finally building it by truly giving a damn about them and figuring out how to make them more success, happy and joyful.

According to Kotler (2003), emphasized that customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. This equates to profitability, as well as happy stakeholders. The concept of customer loyalty is anchored on the theory of consumer behavior which is the study of when, why, how, and where people do or do not buy a product. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the buyer decision making process, both individually and in groups. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general. Customer behavior study is based on consumer buying behavior, with the customer playing the three distinct roles of user, payer and buyer. Consumer behavior includes motivational theory, personality theory, and consumer behavior model among others.

Thus based on Baker (2004) and Kotler, (2003) as they stated above that the researcher of this paper decided that customer loyalty is essential element to banking industry and taken as dependent variables on his conceptual model.

## **2. Independent variables**

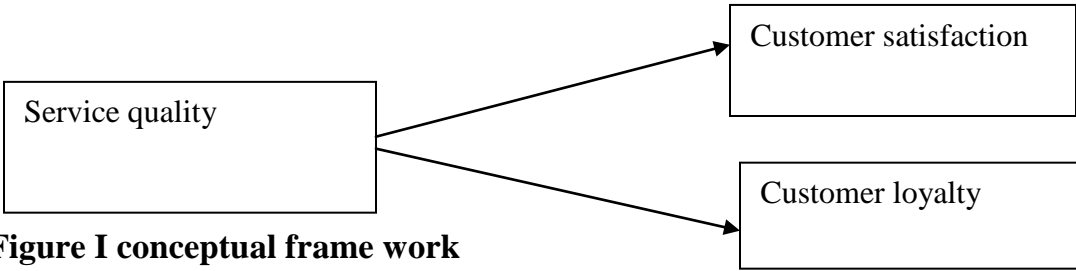
These variables are described in the following manner as follows;

### **❖ Service Quality**

A concept which is very closely related with satisfaction and loyalty is perceived quality, and the differences between these have not always been very clearly defined. They have been used on occasion in an indistinct manner. In an attempt to clarify the distinction between satisfaction and perceived quality, Anderson & Sullivan, (1993) states that satisfaction requires previous consumption experience and depends on price, whereas quality can be perceived without previous consumption experience and does not normally depend on price. However in circumstances where there is little available information or where quality evaluation is difficult, price can be an indicator of quality. Caruana (2002) stated that Service quality has been found to have a profound input on customer satisfaction and loyalty as a whole and is defined as the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed.

On other hand, Hallowel (1996) on its literature relating to service management has argued that customer satisfaction is the result of a customer's perception of value received.

Thus, the above suggestion given by different authors assure that perceived quality directly links to customer satisfaction and loyalty. Therefore, the researcher of this study developed the conceptual model that shows the relationship between perceived quality with customer satisfaction and customer loyalty.



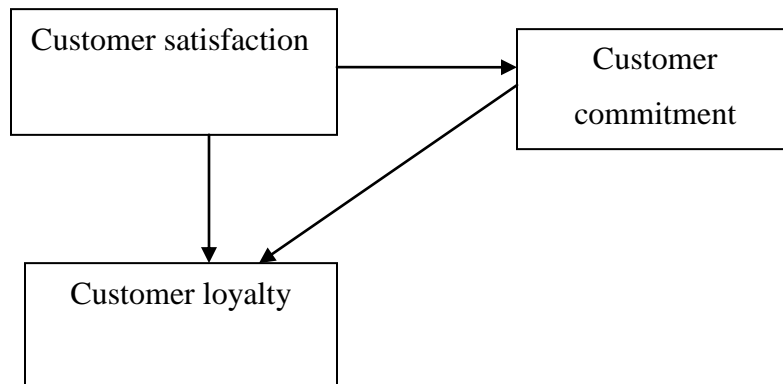
**Figure I conceptual frame work**

Source: self extracted

❖ **Customer Satisfaction**

The satisfaction is yet another important trait which must be taken in to account when shaping the overall loyalty of the customers towards their service providers. In banks, the customers ask themselves about the level of the services and decide about the lack of importance given to them and decide about repurchase behavior after using the services. Therefore to understand what customer feel the response of customer plays a pivot role in the overall satisfaction graph of the provider. If a customer is satisfied, the loyalty injects automatically and the customer remains with the current providers for a longer and longer period of time. According to Zafar,(2012) customer commitment mediates the influence of customer satisfaction and customer loyalty.

Thus, based on the above points the researcher understands that customer satisfaction directly links to customer loyalty. And also customer commitment meditates the influence of customer satisfaction and customer loyalty. Therefore, the researcher of this study developed the conceptual model that shows the relationship between customer satisfaction, customer commitment and customer loyalty.



**Figure II conceptual frame work**

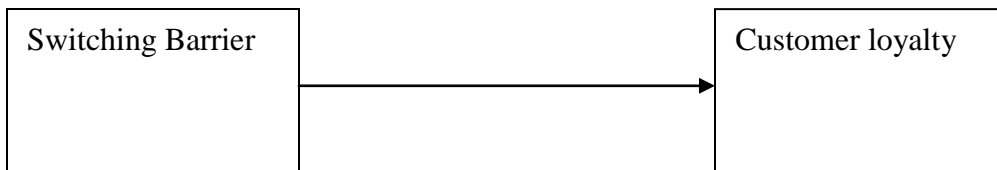
Source: self extracted



### ❖ **Switching Barrier**

As defined by Jones et al (2002), a switching barrier is any factor that makes it difficult or costly for customers to change providers. On the other hand Shergill and Bing (2006) stated that another brand loyalty determinant is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand. According to Kon (2004) when the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behavior, because of the risk or expense involved in switching and because of the accompanying decrease in the appeal of other alternatives.

Thus, based on the above points the researcher understands that switching barrier directly links to customer loyalty. Therefore, the researcher of this study developed the conceptual model that shows the relationship between switching barrier and customer loyalty.



**Figure III conceptual frame work**

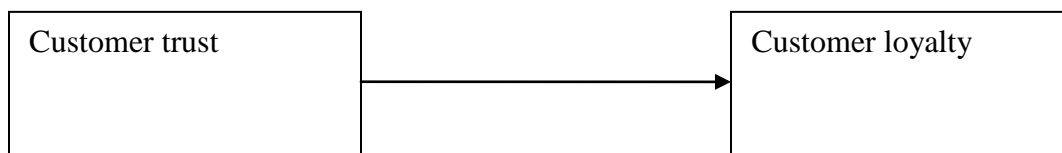
Source: self extracted

### ❖ **Customer Trust**

Moorman et al. (1992) define trust as the willingness to rely on an exchange partner in whom one has confidence. Morgan and Hunt (2004) define as confidence in an exchange partner's reliability and integrity. And also Chaudhuri & Holbrook (2002) define brand trust as the customer's willingness to rely on the ability of the brand to perform its stated function. On other hand, Wetzels et al. (1998) stated that in social psychology trust is considered to consist of two elements: trust in the partner's honesty, and trust in the partner's benevolence. Honesty is the belief that a partner stands by his word, while benevolence is the belief that the partner is interested in the customer's welfare, and will not take actions with negative impact on the customer. According to Bayne (1999) in the financial services market, trust, together with honesty, fairness or excellence, has been taken

as one of the basic consumer needs. Since customers might need reassurance to release their personal details and preferences, banks have to prove that they deserve to be trusted. Urban, Sultan & Qualls (2000) stated that the development and upkeep of trust in an online environment is critically important, especially in such a highly unpredictable market with reduced product differentiation. Generally speaking, according to Wirtz and Lihotzky (2003), building customer trust and convenience is the most appropriate strategy for commerce-based businesses. Thus, Customer trust significantly contributes to sales growth through customer loyalty (acquisition and retention).

Thus, based on the above facts given by different authors the researcher understands that customer trust directly links to customer loyalty. Therefore, the researcher of this study developed the conceptual model that shows the relationship between customer trust and customer loyalty.



**Figure IV conceptual frame work**

Source: self extracted

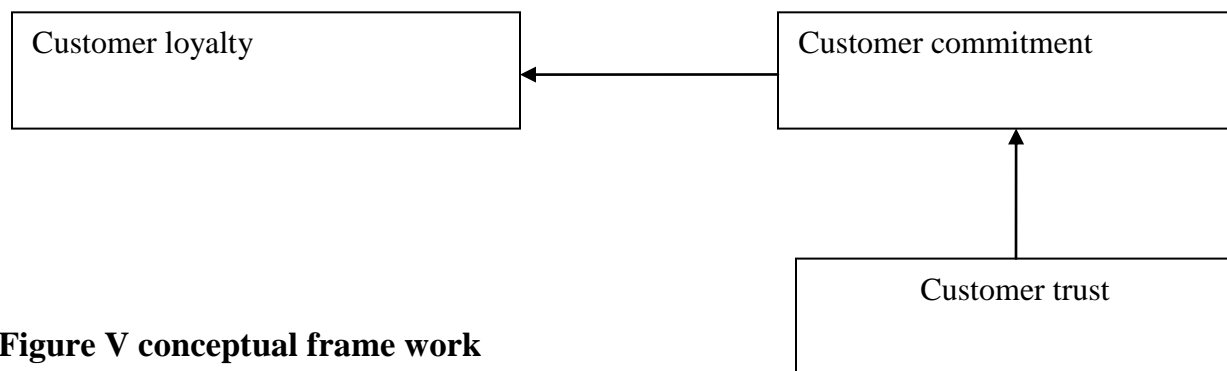
#### ❖ *Customer Commitment*

According to Vavra (1995) commitment is a management concept that describes a marketer's view of how to keep customers for life. The enthusiastic stream, for instance, supports the use of relational marketing strategy for all firms regardless of products or services. Wetzels, de Ruyter and Lemmink (2000) stated that commitment is the core concept in the relationship-marketing paradigm and it is an enduring attachment to a seller. On the other hand Fullerton (2005) posits that commitment is positively related to repurchase intentions.

According to Fishbein and Ajzen (1980) a person's intention is determined by personal nature and the social influence. The personal factor is the individual's positive or negative evaluation of

performing the behavior. This factor is known as attitude toward the behavior, and it refers simply to the person's internal judgment. This judgment may be based on past experience, belief, educational background, understanding and character. These personal beliefs and subjective norms make up a person's intention and subsequent behavioral action. Generally speaking, according to Sheaves & Barnes (1996) the theory of reasoned action model posits that commitment, an attitude toward a retailer, is a direct antecedent to loyalty. According to Morgan et al., (1994), commitment stems from trust, shared values and the belief that it will be difficult to find partners that can offer the same value.

Thus, based on the above points the researcher understands that customer commitment directly links to customer trust and customer loyalty. Therefore, the researcher of this study developed the conceptual model that shows the relationship between customer commitment, trust, and customer loyalty.



**Figure V conceptual frame work**

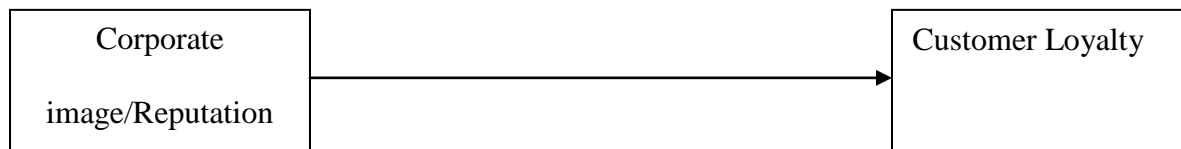
Source: self extracted

### ❖ Corporate Image/ Brand Reputation

Today's consumers have more choices for their financial needs than ever before. Technology, globalization, increased competition and increased consumer mobility have dramatically changed the way people bank (Harwood, 2002). Many financial institutions are looking at branding techniques to differentiate themselves. Harwood (2002) argued that branding, as a tool to build image, is critical in the banking industry where all firms offer about the same kinds of products. Hence, it is critical that banks have a comprehensive knowledge of customers' values, attitudes, needs and perceptions of various services the bank offers and the image which customers have of

the bank itself (Kaynak, 1986a, 1986b). Accordingly, bankers must be able to build and manage their bank's image in order to clearly define the differences between their bank and its competitors. Bharadwaj et al. (1993) argue that services are highly intangible and are, therefore, high in experience and credence qualities. As a consequence, brand reputation is important as a potential competitive advantage.

Thus, based on the above points the researcher understands that corporate image or brand reputation directly links attracting loyal customer to banks that have brand reputation than banks that does not have brand reputation. Therefore, the researcher of this study developed the conceptual model that shows the relationship between brand reputation and customer loyalty.



**Figure VI conceptual frame work**

Source: self extracted

As mentioned earlier on this paper customers' are the main source of commercial banks deposit, source of lending capacity and also profitability, therefore, understanding those factors that determine customer loyalty is the key factor for sustainability of banks with this current competitive market.

Based on the literature review, the study developed a conceptual framework (fig.VII) with independent variables of service quality, customer satisfaction, switching barrier, customer trust, corporate image, and customer commitment and the dependent variable is customer loyalty. The assumption of this study is that customer loyalty is positively affected by service quality, customer satisfaction, switching barrier, customer trust, corporate image and customer commitment. Meanwhile customer satisfaction is positively affected by service quality and customer commitment is positively affected by customer satisfaction and customer trust.

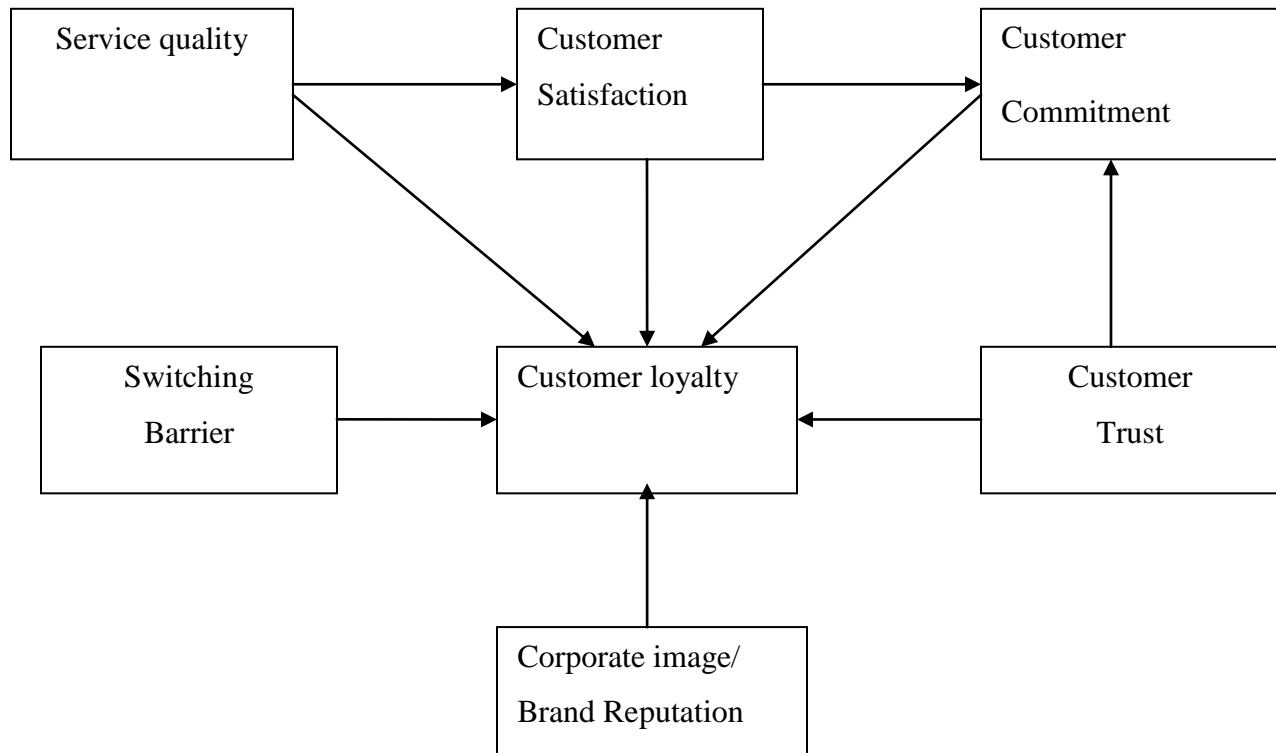


FIGURE VII: -conceptual framework

Source: self extracted

## 2.4. Research gap

Prior to this study, research is conducted by Rizwan Ali, Professor Gao Lrifu and Ramizur Rehman (2014) on factors influencing customer loyalty of banking industry by considered three factors as the most important factors that influence customer loyalty. The other research is conducted by Zahir Osman (2013) to check the direct relationship of service quality, customer satisfaction and customer trust with customer loyalty. He considered three factors as the most important factors that have relationship with customer loyalty. Meanwhile, research conducted by Afsar Bilal (2011) to find out determinant of customer loyalty by considering five factors as the most determinant factors of customer loyalty. However, this study is conducted to find out factors that determine customer base expansion of selected commercial banks operating at Jimma town by taking 6 factors consisting of 47 evaluative criteria on 5 point Likert scale.

## CHAPTER THREE

### 3. RESEARCH DESIGN AND METHODOLOGY

This chapter discusses the research design and methodology. The chapter was organized in six sections. The first section 3.1 discusses the research design. The second section 3.2 discussed source and type of data. The third section 3.3 discusses sampling technique and sample size determination. The fourth section 3.4 discusses data analysis technique. Finally, Description of the study variables and model specification are presented in section 3.5.

#### 3.1. Research Design

Cooper and Schindler (2006) refer to correlation design as a method of which attempts to determine whether and to what extent or degree a relationship exists between two or more quantifiable variables. Correlation research is sometimes referred to as descriptive research because it describes the relationship between variables but in a different way with the use of correlation coefficient. The purpose of correlation research is to explain important human behavior and characteristics in quantitative terms and how they relate, and it also helps in prediction of events. Cooper and Schindler further stated that data collection tool for relationship study can be done by method including questionnaire.

Thus, the researcher was used co relational study design for this study. The reason that necessitated the use of this design was the use of questionnaire. The study also involves the description of factors that contribute to customer loyalty and establish how the factors correlate with customer loyalty. Multiple regressions were also adopted in analyzing data. The regression analysis helps to eliminate any of these variables that did not provide any additional prediction to customer loyalty in the equation. This study used standard multiple regressions so as to identify the contribution of the independent variables to the dependent variable. It was also used to identify the best predictor variable among the independent variables.

#### 3.2. Source and Type of Data

This study was used both primary and secondary data collection methods. Self-administered questionnaire were used to gather primary data from customers' of commercial banks operating at

jimma town on the bases of five point's Likert scale. Therefore, on this study customer perception ranging a value of 1=strongly disagree, 2= disagree, 3=indifferent, 4=agree and 5 = strongly agree. Then, the value of customer perception on those factors was measured easily by their mean value obtained using descriptive analysis.

Secondary data concerning total numbers of customers was gathered from each branches customer's accounts registration book.

### **3.3. Sampling Techniques and Sample Size Determination**

Since commercial banks consider their customer base based on customer that have account at each branch, this study focused its target population on individuals who have current or saving account in any branch of commercial banks operating at jimma town. Thus, this study found populations of 224,582 from account holders register book of each bank under this study. The researcher used non probability convenience sampling method to collect data from respondents. According to Roberts-Lombard (2002), convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and accessibility to the researcher. The selection of the sample under convenience sampling depends on the researcher's personal judgment. The size of the sample should depend on the size of the target population and the significance of the study. Thus, the researcher determined the study sample size to be 384 based on the target population of 224,582 and the sample size determination table developed by Kerjice and Morgan (1970). The researcher prefers to use the sample size determining table developed by Kerjice and Morgan (1970) due to its ability to use it in any types of data (categorical or continuous). The table was constructed by using the following formulas:-

$$s = \frac{X^2 NP(1-P)}{d^2 (N-1) + X^2 P(1-P)}$$

$s$  = required sample size.

$X^2$  = the table value of chi-square for 1 degree of freedom at the desired confidence level

$$[1.96 \times 1.96 = 3.8416]$$

$N$  = the population size.

$P$  = the population proportion (assumed to be .50 since this would provide the maximum sample size).

$d$  = the degree of accuracy expressed as a proportion (.05).

Anyone can use this formula or use the previously developed table. However, no calculations are needed to use the developed model.

The researcher used self-administered questionnaires to gathered data from target population. Self-administered surveys are research questionnaires personally delivered to the respondent by the interviewer but completed by a respondent with no interviewer involvement. Thus, the researcher of this paper used self-administered questionnaires to ensure that the collected data is real and to communicate the right representative of the whole population in the study.

Table 1. Customer base of each bank branch's operating at Jimma town as at march, 31,2017Gc

Name of commercial banks	Numbers of account holders	<i>Numbers of questionnaire distributed and collected from customers'</i>
Commercial bank of Ethiopia Jimma main Branch	71,753	123
Commercial bank of Ethiopia Hirmata Branch	36,297	62
Commercial bank of Ethiopia Jiren Branch	16,715	29
Commercial bank of Ethiopia Ginjo Guduru Branch	8,692	15
Commercial bank of Ethiopia Shenen Gibe Branch	5,449	9
Commercial bank of Ethiopia Bishishe Branch	3,050	6
Commercial bank of Ethiopia Abajifar Branch	11,785	20
Dashen Bank jimma akababi Branch	10,781	18
Dashen Bank Aba jifar Branch	2,500	4



Awash Bank Jimma Branch.	11,910	20
Awash Bank Bishishe branch.	3,100	5
Hibiret Bank Jimma Branch.	4,500	8
Abyssiya Bank Jimma Branch	6,500	11
Birhan Bank jimma Branch	4,100	7
Oromia international Bank Jimma Branch	6,602	11
Cooperative Bank of Oromoia Jimma Branch	6,534	11
Commercial Bank of Ethiopia Mentina branch	7,014	12
Wegagen Bank Jimma Branch	4,500	8
Buna International Bank jimma Branch	2,800	5
Total numbers of account holders	224,582	384

Source: - Data obtained from the respective banks, 2017

As shown on table 1, on the bases of their customer's base, Commercial Bank of Ethiopia take a large market share through its eight branches with a 71.58%. On other hand the other eleven banks' takes only 28.42% of the market shares of banks operating at Jimma town. Therefore, as the researcher believe this is the clear indication that the various strategies used by various banks results variation on their market share. So, this research creates a good opportunity to each bank to understand and manage factors that may determine their customer base expansion activities. Since the same factors may not affect all banks, it's expected from each bank's concerned body to understand which factors solely affect its customer base expansion activities due to a gap on its strategy.

### **3.4. Data Analysis Techniques**

The researcher was summarized the row data gathered from respondents in the manner that it be appropriate for SPSS 16 software. The collected data was analyzed by using descriptive statistics, correlations and multiple liner regression analysis. In addition, the researcher used Cronbach alpha and list wise deletion method before the data analysis started. Cronbach's alpha was used to check

the reliability of the data that was ready for further analysis. The list wise deletion method was used to treat missing values.

### **3.4.1. Descriptive statistics**

Descriptive statistics were used to describe the data collected in research studies and to accurately characterize the variables under observation within a specific sample. Descriptive analysis is frequently used to summarize a study sample prior to analyzing a study's primary hypothesis. This provides information about the overall representativeness of the sample, as well as the information necessary for other researchers to replicate the study, if they so desire. In either case, the principal objective of descriptive statistics is accurately describing distribution of certain variables within a specific data set. The most basic method, and the starting point and foundation of virtually all statistical analyses are the frequency distribution. Thus, the researcher in this study will use frequency distribution method under the category of descriptive statistics.

In addition, Mean and standard deviation values were used to analyze the general trends of the data include in the study. A correlation matrix was used to examine the relationship between the dependent variable and independent variables to investigate what relationship they have and between independent variables to investigate whether or not there are multicollinearity problem.

### **3.4.2. Linear Regression Analysis**

Multiple linear regressions model was used to determine the relative importance of each independent variable to determine commercial banks customer loyalty. The p-value of explanatory variables was used to test the hypotheses at 5% significance level. These models were run by using SPSS 16 software. The perceptions of 384 customers were used to analyze the significance of each independent variable on dependent variables (customer loyalty).

## **3.5. Model Specification and description of study variables**

A multiple linear regression model was used for this study. The following diagnostic tests were carried out to ensure that the data fits the basic assumptions of linear regression model.

## **1. Testing For Normality**

Kolmogorov-Smirnov test is one of the simplest measures is the largest distance between the two functions  $S(x)$  and  $F(x)$ , measured in a vertical direction. This is the statistic suggested by Kolmogorov (1933). A test for goodness of fit usually involves examining a random sample from some unknown distribution. Tests for normality calculate the probability that the sample was drawn from a normal population. The null hypothesis is that the distribution is normal and the alternate hypothesis is that the distribution is not normally distributed. Therefore if the null hypothesis is rejected then the distribution is not normally distributed. On the other hand, if the null hypothesis is accepted then the distribution is normally distributed. If the probabilities value are greater than 0.05 we accept the null hypothesis or if the probability value are less than 0.05 we reject the null hypothesis.

## **2. Testing For Multicollinearity**

Different empirical studies show different argument towards the mulitcolinarity problem. Malhotra (2007) stated that multilicolliantory problems exist when the correlation coefficient among variables greater than 0.75. Cooper & Schindler (2009) suggested that a correlation above 0.8 between explanatory variables should be corrected. Lastly, Hair *et al.* (2006) argued that also correlation coefficient below 0.9 may not cause serious multicolineary problem.

## **3. Testing For Internal consistency**

An internal consistency analysis was conducted to ensure that the measures satisfied the criteria for research purposes using the Cronbach coefficient alpha statistical procedure. The Cronbach's alpha was used as the measure of reliability. The alpha coefficient ranges in value from 0 to 1. The higher the score, the more reliable the generated scale is. According to Cooper and Schindler (2003) a score of 0.7 is the acceptable reliability coefficient. Thus, as stated by cooper and schindler (2003) the researcher used 0.7 value of cronbach alpha as acceptable measure of reliability on this study.

### **3.5.1. Description of Study Variable**

Based on previously conducted various empirical research, articles and journals, the researcher of this paper tried to combine the major determinants of banking industry customer loyalty: such as

customer relationship management, customer trust, perceived quality, customer satisfaction, switching cost, and customer commitment. These variables are described in the following manner as follows;

#### ❖ **Service Quality**

Service quality was measured by using the variables suggested in the SERVQUAL model (Ndubisi, Chan, & Chukwunonso, 2004). In applying the SERVQUAL model, 21 statements were used to measure service quality across these elements, based on five-point Likert-scale type. The factors in the model were measured as follows: tangibles, reliability, responsiveness, assurance and empathy.

#### ❖ **Customer Satisfaction**

Customer satisfaction (CS) was measured using a nine-item, five-point Likert-type scale. The items were adopted and modified from the satisfaction measure developed by Rust and Zahorik (1993) that customer satisfaction reflects the degree to which a consumer believes that the possession or use of a service evokes positive feelings. Cohen, Gan and Choong, (2006) confirmed this view and drew upon the definition of satisfaction used consistently over time as an evaluation of an emotion. Customer satisfaction was thus measured by using customer complaint rate, negative affect/emotions, reluctance to switch, customer service, first choice and search motivation.

#### ❖ **Switching Barrier**

To measure switching barriers, a five-item, five-point Likert-type scale in Cohen, Gan and Choong (2006) was adopted, modified and used. Switching barrier was measured using prices, reputation, service quality, involuntary factors, and bank's distance.

#### ❖ **Customer Trust**

The customer's trust in the bank was measured by using a four-item, five-point Likert-type scale. The items were adopted and modified from customer trust measure developed by Gounaris (2005) and Ganesan (1994). These items were related to honesty, benevolence, integrity, relationship marketing strategy and competence of the supplier.

### ❖ **Corporate Image/Brand Reputation**

To measure corporate image, a four-item, five-point Likert-type scale in Mothersbaugh and Beatty (2002) was adopted, modified and used. Corporate image was measured using image, well-liked, involvement in the community, and it's unique or distinct than others.

### ❖ ***Customer Commitment***

The customer's commitment to the bank relationship was measured using a four-item, five-point Likert-type scale. The items were adopted and modified from the customer commitment measure developed by Sharma and Patterson, (2000), Chaudhuri and Holbrook (2001), Homburg and Giering (2001) and Jones, Mothersbaugh and Beatty (2002). These items tap the multiple facets of commitment incorporated in their definition, including the customer's loyalty, willingness to make short-term sacrifices, long-term orientation, and intention to invest in the relationship. Commitment was measured using switching cost, alternative attractiveness, prices, services offered and brand attitude.

## **CHAPTER FOUR**

### **4. RESULTS AND DISCUSSIONS**

#### **4.1. Descriptive Data Analysis**

This chapter deals with the results of the study obtained through the process of descriptive statistics. In this study secondary data obtained from each banks account holder registration book was used by the researcher for the purpose of determining sample size of the study. Primary data collected from account holders of the concerned commercial banks under the study are presented, analyzed and discussed in this chapter. As discussed before this study based its findings on perception of individuals regarding what factors influence them to choice and retain for a long period of time with any one of commercial banks among others.

##### **4.1.1. Primary Data Analysis on Determinants of Customer base expansion in banking industry**

The study had used the frequency distribution output from SPSS 16 software to analyze the result obtained. The 384 questionnaires were distributed by researcher to each bank's customers' on the bases of their customer base share in the market. This kind of data gathering mechanism enables the researcher to collect real data that represent the whole population from which the sample was taken. Next we can see respondents profile in detail as follows:-

##### **4.1.1.1. Respondents' Profile**

The individuals participated to answer the research questions were categorized based on various factors like gender, marital status, age and numbers of years they serve on that bank. Then, the researcher shows the proportion of each category in the table below using descriptive statistic technique.

Table 2: Frequency Distribution of Gender of the Respondents

Genders of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	FEMALE	165	43.0	43.0	43.0
	MALE	219	57.0	57.0	100.0
	Total	384	100.0	100.0	

Source:- SPSS Output, from Survey Data, 2017

Table two shows that out of the total number of respondents 43.% (165) were females and 57. %(219) of them were males. Then, based on the respondents profile on table 3 anyone can assume that the proportion of respondents based on their gender are comparable to represent the large population.

Table 3: The Frequency Distribution of the Age of the Respondents

AGE OF RESPONDENTS					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 - 28	66	17.2	17.2	17.2
	29 - 39	92	24.0	24.0	41.1
	40 - 50	171	44.5	44.5	85.7
	>50	55	14.3	14.3	100.0
	Total	384	100.0	100.0	

Source:- SPSS Output, from Survey Data, 2017

As shown on table three from the total number of respondents 17.2%(66) of them were under the age group of 18 up to 28 years old. 24. %(92) of the respondents were under age group of 29 up to 39 years old. 44.5% (171) of the respondents were under the age group 40 up to 50 years old. 14.3% (55) of the respondents were under the age group of above 50 years old. This data indicate that the majority of the account holders are under the working age. Thus, as researcher knowledge if the bank can meet their need they may stay as loyal customer with the bank for a numbers of years in the future.

Table 4: The Frequency Distribution for Marital Status Of The Respondents

MARITAL STATUS OF REPENDENTS					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	SINGLE	148	38.5	38.5	38.5
	MARIED	236	61.5	61.5	100.0
	Total	384	100.0	100.0	

Source:-SPSS Output, from Survey Data, 2017

The results on table 4 shows that 38.5 %( 148) of the respondents were single and the other 61.5%( 236) of the respondents were married. This data indicated that married person is more interested to save their money on the bank for their future plan than single person.

Table 5: The Frequency Distribution of numbers of years customers working with the bank

FOR HOW MANEY YEARS YOU ARE STAYED WITH THIS BANK AS A CUSTOMER					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 - 3 YEARS	30	7.8	7.8	7.8
	4 - 6 YEARS	127	33.1	33.1	40.9
	7 - 9 YEARS	128	33.3	33.3	74.2
	>9 years	99	25.8	25.8	100.0
	Total	384	100.0	100.0	

Source: SPSS Output, from Survey data, 2017

Table 5 shows that out of the total respondents 7.8.% (30) of the respondents were customers that served for 1-3 years, 33.1% (127) of the respondents were customers served for 4-6 years, 33.3% (128) of the respondents were customers served for 7-9 years and the remaining 25.8% (99) of the respondents were customers served above 9 years. The majority of the respondents served on the bank at least four years. This shows that those people are capable to give a good feedback regarding the bank they used for a numbers of years. So, as researcher knowledge the data collected from them can be a good input for banks to take any measurement action on their strategy regarding customer attraction and retention as a result of the finding of this paper recommendation at the end.



## 4.2. Diagnostic Test

In order to ensure how truthful the research results are, diagnostic test have been conducted by the researcher to avoid any error that may happen due to giving less attention during feeding the data on the software or during gathering data from the target population.

### 4.2.1. Testing for reliability

Before starting describing the result obtained, it is expected to test consistency of measures on this study. Then, to conduct this Cronbach's alpha was used as the measures of reliability. According to Cooper and Schindler (2003) a score of 0.7 is the acceptable reliability coefficient. However, the higher the score represents the more reliable the generated scale.

Table 6 Cronbach's alpha of the variables under the study

s.n.	Variable	No. of Items	Cronbach's Alpha
1.	Service Quality	21	.933
2.	Customer Trust	4	.808
3.	Switching Barrier	5	.811
4.	Customer Commitment	4	.802
5.	Customer Satisfaction	9	.922
6.	Corporate Image /Reputation	4	.816
7.	Customer Loyalty	4	.754

Source: SPSS Output, from survey data, 2017

The results of this study on tables 6 shows that a score of Cronbach's alpha in all factors are above the minimum requirement score of 0.7. Then, this is a clear indication of that those factors conducted on this study are reliable.

### 4.2.2. Testing For Missing Value

To manage whether or not all the collected data are not missed during feeding it on the system it is advisable to make a cross check by the system available for it. In this study the researcher used the list wise deletion method to threat the missed value.

Table 7. Statistics of Missed value

Case Processing Summary			
		N	%
Cases	Valid	384	100.0
	Excluded <sup>a</sup>	0	.0
	Total	384	100.0

a. Listwise deletion based on all variables in the procedure.

Source: SPSS output, from survey data, 2017

Table 7 shows that all the collected data was entered on the system for analyzing without missing any value. So, this also gives a confidence to the researcher to handle its analysis without any doubt.

#### 4.2.3. Testing For Normality

Based on the nature of this study Kolmogorov – smimov test was used to test normality. This test calculates expected normal distribution and compares it with the observed distribution. It works based on the max difference between two distributions. Therefore, in this study the null hypothesis is the residuals are normally distributed and the alternate hypothesis is the residuals are not normally distributed.

Hypothesis for Normality: Significance at  $p < 0.05$

Ho: The residuals are normally distributed

H1: The residuals are not normally distributed

If, the significance measure of the kolmogorov – smirnov test is greater than 0.05 we accept the null hypothesis. This is an indication of that the residual are normally distributed. But, if the significance measure of the Kolmogorov – Smirnov test is less than 0.05 we accept the alternative hypothesis. This is a clear indication that the residuals are not normally distributed.

As shown on Table 8 below that the significant measure of kolmogrov Simrov test of this study was greater than 0.05 in all factors. Therefore, this is indication that the null hypothesis is accepted. This shows that the residuals are normally distributed among all factors.

Table 8 Statistics of Kolmogrov-Simrov Test

		Kolmogorov-Smirnov Test					
		swilog	satlog	serlog	comlog	corlog	trulog
N		384	384	384	384	384	384
Normal Parameters <sup>a</sup>	Mean	4.6875	4.7431	4.5253	4.5482	4.4466	4.5938
	Std. Deviation	.42192	.41374	.37610	.49898	.54565	.48172
Most Extreme Differences	Absolute	.394	.231	.199	.243	.252	.254
	Positive	.262	.194	.199	.157	.252	.146
	Negative	-.394	-.231	-.145	-.243	-.229	-.254
Kolmogorov-Smirnov Z		.882	.515	.444	.543	.564	.568
Asymp. Sig. (2-tailed)		.418	.953	.989	.930	.908	.904
a. Test distribution is Normal.							

Source: SPSS output, from survey data, 2017

#### 4.2.4. Testing of Multicollinearity

Malhotra (2007) stated that multicolliantry problems exist when the correlation coefficient among variables greater than 0.75. Cooper & Schindler (2009) suggested that a correlation above 0.8 between explanatory variables should be corrected. Lastly, Hair *et al.* (2006) argued that also correlation coefficient below 0.9 may not cause serious multicollinary problem. Thus, based on the correlation matrix on table 17 all explanatory variables of this study fit the requirement stated above. So, since there is no multicollinarity between explanatory variables the researcher assured that all the explanatory variables are capable for further analysis.

The above four Pre-analysis test assures that the collected data are capable to proceed in to data analysis process to find out the designed objective of the research. Then, the perception of individuals gathered using likert scale is analyzed as shown on the following pages.

### 4.3. Testing of factors that affects customer base expansion

Descriptive statistics of the respondent scores were computed and analyzed by using mean scores respondents perception among deferent factors. Based on perception of commercial bank account holders (respondents or target group) those factors are analyzed as shown on the following tables here under.

**Table 9 Mean of Service quality Descriptive Statistics**

	N	Mean	Std. Deviation
PROVIDING FAST AND EFFICIENT SERVICE	384	4.8646	.41812
ACCURACY OF TRANSACTION	384	4.7865	.46968
PROVIDING PROMISED SERVICE	384	4.7552	.49274
LATEST TECHNOLOGY USE BY THE BANK	384	4.7422	.53950
ACCURACY OF FINACIAL STATEMENT	384	4.7057	.52545
ADEQUATE NUMBERS OF TELLERS	384	4.6641	.53995
EMPLOYEE WILLINGNESS TO HELP CUSTOMERS	384	4.6641	.55896
BRANCH OPPENING AND CLOSING HOUR	384	4.6276	.55916
HANDLING OF CUSTOMER COMPLIANT	384	4.5990	.60078
EASY OF OPEN AN ACCOUNT	384	4.5990	.61792
EMPLOYEES UNDERSTAND CUSTOMER NEED	384	4.5964	.57000
PLEASANT BANK ATMOSPHERE	384	4.5938	.69805
EMPLOYEE GIVE INTENSE ATTENTION TO CUSTOMERS	384	4.5495	.66831
ATTRACTIVE BANKING MATERIAL	384	4.4896	.63812
ENOUGH SPACE OF LOBY AREA	384	4.4245	.64998
FRIENDLY RELATIONSHIP WITH CUSTOMERS	384	4.3281	.66752
INTERIOR DECORE OF THE BUILDING OF THE BANK	384	4.3073	.59969
APPEARANCE AND ATTIRE OF EMPLOYEES	384	4.3021	.52349
CLEANESS OF THE BUILDING OF THE BANK	384	4.2578	.49929
ATTRACTIVENESS OF BUILDING OF THE BANK	384	4.2031	.51138
ENOUGH SPACE OF PARKING AREA	384	3.9714	.63961
Average mean of Service quality	384	4.5253	.37610

Source:-SPSS output, from survey data, 2017

**Table 10 Mean of Customer Trust Descriptive Statistics**

	N	Mean	Std. Deviation
CUSTOMER TRUST THAT THE BANK IS TRUST WORTHY	384	4.7422	.47791
CUSTOMER TRUST THAT THE BANKS RELIED UP ON TO KEEP ITS PROMISE	384	4.6328	.62000
CUSTOMER TRUST THAT THE BANK PUTS CUSTOMER'S INTEREST FIRST	384	4.5547	.69472
CUSTOMER TRUST THAT THE BANK IS STABILITY	384	4.4453	.60643
Average Mean of Customer Trust		4.5937	.48172
	384		

Source :-SPSS Output, from survey data, 2017

**Table 11 Mean of Switching Barrier Descriptive Statistics**

	N	Mean	Std. Deviation
CONVENIENT BRANCH LOCATION	384	4.8672	.34741
MEETS CUSTOMER'S CHANGING NEEDS	384	4.7083	.48296
VARIETY OF PRODUCTS	384	4.6562	.65958
FAVORABLE IMAGE	384	4.6536	.54302
ACCEPTABLE SERVICE PRICE	384	4.5521	.69116
Average mean of switching barrier		4.6875	.42192
	384		

Source: SPSS output, from survey data, 2017

**Table 12:- Mean of Customer Commitment Descriptive Statistics**

	N	Mean	Std. Deviation
CUSTOMER COMMITMENT TO DO MORE BUSINEES WITH THE BANK	384	4.6667	.51437
CUSTOMER FEEL THEIR CHOICE TS RIGHT TO USE THIS BANK	384	4.5469	.69904
CUSTOMER FEEL THEIR EXPERIENCE WITH THIS BANK WAS ENJOYABLE	384	4.5026	.63410
CUSTOMER FEEL BANKS ALWAYS MEETS THEIR EXPECTATION	384	4.4766	.65793
Average mean of customer commitment	384	4.5482	.49898

Source:-SPSS output, from survey data, 2017

**Table 13:- Mean of Corporate Image Descriptive Statistics**

	N	Mean	Std. Deviation
THE BANK WIDELY KNOWN	384	4.6016	.65842
THE BANK INVOLVED IN THE COMMUNITY	384	4.4661	.71090
THE BANK WELL-LIKED	384	4.3958	.71506
THE BANK DISTINCT/UNIQOUE COMARED TO OTHERS	384	4.323	.6299
Average mean of Corporate image	384	4.4466	.54565

Source:- SPSS Output, from survey data, 2017

**Table 14 Mean of customer satisfaction Descriptive Statistics**

	N	Mean	Std. Deviation
CUSTOMER SATISFACTION WITH CONVENIENT BRANCH LOCATION	384	4.8437	.44141
CUSTOMER SATISFACTION WITH ACCURACY OF TRANSACTION	384	4.8385	.44543
CUSTOMER SATISFACTION WITH PROMPT SERVICE	384	4.7943	.50260
CUSTOMER SATISFACTION WITH MODERN TECHNOLOGY USED BY THE BANK	384	4.7943	.50260
CUSTOMER SATISFACTION WITH ACCURACY OF RECORDS	384	4.7734	.51426
CUSTOMER SATISFACTION WITH STAFF'S RESPONSE	384	4.7448	.52853
CUSTOMER SATISFACTION WITH SERVICE FEE OF THE BANK	384	4.7135	.54674
CUSTOMER SATISFACTION WITH BANKS AWARENESS CREATION	384	4.6146	.62364
CUSTOMER SATISFACTION WITH PHYSICAL APPEARANCE OF THE BANK	384	4.5703	.60912
Average mean of customer satisfaction	384	4.7431	.41374

Source: SPSS Output, from survey data,2017

**Table 15 Mean of Customer Loyalty Descriptive Statistics**

	N	Mean	Std. Deviation
THE BANK ALWAYS MY FIRST CHOICE	384	4.8750	.36847
RECOMMENDATION TO FAMILY MEMBERS	384	4.5937	.67909
RECOMMENDATION TO RELATIVES AND FRIENDS	384	4.5000	.69312
RECOMMENDATION TO ANY ONE WHO NEED TECHNICAL SUPPORT	384	4.4635	.70709
AVERAGE MEAN OF CUSTOMER LOYALTY	384	4.6081	.47631

Source: SPSS output, from survey data, 2017

Now based on the mean score of each factors as shown on table 10, 11, 12,13,14,15 and 16 it was easily analyzed their relationship and significance of each factors on customer loyalty as shown on the following pages.

Since the final result of this study represents the whole target population, it is expected from the researcher to pass one further step to assure the necessities of applying those factors as a basic marketing strategy to accelerate customer base expansions of commercial banks. Then, the researcher used Correlation matrix and ANOVA to ensure the relationship and significance of those six factors with factors of customer base expansion (customer loyalty) as shown on the following pages as follow:-

#### 4.3.1. Testing of Correlation between independent and dependent variables

**Table 16 Correlations Matrix**

		Customer Loyalty	Switching Barrier	Customer satisfaction	Service quality	Customer commitment	Corporate image	Customer trust
Customer Loyalty	Pearson Correlation	1	.626**	.537**	.546**	.497**	.561**	.538**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	384	384	384	384	384	384	384
Switching Barrier	Pearson Correlation	.626**	1	.325**	.285**	.283**	.265**	.392**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	384	384	384	384	384	384	384
satisfaction	Pearson Correlation	.537**	.325**	1	.342**	.349**	.225**	.337**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	384	384	384	384	384	384	384
Service quality	Pearson Correlation	.546**	.285**	.342**	1	.340**	.330**	.301**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	384	384	384	384	384	384	384
Customer commitment	Pearson Correlation	.497**	.283**	.349**	.340**	1	.199**	.427**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	384	384	384	384	384	384	384



N		384	384	384	384	384	384	384
Corporate image	Pearson Correlation	.561**	.265**	.225**	.330**	.199**	1	.305**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	384	384	384	384	384	384	384
trust	Pearson Correlation	.538**	.392**	.337**	.301**	.427**	.305**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	384	384	384	384	384	384	384

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

Source: SPSS Output, from survey data, 2017

Pearson correlation matrix was used to test the relationship of those independent factors with the dependent factors. Here, correlation was established between the factors and customer Loyalty at 0.01 statistical significant levels. These factors were made up of many items. These items were pulled together to form each factor respectively. The above values of correlation interpretations suggested by Cohen et.al (2006) were used as guidelines for the interpretation of the correlation results:

Correlation coefficient (r) = .10 to .29 or r = -.10 to -.29 Very Weak

r = .30 to .49 or r = -.30 to -.49 Weak

r = .50 to 1.0 or r = -.50 to -1.0 Strong

The Pearson coefficient for the relationship between customer loyalty and service quality is (r=.546, P-value=0.000). So there is a strong and positive relationship between customer loyalty and service quality.

The correlation matrix indicates that there was strong and positive significant relationships between customer satisfaction and customer loyalty (r=0.537, p-value=0.000).The relationship indicates that higher scores of customer satisfaction are associated with higher scores of customer loyalty. This indicates that as customer satisfaction increases, customer loyalty also increases and when customer satisfaction decreases, customer loyalty also decreases.

The correlation matrix indicates that there is a strong and positive relationships between switching barriers and customer loyalty ( $r=0.626$ ,  $p\text{-value}=0.000$ ). This implies that as switching barrier increases, customer loyalty also increases and as switching barrier decreases customer loyalty decreases.

The Pearson coefficient for the relationship between customer loyalty and reputation is ( $r=.561$ ,  $p\text{-value}=0.000$ ). Thus there is a strong and positive relationship between customer loyalty and reputation. This implies that corporate image increases, customer loyalty increases in respect of customer attracting and retaining.

The correlation matrix indicates that there was a weak but positive relationships between customer commitment and customer loyalty ( $r=0.497$ ,  $p\text{-value}=0.000$ ). The relationship indicates that customer commitment is associated with customer loyalty. This indicates that as customer commitment increases, customer loyalty also increases and when customer commitment decreases, customer loyalty also decreases.

The Pearson coefficient for the relationship between customer loyalty and trust is ( $r=.538$ ,  $p\text{-value}=0.000$ ). Thus there is a strong and positive relationship between customer loyalty and trust. Then, it is clear that as Trust increase, customer loyalty also increases and when Trust decreases, customer loyalty also decreases.

The Pearson coefficient for the relationship between service quality and customer satisfaction is ( $r=.342$ ,  $p\text{-value}=0.000$ ). Thus there is a weak but positive relationship between service quality and customer satisfaction. Then, it is clear that as service quality increase, customer satisfaction also increases.

The Pearson coefficient for the relationship between customer satisfaction and customer commitment is ( $r=.349$ ,  $p\text{-value}=0.000$ ). Thus there is a weak but positive relationship between customer satisfaction and customer commitment. Then, it is clear that as customer satisfaction increase customer commitment also increases and as customer satisfaction decrease customer commitment also decrease.

The Pearson coefficient for the relationship between customer trust and customer commitment is ( $r=.427$ ,  $p\text{-value}=0.000$ ). Thus there is a weak but positive relationship between customer trust and

customer commitment. Then, it is clear that as customer trust increase customer commitment also increases and as customer trust decrease customer commitment also decrease.

### **4.3.2. Linear Regression Analysis**

The result obtained through ANOVA enables the researcher to test the significance relationship between dependent and independent variables. From the above theoretical literature review and developed conceptual framework, the following hypotheses were developed to investigate whether the proposed independent factors have an effect on the customer loyalty as a dependent factor:-

HO: there is no a positive and significant relationship between service quality, customer satisfaction, customer commitment, customer trust, switching barrier, corporate image and customer loyalty in respect to customer attraction and retention. Meanwhile there is no a positive and significant relationship between service quality and customer satisfaction, and there is no a positive and significant relationship between customer satisfaction, customer trust and customer loyalty.

H1: there is a positive and significant relationship between service quality and customer loyalty in respect to customer attraction and retention.

H2: there is a positive and significant relationship between customer satisfaction and customer loyalty in respect to customer attraction and retention.

H3: there is a positive and significant relationship between switching barrier and customer loyalty in respect to customer attraction and retention.

H4: there is a positive and significant relationship between corporate image and customer loyalty in respect to customer attraction and retention.

H5: there is a positive and significant relationship between customer commitment and customer loyalty in respect to customer attraction and retention.

H6: there is a positive and significant relationship between customer trust and customer loyalty in respect to customer attraction and retention.

Hypotheses 7: there is a positive and significant relationship between service quality and customer satisfaction.

Hypotheses 8: there is a positive and significant relationship between customer satisfaction and customer commitment.

Hypotheses 9: there is a positive and significant relationship between customer trust and customer commitment.

Then, the result of the study are analyzed by test whether or not the above each assumption are accepted or rejected. To show the effects of each independent variable on the dependent variables the researcher planned to test the significant relationship of those factors through ANOVA. It was shown as follow on the following pages:-

H0: there is a positive and significant relationship between service quality and customer loyalty in respect to customer attraction and retention.

H1: there is a positive and significant relationship between service quality and customer loyalty in respect to customer attraction and retention.

Table:17 Model summary of service quality

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.546 <sup>a</sup>	.298	.296	.39956

a. Predictors: (Constant), service quality

Source: SPSS Output, from survey data, 2017

Table 17 shows that the correlation coefficient between service quality and customer loyalty are 54.6%. Thus, this result shows that service quality and customer loyalty have significant relationship with respect to positive customer perception. On other hand, R square (coefficient of determination =29.8%) which means that 54.6% of the variability in customer attraction is due to offering quality service to customers and the rest 39.95% of the variation in customer base expansion of commercial banks operating at Jimma town explained by other factors.

Table 18 ANOVA TABLE of SERVICE QUALITY

**ANOVA<sup>b</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.905	1	25.905	162.261	.000 <sup>a</sup>
	Residual	60.985	382	.160		
	Total	86.890	383			

a. Predictors: (Constant), service quality

b. Dependent Variable: Customer Loyalty

Source: SPSS Output, from survey data, 2017

In addition table 18 shows that the value of  $F=162.261$  at significant level  $0.000$  indicates that there is a significant relationship between service quality and customer loyalty with respect of customer attraction and retention. Because, since the significant level of  $P$  is less than  $0.05$  ( $p < 0.05$ ), then, the null hypothesis is rejected and the alternative hypothesis is accepted.

Table 19 COEFFICIENTS OF SERVICE QUALITY

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.479	.246		6.000	.000
	serlog	.691	.054	.546	12.738	.000

a. Dependent Variable: FACTOS THAT INDICATE CUSTOMER LOYALTY

Source: SPSS Output, from survey data, 2017

Finally table 19 shows that the value of  $t= 12.738$  at  $0.000$  significant level indicates that providing quality service to customers is an important variable to promote customer loyalty with respect of customer base expansion of the bank. Meanwhile, the above table shows that the regression coefficient is  $= 0.546$  and the significant level is  $0.000$ . Generally speaking, since significant level is less than  $0.05$  ( $P < 0.05$ ) shown on this table is a clear indication of that the null hypothesis ( $H_0$ ) is rejected and the alternative hypothesis ( $H_1$ ) is accepted. The result is supported by (Huan, Bandyopadhyay et al. 2005) and (Aydin and Özer 2005). Therefore, this result enables the

researcher to assured that providing quality service to customers has direct effect on customer loyalty in respect of customer base expansion of each bank. Thus, based on the result shown on table 17,18 and 19 the researcher assured that providing quality service to customers have direct effect on customer loyalty in respect of attracting and retaining customer.

H0: There is no a positive and significant relationship between customer satisfaction and customer loyalty in respect to customer attraction and retention.

H2: There is a positive and significant relationship between customer satisfaction and customer loyalty in respect to customer attraction and retention.

Table 20 MODEL SUMMARY OF CUSTOMER SATISFACTION

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.537 <sup>a</sup>	.289	.287	.40224

a. Predictors: (Constant), Customer Satisfaction

Source: SPSS Output, from survey data, 2017

Table 20 shows that the correlation coefficient between customer satisfaction and customer loyalty are 53.7%. Thus, this result shows that customer satisfaction and customer loyalty have significant relationship with respect to positive customer perception. On other hand, R square (coefficient of determination =28.9%) which means that 53.7% of the variability in customer attraction is due to customers satisfaction and the rest 40.22% of the variation in customer base expansion of commercial banks operating at Jimma town explained by other factors.

Table 21 ANOVA TABLE OF CUSTOMER SATISFACTION

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.083	1	25.083	155.025	.000 <sup>a</sup>
	Residual	61.807	382	.162		
	Total	86.890	383			

a. Predictors: (Constant), Customer Satisfaction

b. Dependent Variable: FACTOS THAT INDICATE CUSTOMER LOYALTY

Source: SPSS Output, from survey data, 2017

Table 21 shows that the value of  $F=155.025$  at significant level 0.000 indicates that there is a significant relationship between customer satisfaction and customer loyalty with respect of customer attraction and retention. Because, since the significant level of  $P$  is less than 0.05 ( $p<0.05$ ), then, the null hypothesis is rejected and the alternative hypothesis is accepted.

Table 22 COEFFICIENTS OF CUSTOMER SATISFACTION

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.674	.237		7.079	.000
	satlog	.619	.050	.537	12.451	.000

a. Dependent Variable: CUSTOMER LOYALTY  
 Source: SPSS Output, from survey data, 2017

Finally table 22 shows that the value of  $t= 12.451$  at 0.000 significant level indicates that customers satisfaction is an important variable to promote customer loyalty in respect of customer attraction and customer retention. Meanwhile, the above table shows that the regression coefficient is= 0.537 and the significant level is 0.000. Generally speaking, since significant level is less than 0.05 ( $P<0.05$ ) shown on this table is a clear indication of that the null hypothesis ( $H_0$ ) is rejected and the alternative hypothesis ( $H_1$ ) is accepted. This finding is congruent with Fornell (1992) finding that the more satisfied a firm's customers are, the more they remain loyal to the firm. Therefore, this result enables the researcher to assured that customer's satisfaction has direct effect on customer loyalty with respect of customer base expansion of each bank. Thus, based on the result shown on table 21, 22 and 23 the researcher assured that customers satisfaction have direct effect on customer loyalty in respect of attracting and retaining customers.

$H_0$ : There is no a positive and significant relationship between switching barrier and customer loyalty in respect to customer attraction and retention.

$H_3$ : There is a positive and significant relationship between switching barrier and customer loyalty in respect to customer attraction and retention.

Table 23 MODEL SUMMARY OF SWITCHING BARRIER

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.626 <sup>a</sup>	.392	.391	.37174

a. Predictors: (Constant), switching Barrier

Source: SPSS Output, from survey data, 2017

Table 23 shows that the correlation coefficient between switching barrier and customer loyalty are 62.6%. Thus, this result shows that switching barrier and customer loyalty have significant relationship. In addition R square (coefficient of determination) 39.2% of the variation in customer base expansion is due to offering factors that deny customer to close their account and shift their attention to other competitor banks and the rest 37.174% of the variation in the customer base expansion of commercial banks operating at Jimma town explained by other variables.

Table 24 ANOVA TABLES OF SWITCHING BARRIER

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	34.102	1	34.102	246.774	.000 <sup>a</sup>
	Residual	52.788	382	.138		
	Total	86.890	383			

a. Predictors: (Constant), Switching Barrier

b. Dependent Variable: Customer Loyalty

Source:-SPSS Output, from survey data, 2017

On the other hand on table 24 the value of F=246.774 at significant level 0.000 indicates that there is a significant relationship between switching barrier and customer loyalty in respect of customer base expansion



Table 25 COEFFICIENT OF SWITCHING BARRIER

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.293	.212		6.102	.000
	swilog	.707	.045	.626	15.709	.000

a. Dependent Variable: CUSTOMER LOYALTY

Source: SPSS Output, from survey data, 2017

Finally, on table 25 the value of  $t = 15.709$  at 0.000 significant level indicates customers satisfaction is an important variable to expand customer base of bank's with respect to customer loyalty. Meanwhile, the above table shows that the regression coefficient is  $= 0.626$  and the significant level is 0.000. Thus, since the significant level is less than 0.05 ( $P < 0.05$ ) the null hypothesis is rejected and the alternative hypothesis (H3) is accepted. The result is supported by previous findings of Lee et al. (2001) who tested and confirmed the positive effect of switching barriers on customer loyalty. Therefore, switching barrier has direct effect on customer loyalty in respect of customer base expansion of the bank.

H0: There is no a positive and significant relationship between corporate image and customer loyalty in respect to customer attraction and retention.

H4: There is a positive and significant relationship between corporate image and customer loyalty in respect to customer attraction and retention.

Table 26 MODEL SUMMARY OF CORPORATE IMAGE

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.561 <sup>a</sup>	.315	.313	.39481

a. Predictors: (Constant), corporate image

Source: SPSS Output, from survey data, 2017

Table 26 shows that the correlation coefficient between corporate image and customer loyalty are 56.1%. Thus, this result shows that corporate image and customer loyalty have significant relationship. In addition R square (coefficient of determination) 31.5% of the variation in customer base expansion is due to having good corporate image and the rest 39.481% of the variation in the customer base expansion of commercial banks operating at Jimma town explained by other variables.

Table 27 ANOVA TABLES OF CORPORATE IMAGE

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.345	1	27.345	175.426	.000 <sup>a</sup>
	Residual	59.545	382	.156		
	Total	86.890	383			

a. Predictors: (Constant), corporate image

b. Dependent Variable: CUSTOMER LOYALTY

Source: SPSS Output, from survey data, 2017

On the other hand on table 27 the value of  $F=175.426$  at significant level 0.000 indicates that there is a significant relationship between corporate image and customer loyalty in respect of customer base expansion

Table 28 COEFFICIENT OF CORPORATE IMAGE

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.431	.166		14.674	.000
	corlog	.490	.037	.561	13.245	.000

a. Dependent Variable: CUSTOMER LOYALTY

Source: SPSS Output, from survey data, 2017

Finally, on table 28 the value of  $t= 13.245$  at 0.000 significant level indicates that corporate image of bank's is an important variable to customer base expansion in respect of positive customer perception. Meanwhile, the above table also shows that the regression coefficient is= 0.561 and the

significant level is 0.000. Thus, since significant level is less than 0.05 ( $P < 0.05$ ) the null hypothesis is rejected and the alternative hypothesis (H4) is accepted. Reputation is positively related to customer loyalty supported by previous studies by (Huan, Bandyopadhyay et al. 2005) and (Aydin and Özer 2005). Therefore, generally speaking having corporate image has direct effect on customer loyalty in respect of customer base expansion of commercial banks.

H0: There is no a positive and significant relationship between customer commitment and customer loyalty in respect to customer attraction and retention.

H5: There is a positive and significant relationship between customer commitment and customer loyalty in respect to customer attraction and retention.

Table 29 MODEL SUMMARY CUSTOMER COMMITMENT

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.497 <sup>a</sup>	.247	.245	.41382

a. Predictors: (Constant), customer commitment

Source: SPSS Output, from survey data, 2017

Table 29 shows that the correlation coefficient between customer commitment and customer loyalty are 49.7%. Thus, this result shows that customer commitment and customer loyalty have significant relationship. In addition R square (coefficient of determination) 24.7% of the variation in customer base expansion is due to customer commitment and the rest 41.382% of the variation in the customer base expansion of commercial banks operating at Jimma town explained by other variables.

Table 30 ANOVA TABLE OF CUSTOMER COMMITMENT

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	21.473	1	21.473	125.389	.000 <sup>a</sup>
	Residual	65.417	382	.171		
	Total	86.890	383			

a. Predictors: (Constant), customer commitment

b. Dependent Variable: CUSTOMER LOYALTY

Source: SPSS Output, from survey data, 2017

On table 30 the value of  $F=125.389$  at significant level 0.000 indicates that there is a significant relationship between customer commitment and customer loyalty in respect of customer base expansion

Table31 COEFFICIENT OF CUSTOMER COMMITMENT

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.450	.194		12.635	.000
	comlog	.475	.042	.497	11.198	.000

a. Dependent Variable: FACTOS THAT INDICATE CUSTOMER LOYALTY  
Source: SPSS Output, from survey data, 2017

Finally, on table 31 the value of  $t= 11.198$  at 0.000 significant level indicates that customers commitment is an important variable to customer loyalty of the bank in respect of customer base expansion. Meanwhile, the above table shows that the regression coefficient is= 0.497 and the significant level is 0.000. Thus, the significant level is less than 0.05 ( $P<0.05$ ) the null hypothesis can be rejected and the alternative hypothesis ( $H_5$ ) can be accepted. The result is supported by previous studies by Patterson et.al (1998), when customers are aware of, and perceive other suppliers as offering a differentiated service in terms of price, service and/or quality of technical outcomes; they tend to be less committed. Therefore, customer’s commitment has direct effect on customer loyalty in respect of customer base expansion of the bank.

$H_0$ : There is no a positive and significant relationship between customer’s trust and customer loyalty in respect to customer attraction and retention.

$H_6$ : There is a positive and significant relationship between customer’s trust and customer loyalty in respect to customer attraction and retention.

Table 32 MODEL SUMMARY OF CUSTOMER TRUST

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.538 <sup>a</sup>	.290	.288	.40196

a. Predictors: (Constant), CUSTOMER TRUST  
Source: SPSS Output, from survey data, 2017

Table 32 shows that the correlation coefficient between customer trust and customer loyalty are 53.8%. Thus, this result shows that customer trust and customer loyalty have significant relationship. In addition R square (coefficient of determination) 29.% of the variation in customer base expansion is due to customer trust and the rest 40.196% of the variation in the customer base expansion of commercial banks operating at Jimma town explained by other variables.

Table 33 ANOVA TABLE OF CUSTOMER TRUST

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	25.170	1	25.170	155.784	.000 <sup>a</sup>
	Residual	61.720	382	.162		
	Total	86.890	383			

a. Predictors: (Constant), customer trust

b. Dependent Variable: CUSTOMER LOYALTY

Source: SPSS Output, from survey data, 2017

On table 33 the value of F=155.784 at significant level 0.000 indicates that there is a significant relationship between customer trust and customer loyalty in respect of customer base expansion.

Table 34 COEFFICIENT OF CUSTOMER TRUST

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.163	.197		10.985	.000
	trulog	.532	.043	.538	12.481	.000

a. Dependent Variable: CUSTOMER LOYALTY

Source: SPSS Output, from survey data, 2017

Finally, on table 34 the value of t= 12.481 at 0.000 significant level indicates that customers trust is an important variable to customer loyalty of the bank in respect of customer base expansion. Meanwhile, the above table shows that the regression coefficient is= 0.538 and the significant level

is 0.000. Thus, the significant level is less than 0.05 ( $P < 0.05$ ) the null hypothesis can be rejected and the alternative hypothesis ( $H_6$ ) can be accepted. The results are supported by previous studies by (Huan, Bandyopadhyay et al. 2005) and (Aydin and Özer 2005). Therefore, customer's trust has direct effect on customer loyalty in respect of customer base expansion of the bank.

$H_0$ : There is no a positive and significant relationship between service quality and customer satisfaction.

$H_7$ : There is a positive and significant relationship between service quality and customer satisfaction.

Table 35 MODEL SUMMARY OF SERVICE QUALITY

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.342 <sup>a</sup>	.117	.115	.38925

a. Predictors: (Constant), service quality

Source: SPSS 16 output, from survey data, 2017

Table 35 shows that the correlation coefficient between service quality and customer satisfaction are 34.2%. Thus, this result shows that service quality and customer satisfaction have significant relationship. In addition R square (coefficient of determination) 11.7.% of the variation in customer satisfaction is due to having quality service and the rest 38.925% of the variation in customer satisfaction explained by other variables.

TABLE 36 ANOVA TABLE OF SERVICE QUALITY

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.682	1	7.682	50.702	.000 <sup>a</sup>
	Residual	57.880	382	.152		
	Total	65.562	383			

a. Predictors: (Constant), service quality

b. Dependent Variable: customer satisfaction

Source ; SPSS 16 output, from survey data, 2017

On table 36 the value of  $F=50.702$  at significant level 0.000 indicates that there is a significant relationship between service quality and customer satisfaction.

TABLE 37 COEFFICIENT OF SERVICE QUALITY

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.039	.240		12.655	.000
	serlog	.377	.053	.342	7.121	.000

a. Dependent Variable: satisfaction

Source; SPSS 16 output, from survey data, 2017

Finally, on table 37 the value of  $t= 7.121$  at 0.000 significant level indicates that service quality is an important variable to customer satisfaction of selected banks operating at Jimma town. Meanwhile, the above table shows that the regression coefficient is= 0.342 and the significant level is 0.000. Thus, the significant level is less than 0.05 ( $P<0.05$ ) the null hypothesis can be rejected and the alternative hypothesis ( $H7$ ) can be accepted. Therefore, service quality has direct effect on customer satisfaction.

$H_0$ : There is no a positive and significant relationship between customer satisfaction and customer commitment.

$H_8$ : There is a positive and significant relationship between customer satisfaction and customer commitment.

TABLE 38 MODEL SUMMRY OF CUSTOMER SATISFACTION

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.349 <sup>a</sup>	.122	.119	.46823

a. Predictors: (Constant), satisfaction

Source: SPSS 16 output, from survey data, 2017

Table 38 shows that the correlation coefficient between customer satisfaction and customer commitment are 34.9%. Thus, this result shows that customer satisfaction and customer commitment have significant relationship. In addition R square (coefficient of determination) 12.2.% of the variation in customer commitment is due to customer satisfaction and the rest 46.823% of the variation in customer commitment explained by other variables.

TABLE 39 ANOVA TABLE OF CUSTOMER SATISFACTION

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	11.608	1	11.608	52.945	.000 <sup>a</sup>
	Residual	83.751	382	.219		
	Total	95.359	383			

a. Predictors: (Constant), satisfaction

b. Dependent Variable: commitment

SOURCE: SPSS 16 output, from survey data, 2017

On table 39 the value of  $F=52.945$  at significant level 0.000 indicates that there is a significant relationship between customer satisfaction and customer commitment

TABLE 40 COEFFICIENT OF CUSTOMER SATISFACTION

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.552	.275		9.271	.000
	satlog	.421	.058	.349	7.276	.000

a. Dependent Variable: commitment

SOURCE: SPSS 16 output, from survey data, 2017

Finally, on table 40 the value of  $t= 7.276$  at 0.000 significant level indicates that customer satisfaction is an important variable to customer commitment of selected banks operating at Jimma town. Meanwhile, the above table shows that the regression coefficient is= 0.349 and the significant



level is 0.000. Thus, the significant level is less than 0.05 ( $P < 0.05$ ) the null hypothesis can be rejected and the alternative hypothesis (H8) can be accepted. Therefore, customer satisfaction has direct effect on customer commitment.

H0: There is no a positive and significant relationship between customer trust and customer commitment.

H9: There is a positive and significant relationship between customer trust and customer commitment.

TABLE 41 MODEL SUMMARY OF CUSTOMER TRUST

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.427 <sup>a</sup>	.182	.180	.45190

a. Predictors: (Constant), trulog

SOURCE: SPSS 16 output, from survey data, 2017

Table 41 shows that the correlation coefficient between customer trust and customer commitment are 42.7%. Thus, this result shows that customer trust and customer commitment have significant relationship. In addition R square (coefficient of determination) 18.2.% of the variation in customer commitment is due to customer trust and the rest 45.190% of the variation in customer commitment explained by other variables.

TABLE 42 ANOVA TABLE OF CUSTOMER TRUST

ANOVA <sup>b</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.348	1	17.348	84.948	.000 <sup>a</sup>
	Residual	78.011	382	.204		
	Total	95.359	383			

a. Predictors: (Constant), trust

b. Dependent Variable: commitment

SOURCE: SPSS 16 output, from survey data, 2017

On table 42 the value of  $F=84.948$  at significant level 0.000 indicates that there is a significant relationship between customer trust and customer commitment.

TABLE 43 COEFFICIENT OF CUSTOMER TRUST

		Coefficients <sup>a</sup>				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	2.519	.221		11.376	.000
	trulog	.442	.048	.427	9.217	.000

a. Dependent Variable: commitment

SOURCE: SPSS 16 output, from survey data, 2017

Finally, on table 43 the value of  $t= 9.217$  at 0.000 significant level indicates that customer trust is an important variable to customer commitment of selected banks operating at Jimma town. Meanwhile, the above table shows that the regression coefficient is= 0.427 and the significant level is 0.000. Thus, the significant level is less than 0.05 ( $P<0.05$ ) the null hypothesis can be rejected and the alternative hypothesis (H9) can be accepted. Therefore, customer trust has direct effect on customer commitment.

## CHAPTER FIVE

### 5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

In this chapter the major findings of the study are summarized; conclusions are drawn based on the findings and recommendations are forwarded for the concerned bodies.

#### 5.1. Summary

The main objective of this study was to investigate the determinants of customer base expansion of commercial banks operating at Jimma town. Specific objectives were to determine and evaluate the effects of the degree of those factors on the customer base expansion of commercial banks operating at Jimma town. The respondents asked to agree or disagree with certain questions related to the determinants of choice of commercial banks using a five-point Likert scale ranging from “strongly disagree” to “strongly agree” .To avoid carelessness and wrong response due to large numbers of related factors that can be grouped under the same category, the researcher organized the questionnaires as easiest as possible to respondents by assessing various related articles. So, only the 6 main factors with a total of 47 sub variables are incorporated in questionnaires to understand the perception of the respondents. Out of 384 self-administered questionnaires’ distributed to respondents all of 384 were collected. Then, those primary data was analyzed using SPSS 16 software. To show the final results of the study the researcher used descriptive statistics method, correlation and ANOVA. Through its process the reliability of the score was tested by the Cronbach Alpha test. On other hand to ensure whether the residual values are normality distributed among all factors the Kolomogrov Simrove test was applied on this study. In addition, to manage the missing value the researcher used the list wise deletion method. Finally, the researcher used the correlation matrix and regression analysis to find out the relationship and significance of each independent factor with customer loyalty in respect of customer base expansion.

The major findings of the study results from primary data analysis are presented as follows:-

- ✓ The perceptions of customers to those factors are almost similar in relation with those needs and the degree of its impact on attracting and retaining them with their serving bank.

- ✓ All of the six factors have positive and significant effect on customer loyalty in respect to customer base expansion.
- ✓ Switching barriers, corporate image, service quality, customer trust and customer satisfaction have strong positive and significant influence on customer loyalty with a pearson correlation coefficients of 0.626, 0.561, 0.546, 0.538 and 0.537 respectively. Meanwhile customer commitment with a coefficient of 0.497 have weak but positive and significance influence on customer loyalty in respect to customer base expansion.

## 5.2. Conclusions

In this research, the impact of service quality, customer trust, switching barrier, customer satisfaction, customer commitment, and corporate image on customer loyalty were examined. Thus, the data was analyzed by regression analysis and correlation. The outcome of the regression analysis shows that all the factors have positive and significant effects on customer loyalty. Such as, the impact of switching barrier on customer loyalty stalks from positive relations between service quality, customer satisfaction, customer trust, customer commitment and corporate image. The universal experience of marketing experts also verifies that such an impact is valid. In the regression analysis customer loyalty was dependent variable. The purpose of regression analysis was to determine which of the six factors would have the most important influence on customer loyalty. Of the six relations which were hypothesized to influence customer loyalty namely; service quality, switching barrier, customer satisfaction, customer trust, customer commitment and corporate image were positively and significantly related. The positive relationship between customer loyalty and switching barrier is .626 by Pearson coefficient. Consequently, just as expected, customer loyalty increases with the switching barrier. The Pearson coefficient for the positive relationship between customer loyalty and corporate image is .561. Therefore, as corporate image increase, customer loyalty increases. The positive relationship between customer loyalty and service quality is .546 by Pearson coefficient. Consequently, just as expected, customer loyalty increases with the service quality increase. The Pearson coefficient for the positive relationship between customer loyalty and customer trust is .538. Therefore, as customer trust increase, customer loyalty increases. Consequently, the Pearson coefficient for the positive relationship between customer loyalty and customer satisfaction is .537. Thus, as customer satisfaction increase,

customer loyalty increases. The Pearson coefficient for the positive relationship between customer loyalty and customer commitment is .497. Therefore, as customer commitment increase, customer loyalty increases. In conclusion, service quality, customer satisfaction, customer trust, customer commitment, switching barrier and corporate image are important predictors of customer loyalty in respect to customer attraction and retention. These findings indicate that customer commitment is to a lesser extent, switching barrier, corporate image, service quality, customer trust and customer satisfaction is crucial factors for customer loyalty. In addition, consistent with previous research service quality, customer satisfaction, customer commitment, customer trust, switching barrier and corporate image should be taken into consideration in formulating strategies for developing customer loyalty in respect of customer base expansion.

### **5.3. Recommendations**

Several new ideas arose while pursuing this research which led to the following recommendations. Service quality, customer trust, customer satisfaction, customer commitment, switching barrier and corporate image are six important routes to customer loyalty for most service industries, moreover in attracting and retaining customers. Practically, this study will help to bank managers in identifying such important factors among customers in term of customer base expansion. The findings of this study will also assist the management of the bank for making such policies criteria, and marketing strategies which will be fruitful for increasing attracting new and retaining existing customers. The study also makes important contribution to commercial bank management and the body of literature on the determinants of customer base expansion from the Jimma town perspective where empirical studies are virtually non-existent. The theoretical foundation of the study is the theory of constraints. Commercial banks at Jimma town are faced with the constraint of competitive pressure and a rapidly changing business environment. Empirically the study identified the important determinants of commercial bank customer base expansion and therefore can help bank management to determine their strategies to attract new and retain existing customers.

- ✓ The findings of this study revealed that customers place a huge emphasis on switching barrier when selecting banks. Therefore, banks management should make their branches location convenient to customers, like proximity of the branch to customer working place, residence, university, colleges and schools, bus station etc. So, to attract additional

customers and retain the existing customer commercial banks operating at Jimma town must expand their numbers of branches at selected location that centralize the majority of their target customer group. However, the management of the bank should bear in mind that convenient of branch location is not the final needs of customers. So, the management should consider the other factors of switching barrier, such as acceptable service price and product differentiation are obligatory factors that the customer give due attention next to the nearness of the bank. Thus, the researcher of this paper recommended that banks management must consider factors of switching barrier on their marketing strategy as the first order at least to keep their existing customer. Unless or otherwise instead of attracting new customers they may lose their existing customers to their competitors and be out of the market within a short period of time. Because customer is the main source of banks deposit.

- ✓ The result of this study also find out that, next to switching barrier customer are more attracted and be loyal for banks which have a good corporate image. Therefore, managements of banks should struggle to build their corporate image on the minds of the public through making attractive advertisement that can create a good image or introducing their banks to the large population, involving in the community, performing things that enables the bank to be like by the society and try to apply things that differentiate their bank than other competitors. As other things be constant, practically at Jimma town can be seen that banks that stay within the same location and providing similar service and products cannot have the same capacity in terms of attracting and retaining their customers. The bank that develops a good corporate image served a large numbers of customers without providing quality service better than those competitors working within the same location. Thus, the researcher of this study recommended that management of banks should understand that corporate image is one of the most important factors next to switching barrier to attract new customer and retain their existing customer.
- ✓ The results of this study also find out that customers at Jimma town consider service quality at a third level as criteria when they need to open an account within one of the commercial banks. As all the factors are interrelated to achieve the same goal of attracting and retaining

existing customer, it is clear that the customer choose the branch which is nearest to him/her, and if different branches are nearest to him/her, he/she prefer to choose the bank within a good corporate image, and then all of those banks are the same on their location and similar corporate image, the customer prefer to choose banks that offer better service to its customers. Thus, the researcher of this study recommended that banks management should apply strategy of offering quality service to take advantages on competitors and on other hand not losing their customer to competitors due to lack of quality service.

- ✓ The results of this study also shows that customer trust is one of the most important factors ranked at the fourth level in a attracting new and retaining existing customers. So, the management of the bank should develop trustworthiness of their bank in the minds of the public. As other things being constant, customer considers whether or not the bank is trustworthy when they need to open account within any one of the bank. Therefore, the researcher of this study recommended that management of banks should consider customer trust as one of the most important factors in their marketing strategies of customer base expansion.
- ✓ At the last the results of this study shows that customer satisfaction and customer commitment are the most important factors respectively with the order of fifth and sixth on influencing customer attraction and customer retention. This also clear that management of bank should try to satisfy their customer by providing service more than customer expectation and on other hand some satisfied customer also needs trustworthiness of the bank to stay with the bank as loyal customer. So, the researcher of this study recommended that management of the bank should try to offer services more than customer expectation and must make their customers committed to use their bank.

Generally, the results of this study revealed that six factors namely:- service quality, customer satisfaction, customer trust, customer commitment, switching barrier and corporate image are very important factors for bank customer base expansion at Jimma town. Hence, the management of commercial banks should keep in view these important factors while making marketing strategies.

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## Appendix

JIMMA UNIVERSITY  
COLLEGE OF EBUSINESS AND ECONOMICS  
DEPARTMENT OF ACCOUNTING&FINANCE  
MASTER OF SOCIAL SCIENCE

These questionnaires are prepared to gather data from customers of commercial banks operating at Jimma town to be an input for the accomplishment of MSC thesis on the title of Determinant of Commercial Bank customer base expansion: An empirical study on Commercial Banks operating at Jimma town.

Note:

- ✓ No need of writing your name
- ✓ The information you provide will be valuable for the successes of the research paper. Please be honest and objective while filling the questionnaire.
- ✓ The information you give is used only for academic purpose and will be kept confidential.

Thank you in advance for your cooperation.

### PART I. DEMOGRAPHIC INFORMATION

Sex

Male

Female

Age

18-28 years

29-39 years

40-50 years

above 50 years

Marital status

Married

Unmarried

For how money Years you are serving in this bank

1 - 3 years	<input type="text"/>	4 - 6 years	<input type="text"/>
6 - 9 years	<input type="text"/>	above 9 years	<input type="text"/>

## PART II. DETERMINANTS OF CUSTOMER LOYALTY IN BANKING INDUSTRY

The major factors that motives people to be loyal customers on commercial banks operating at jimma town are listed below. After you read each of the factors, evaluate them in relation to your perception and then put a tick mark (√) under the choices below.

5=strongly agree 4=agree 3=indifferent 2=disagree 1=strongly disagree

FACTORS	AGREED SCALE					R E M A R K
	Strongly agree	Agree	Indifferent	Disagree	Strongly disagree	
	5	4	3	2	1	
<b>1. Corporate Image/Brand Reputation</b>						
1.1. Do you agree that this bank is widely known?						
1.2. Do you agree that this bank is involved in the community?						
1.3. Do you agree that this bank is well-liked?						
1.4. Do you agree that this bank is						

distinct/unique compared to others?						
<b>2.Service Quality</b>						
2.1. Do you agree that this bank easily opens an account for you?						
2.2. Do you agree that this bank use latest banking technology?						
2.3. Do you agree that this bank provides promised service to you?						
2.4. Do you agree that this bank employee has willingness to help you?						
2.5. Do you agree that this bank provides fast and efficient service for you?						
2.6. Do you agree that this bank employee understand your needs?						
2.7. Do you agree that this bank branch opening and closing hour are preferable for you?						
2.8. Do you agree that this bank employee give intense attention for you?						
2.9. Do you agree that the transaction passed on employees of this bank is accurate?						
2.10. Do you agree that this bank have a good procedure regarding handling of your complain?						
2.11. Do you agree that this bank providing you accurate record?						

2.12. Do you agree that this bank has adequate numbers of tellers that serve you?						
2.13. Do you agree that this bank employee have friendly relationship with you?						
2.14. Do you agree that this bank has pleasant bank atmosphere?						
2.15. Do you agree that this bank has attractive banking material?						
2.16. Do you agree that this bank has enough space for lobby area?						
2.17. Do you agree that this bank building is attractive?						
2.18. Do you agree that this bank has enough parking spaces?						
2.19. Do you agree that this bank employee's appearances and attire is attractive?						
2.20. Do you agree that interior décor of this bank building attractive?						
2.21. Do you agree that this bank internal cleanness is attractive?						
<b>3. customer Satisfaction</b>						
3.1. Are you satisfied with the accuracy of this bank records?						
3.2. Are you satisfied with the accuracy of transactions?						
3.3. Are you satisfied with staff's response of this bank?						

3.4.Are you satisfied with the prompt service provided by this bank?						
3.5.Are satisfied with the physical appearance of this branch?						
3.6.Are you satisfied with modern technology used by this bank?						
3.7.Are you satisfied with the convenient of branch location?						
3.8. Are you satisfied with the banks effort to inform you about new products and services?						
3.9.Are you satisfied with the service fee charging by this bank?						
<b>4. Customer Trust</b>						
4.1.Do you agree that this bank puts the customer’s interest first?						
4.2. Do you agree that this bank can be relied up on to keep its promises?						
4.3.Do you agree that this bank is trust worthy?						
4.4. Do you agree that this bank is stable?						
<b>5. Switching Barrier</b>						
5.1. Do you agree that thisbank service price is acceptable?						
5.2.Do you agree that this bank has convenient branch location?						
5.3.Do you agree that this bank offers a variety of products?						

5.4.Do you agree that this bank has favorable image?						
5.5. Do you agree that this bank is able to meet your changing needs?						
<b>6. Customer commitment</b>						
6.1.Do you agree that your choice to use this bank is right?						
6.2.Do you agree that your experience with this bank has been enjoyable?						
6.3.Do you agree that this bank always meets your expectation?						
6.4. Do you agree to continue to do more business with this bank?						
<b>7. Customer Loyalty</b>						
7.1.Do you agree that you often tell positive things about this bank to other people?						
7.2.Do you agree that you recommended your family, friends and relatives to do business with this bank?						
7.3.Do you agree that you recommended this bank to someone who seeks financial support?						
7.4.Do you agree that you would consider this bank as your first choice when you need bank service?						

አባሪ

ጂማዩኒቨርሲቲ

የቢዝነስ እና ኢኮኖሚክስ ኮልጅ

የአካወንቲንግ እና ፋይናንስ የትምህርት ክፍል

የአካባቢ ሳይንስ ሊቅ

እነዚህ ጥያቄዎች የተዘጋጁት በጅም ውስጥ ለሚገኙ በተመረጡ የንግድ ባንኮች ደንቦች ላይ መረጃ ለመስጠት ሲሆን መረጃውም የደንቦችን ቁጥር ለመጨመር የሚደረገውን ጥረት ለስኬት እንዲበቃ የሚያስችሉ ግብአቶች በሚል ርዕስ ለሚጠና የመመረቂያ ጽሑፍ የሚውል ይሆናል።

ማስታወሻ

- ✓ ስሞን መጻፍ አያስፈልግም
- ✓ የሚሰጡት መረጃ ለዚህ ጥናት ስኬታማነት የራሱ ዋጋ አለው ጥያቄውን በሚሞሉበት ወቅት በቅንነት እና በምክንያታዊነት ይመሉ
- ✓ የሚሰጡን መረጃ ለጥናት ብቻ የሚውል ሲሆን ማስጠራዊነቱም ይጠበቃል

ለሚያደርጉልን ትብብሮ በቅድሚያ ልናመሰግናት እንወዳለን .

የግለሰብ መረጃ

ጾታ

ወንድ

ሴት

እድሜ

18-28 አመት

29-39 አመት

40-50 አመት

ከ50 አመት በላይ



የትዳር ሁኔታ

ያገባ

ያላገባ

ከባንኩ ጋር ያሎት ቆይታ

1 - 3 አመት

4 - 6 አመት

7 - 9 አመት

ከ10 አመት በላይ

I. የንግድ ባንኮችን የደንበኞች ቁጥር እንዲጨምር የሚረዱ ወይም የሚወስኑ ግብአቶች .

1. በጅም ወስጥ እየሰሩ ላሉ ባንኮች ደንበኞችን ለመሳተፍ እና ከነሱ ጋር ለረዝም ጊዜ አብረው እንዲቆዩ የሚያስችሉ ዋነኛ ግብአቶች ከዚህ በታች እንደሚከተለው ዘርዝረናቸዋል፡፡ እያንዳንዱን ግብአቶች ካነበቡ በሃላ ባሎት የግል አመለካከት ወይም ግንዛቤ መሰረት ለእያንዳንዱ ጥያቄዎች ለተሰጣቸው ምርጫዎች የራይት ምልክት በማድረግ ወጤት ይስጡ፡፡ የጥያቄዎቹም ምርጫ የሚወክሉት ዋጋ እንደሚከተለው ነው፡፡

5=በጣም አስማማለሁ 4= አስማማለሁ 3= ድጋፍም ሆነ ቅራኔ የለኝም 2= አልሰማምም 1= በጣም አልሰማምም

መንስኤዎች ወይም ምክንያቶች	የሰምምነት መለኪያ ማዘን					ማስታወሻ
	በጣም አስማማለሁ	አስማማለሁ	ድጋፍም ተቃዋምም የለኝም	አልሰማምም	በጣም አልሰማምም	
	5	4	3	2	1	
<b>1.የ ድርጅቱ አጠቃላይ ገጽታ</b>						
1.1. ባንኮችን በሁሉም ዘንድ በሰፊው ይታወቃል የሚል እምነት አለን						

1.2. ባንካችን ህብረተሰቡን በሚወክሉ ወይም በሚጠቅሙ ስራዎች ላይ ይሳተፋል የሚል እምነት አለን						
1.3. ባንካችን በጣም ተወዳጅ ባንክ ነው የሚል እምነት አለን						
1.4. ባንካችን ከሌሎች ባንኮች ጋር ሲነጻጸር የተለየ ወይም ብርቅዬ ነው የሚል እምነት አለን						
<b>2.የ አገልግሎት ጥራት</b>						
2.1. ባንካችን ለደንበኞቹ ሂሳብን በቀላሉ ያለምንም ማጉላላት ይከፍታል የሚል እምነት አለን						
2.2. ባንካችን ዘመናዊ የባንክ ቴክኖሎጂ እየተጠቀመ ነው የሚል እምነት አለን						
2.3. ባንካችን ጥሩ የሆነ አገልግሎት እየሰጠ ነው የሚል እምነት አለን						
2.4. የባንካችን ሰራተኞች እርሶን ለመርዳት ፍቃደኛ ናቸው የሚል እምነት አለን						
2.5. ባንካችን ፈጣንና ቀልጣፋ የባንክ አገልግሎት እየሰጠ ነው የሚል እምነት አለን						

2.6. የባንካችን ሰራተኞች የእርሶን ፍላጎት በቀላሉ ይረዳሉ የሚል እምነት አለን						
2.7. የባንካችን የሰራ መጀመሪያ እና መዘጋጀት ሰአት ለደንበኞች ምቹ ነው የሚል እምነት አለን						
2.8. የባንካችን ሰራተኞች ለደንበኞቻችን ከፍተኛ ወይም የተለየ ትኩረት ያደርጋሉ የሚል እምነት አለን						
2.9. በባንካችን የሚያደርጉት የገቢ እና ወጪ እንቅስቃሴ ምንም እንኳን የለውም የሚል እምነት አለን						
2.10. ባንካችን ቅሬታዎን የሚቀበልበት እና የሚፈታበት የተደራጀ የሰራ መመሪያ አለው የሚል እምነት አለን						
2.11. ባንካችን የሚሰጠት መረጃ ትክክለኛ ነው የሚል እምነት አለን						
2.12. ባንካችን በቂ የሆነ ገንዘብ ተቀባይ እና ከፋይ አለው የሚል እምነት አለን						
2.13. የባንካችን ሰራተኞች ከደንበኞች ጋር መልካም የሆነ ግንኙነት አላቸው የሚል እምነት አለን						
2.14. የቅርንጫፍ ባንካችን						

የ ስራ ቦታ አስደሳች ነው የሚል እምነት አለን						
2.15. የባንካችን የቢሮ ስራ ማከናወኛ ቁሳቁሶች ደስ የሚሉ ወይም ቀልብ የሚሰጡና ችው የሚል እምነት አለኝ						
2.16. ባንካችን በቂ የሆነ ደንበኞች የሚሰጠና ገዳብ ቦታ አለው የሚል እምነት አለን						
2.17. የባንካችን ህንጻ ቀልብ የሚሰጠን የሚል እምነት አለን						
2.18. ባንካችን በቂ የሆነ የመኪና ማቆሚያ ቦታ አለው የሚል እምነት አለን						
2.19. የባንካችን ስራተኞች ተክለ ሰውነት እና አለባበሳቸው ቀልብ የሚሰጠን የሚል እምነት አለን						
2.20. የባንካችን ህንጻ ወሰጣዊ ገጽታ ቀልብ የሚሰጠን የሚል እምነት አለን						
2.21. የባንካችን ወሰጣዊ ንጽህና ደስ የሚያሰኝ ነው የሚል እምነት አለን						
<b>3. የደንበኞች እርካታ</b>						
3.1 ባንካችን በማሰጠው መረጃ ትክክለኛነት ደንበኞቻችን እየረኩ ነው የሚል እምነት አለን						

<p>3.2. በባንካችን በሚደረጉ የገቢ እና ወጪዎችን ቅስቀሳዎች ትክክለኛነት ደንበኞቻችን እየረኩነው የሚል እምነት አለን</p>						
<p>3.3. የባንካችን ሰራተኞች በሚሰጡት ምላሽ ደንበኞቻችን እየረኩነው የሚል እምነት አለን</p>						
<p>3.4. ባንካችን በሚሰጠው ፈጣን አገልግሎት ደንበኞቻችን ረክተዋል የሚል እምነት አለን</p>						
<p>3.5. የባንካችን ህንጻ ወብት ደንበኞቻችንን አስደስታል የሚል እምነት አለን</p>						
<p>3.6. ባንካችን በሚጠቀመው ዘመናዊ ቴክኖሎጂ ደንበኞቻችን ተደስተዋል ወይም ረክተዋል የሚል እምነት አለን</p>						
<p>3.7. ባንካችን ያለበት ቦታ ምቹነቱ ደንበኞቻችንን አስደስቶታል ወይም እርካታን ፈጥራል የሚል እምነት አለን</p>						
<p>3.8. ባንካችን ስለ እራሱ አዳዲስ አገልግሎቶች በተመለከተ በሚሰጠው መረጃ ደንበኞቻችን እረክተዋል የሚል እምነት አለው</p>						
<p>3.9. ባንካችን በሚያስከፍለው የአገልግሎት ክፍያ ደንበኞቻችን ደስተኛ ናቸው የሚል እምነት</p>						

አለን						
<b>4. ደንበኞች በባንኩ ላይ ያላቸው አመኔታ</b>						
4.1. ባንካችን ለደንበኞች ፍላጎት ቅድምያ ይሰጣል የሚል እምነት አለን						
4.2. ባንካችን ለደንበኞች የገባውን ቃል ይጠብቃል የሚል እምነት አለን						
4.3. ባንካችን እምነት የሚጣልበት ባንክ ነው የሚል እምነት አለን						
4.4. ባንካችን ለወደፊትም ያለ ምንም እንኳን በብቃት ይቀጥላል የሚል እምነት አለን						
<b>5. ደንበኞች ከባንኩ ጋር እንዲቆዩ የሚያደርጉ መንስኤዎች ወይም ምክንያቶች</b>						
5.1. የባንካችን አገልግሎት ክፍያ ማዘናዊ ነው የሚል እምነት አለን						
5.2. ባንካችን ያለበት ቦታ ለደንበኞቹ ምቹ ነው የሚል እምነት አለን						
5.3. ባንካችን ለደንበኞቹ የተለያዩ አገልግሎቶችን እየሰጠ ነው የሚል እምነት አለን						

5.4. ባንካችን በደንበኞቹ ዘንድ መልካም የሆነ ገጽታ አለው የሚል እምነት አለን						
5.5. ባንካችን የደንበኞቹን ተለዋዋጭ ፍላጎቶች እያሟላ ነው የሚል እምነት አለን						
6. ደንበኞች ከባንኩ ጋር አብረው ለመቆየት ወይም ለመስራት ያላቸው ዝግጁነት						
6.1. ባንካችንን ለመጠቀም መምረጦት ከከለኛ ወሳኔ ነው የሚል እምነት አለን						
6.2. ከባንካችን ጋር እስከ አሁን ድረስ ያሉት ቆይታ አስደሳች ነው የሚል እምነት አለን						
6.3. ባንካችን ምንም ጊዜ የሚጠብቁበትን ፍላጎቶች እያሟላ ሎት ነው የሚል እምነት አለን						
6.4. ከባንካችን ጋር ለወደፊት ብዙ ስራ ይሰራሉ የሚል እምነት አለን						
7. ደንበኞች ለባንኩ ያላቸው ታማኝነት						
7.1. ጋደኞች ወይም ዘመዶች ይህንን ባንክ እንዲጠቀሙ ይመክራሉ የሚል እምነት አለን						

<p>7.2. ቤተሰቦች ይህንን ባንክ እንዲጠቀሙ ይመክራሉ የሚል እምነት አለን</p>						
<p>7.3. አንድ የሞያ ድጋፍ ወይም የብድር አገልግሎት የሚፈልግ ሰው ቢያጋጥሞት ወደ ዚህ ባንክ እንዲመጣ ይመክራሉ የሚል እምነት አለን</p>						
<p>7.4. የባንክ አገልግሎት ለመጠቀም በሚፈልጉበት ጊዜ ይህ ባንክ የመጀመሪያ ምርጫ ነው የሚል እምነት አለን</p>						