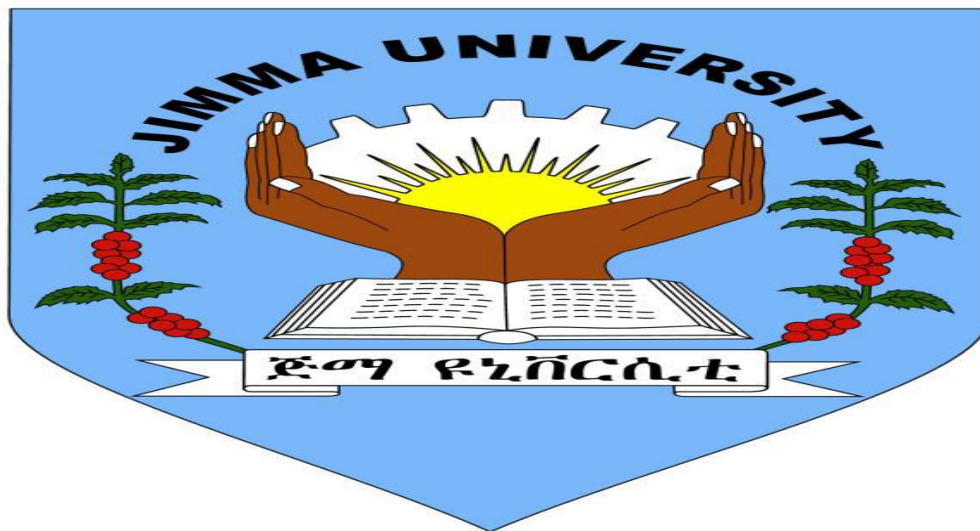Determinants of Customers Choice of Bank: An Empirical Investigation Customers Preference in Addis Ababa

A Research 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 Business Administration (MBA)

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**August 2020**

I Kedija Abdudeclared that the research project entitled "determinants of customers choice of bank: an empirical investigation customers preference in Addis Ababa "is my original work that is done under the guidance of Main Adviser: Emnet Negash and co advisor Kedir Abrahim. This research project is done as partial fulfillment for Masters of Arts Degree in Business Administration (MBA).This research has not been done before and all sources of materials used for the study have been appropriately acknowledged.

KEDIJA ABDU

Signe-------------

Date ------------------

Jimma University

**Certification**

This is to certify that **Kedija Abdu**has done the study on the topicdeterminants of customers' choice of bank: an empirical investigation customer's preference in Addis Ababa.This study is authentic and has not been done before by any other researcher on this systematic way.

Advisor's Name ------------------Date---------Signature--------

Co-Advisor Name ------------------Date---------Signature--------

Internal examiner------------------Date---------Signature--------

External examiner ------------------Date---------Signature--------

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I am grateful to thank my family and all my relatives, friends who contribute their unreserved support for the accomplishment of this paper.

# Table of content

## Acronyms

**ATM = Automated Teller Machine**

**AIDB=Agricultural and Industrial Development bank**

**CBE=Commercial Bank of Ethiopia**

**CPA=Principal Component Analysis**

**ETB=Ethiopian Birr**

**KMO=Keiser- Mayer-Olkin**

**NBE=National Bank of Ethiopia**

**PSU=Primary Sampling Unit**

**SPSS =Statistical package for social science**

**SSP=Secondary Sampling Unit**

**USA=United States of America**

## Abstract

*The main idea of the study was to identify the determinants of customer's choice of bank: in Addis Ababa. The study applied explanatory research design to identify and explain the determinant factors that influence customer's choice. Both quantitative and qualitative research approaches were used. To collect data, questionnaire in the form of Likert scale, and open ended questionnaire were conducted. A total of 394 questionnaires were distributed to respondents who are selected via systematic sampling techinique and 384 of them were returned back. To generate the output of the study the statistical software for social science version 20.0 were used. The finding of the study revealed that financial factors found the strongest factor that affect customer's decision followed by service quality. Convenience/security were found the third influential factor followed by reputation factors/bank's image. Lastly technological factor and marketing and promotional factors were play a modest role influencing customers decision. Regarding inferential analysis there were significant correlations existed between bank selection decision and independent variables. Specifically there were strong bank selection decision with service quality, financial factors and convenient and security factors. Due to these the linear combination of the independent variable was significantly related to the dependent variable, R=.867a adjusted R square=.786, F=32.6 (p=0.000). Lastly the researcher recommends Based on the findings of the study, the following recommendations are suggested. Mangers of the bank should consider financial interest of the customer, convenience of banks service to customer and service quality issues seriously*

*Key words: Bank Selection. Finical Factor, Convince, Service Quality And Technological*

# CHAPTER ONE

# 1. INTRODUCTION

This chapter introduces the overall bank selection criteria in the background of the study and the problems statement. General this chapter covers the research question research objective and scope and its significance. Each topic was addressed accordingly.

## 1.1 Background of the study

According to (Blankson, 2017), in today's world, due to the result of a number of interrelated factors the banking industry is characterized by high competition. In other words, an increased competition resulting from a decade of deregulation of financial services industry has meant that banks find themselves faced with the task of differentiating their organizations and their offerings as a means of attracting customers.

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

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

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

Sometimes market planning and strategy of financial institutions do fail due to improperly identifying the factors or determinants that customers consider in bank selection. Quality of service, bank's reputation, availability of ATM, proximity to home/work, low interest rate, convenient of bank location, internet and mobile banking facilities and the like are possible determinants that customers consider as bank selection criteria (Ulengin, 1998; Almossawi, 2001; Mokhlis, 2008; Ahmed, 2011;). Hence, there is a need for financial institutions to effectively differentiate their offerings from those of competitors in order to attract customers' attention and choice (Ahmed, 2011).

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

During the Italian invasion in 1935, the government of Italy established branches of their mainBanks namely Banca d'Italia, Banco di Roma, Bancodi Napoli and Banca Nazionale del lavoro and started operation in the main towns of Ethiopia. However, all opened branches ceased operation soon after libration except Banco di Roma and Banco di

Napoli which remained in Asmera. In 1941 another foreign bank, Barclays Bank, come to Ethiopia with the British troops and organized banking services in Addis Ababa, until its withdrawal in 1943. Then on 15th April 1943, the state Bank of Ethiopia commenced full operation. It acted as central Bank of Ethiopia and engaged in all commercial banking activities. Then the Ethiopian Monetary and Banking law that come into force in 1963 separated the function of commercial and central banking creating National Bank of Ethiopia and Commercial Bank of Ethiopia (Alemayehu, 2006).

Following the declaration of socialism in 1974, the government extended its control over the whole economy and nationalized all privately owned banks and in 1980 forms the sole commercial bank in the country till the establishment of private commercial banks in 1994. The financial sector that the socialist oriented government left behind constituted, only 3 banks and each enjoying monopoly inits respective market. These were the National Bank of Ethiopia (NBE), the Commercial Bank of Ethiopia (CBE) and Agricultural and Industrial Development Bank (AIDB) (Alemayehu, 2006). In 1994, the Monetary and Bankingproclamation established the National Bank of Ethiopia asjudicial entity, separated from the government and outlined its main functions. Monetary and Banking proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 laid down the legal basis for investment in the banking sector.

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

## 1.2 Statement of the Problem

According to Alemayehu G., (2006), the banking sector of Ethiopia has undergone considerable changes over time and now it is started to emerge into intense competition in the provision of effective and quality services to their customers. This competition is a key determinant factor for the growth and prosperity of banking sector in Ethiopia. Consequently the banking sector of Ethiopia started to offer broadened range of services to cater the needs of sophisticated and demanding customers.

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

As researchers(Omo, 2011 & Awang M.S.,1997) remark that in order to ensure the success of maintaining sufficient customer and quality services, understanding customers' behavior of bank preference and selection criteria has been argued to be helpful to banks in identifying the appropriate marketing strategies needed to attract new customers and retain existing ones.

Consequently, as per (Foscht, 2010; Mokhlis, 2009& Talha, 2004) explanation the issue of "how customers select banks of their choice" should be given considerable attention bank managers and owners.

However, most of the above studies have been mainly conducted in developed countries. While, such studies have contributed substantially to the literature of perquisite for bank selection among customers, their findings may not be applicable to other countries, due to difference in **culture,economic, legal and technological environments**. As a result, a set of determinants that may have a significant role in bank selection in one nation may prove to be insignificant in another (Omo, 2011).

Besides this study already done by so many researchers in developedand developing countries and few researches is found in Ethiopia tries to see like gender base, geographical base and the like. Still the findings are not the same between researches due topeople's preferences and selection methods may change through times. And most of the studies that I see is done long time ago. Their studies may not be applicable on present date due to customer's behavior and preference may change through time. So by doing the research again and try to see whether findings are the same. The researcher find this topic is still hot issue in Addis Ababa regarding of selection of particular bank, so I decided to repeat this study.By raising the following research questions.

## 1.3 Research Questions

1. What factors customers consider important in selecting their choice of a bank?
2. How customers prioritized these factors in order to get better service?
3. Do Customers have an intention to continue with their preference?
4. Do Customers need any additional services apart from the existing services offered by commercial banks?

## 1.4 Objectives of the Study

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

## 1.4.1 Specific Objectives

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

➢ To assess the determinant factorsused by customers as criteria to choose among banks.
➢ To determine if there is any priority difference in the selected factors.
➢ To determine the persistency extent of customers in their preference.

➤ To assess the level of customers satisfaction with the current banking service provided commercial banks

## 1.5 Significance of the study

The purpose of this paper is to identify the factors that customers consider important to select a bank. Specifically

**For Bank Managers:** by referring Identified determinants of bank selection, mangers can adjust themselves toward the customers preference or it will help bankers for designing future marketing strategies in such competitive environment to attract new customers and retain existing ones.

**For Academicians and Researchers:** Theoretically, the study willfill an important gap in the literature that is, exploring bank selection criteria for potential customers in Addis Ababa. Therefore, the findings of the study will add to the existing body of the literature and can serve as a starting point on which future studies can be built.

**For policy makers:** This study will also assist to the policy makers and those who have concern for developing the varied aspects of banking business.

## 1.6 Scope of the Study

Conceptually, this study were limited to emphasize only with the analysis of 6 bank selection factors which includes Convenience/Security Factors, Reputation Factors/Bank's Image, Service quality, Financial factors, Marketing and Promotional factors and Technological factors in Ethiopian banking sector, but the research were not include other political and ethnic matters.Furthermore, the researcher only focused on bank customers of Addis Ababa city but not consider other regions of the country. The data were taken cross sectional from bank customers.

## 1.7 Limitation of the Study

There might be some limitations on this research. Since all the samples were collected from respondents at Addis Ababa city only, then it would not be good enough in

generalizing to the whole population in the country in comparing with collecting the data from each state in Ethiopia, hence limits generalization of the research outcomes. It should be understood that the customers' perception on bank selection criteria might change from one geographic area to the next based on the demographic characteristics of the population being studied (Almossawi, 2001). Therefore, finding of this study needs further verification. It is also recommended that research be repeated in different areas of the country to identify similarities and difference across commercial banks.

## 1.8 Organization of the Paper

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

# CHAPTER TWO

## LITERATURE REVIEW

## 2. THEORETICAL REVIEW

### 2.1 Overview of History Banking Around the Globe and In Ethiopia

The history of banking began with the first prototype banks which were the merchants of the world, who made grain loans to farmers and traders who carried goods between cities. This was around 2000 BC in Assyria, India and Sumeria. Later, in ancient Greece and during the Roman Empire, lenders based in temples made loans, while accepting deposits and performing the change of money. Archaeology from this period in ancient China and India also shows evidence of money lending.

Many histories position the crucial historical development of a banking system to medieval and Renaissance Italy and particularly the affluent cities of Florence, Venice and Genoa. The Bardi and Peruzzi Families dominated banking in 14th century Florence, establishing branches in many other parts of Europe. The most famous Italian bank was the Medici bank, established by Giovanni Medici in 1397. The oldest bank still in existence is Banca Monte dei Paschi di Siena, headquartered in Siena, Italy, which has been operating continuously since 1472.

Development of banking spread from northern Italy throughout the Holy Roman Empire, and in the 15th and 16th century to northern Europe. This was followed by a number of important innovations that took place in Amsterdam during the Dutch Republic in the 17th century and in London since the 18th century. During the 20th century, developments in telecommunications and computing caused major changes to banks' operations and let banks dramatically increase in size and geographic spread. The financial crisis of 2007–2008 caused many bank failures, including some of the world's largest banks, and provoked much debate about bank regulation.

Ethiopian banking history, in its modern sense, began towards the end of the reign of Emperor Menilek. This period witnessed the establishment of the country's first bank. Called the Bank of Abyssinia, or in Amharic "Ye-Ityopya Bank", it was an affiliate of the National Bank of Egypt, and was founded in 1905.

## 2.2 Theoretical Review of Banks

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

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

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

The relevant theoretical expositions underpinning the study are the rational choice theory and competition theory. The rational choice theory provides useful insights on the choice or selection behavior of individual customer, while the completion theory explains how

firms try to win customers loyalty through service excellence, meeting customers' needs and providing innovative products (Aregbeyen, 2011). Generally, customers employ a number of processes for product/service evaluation which will eventually leads to the choice and/or preference of a particular product or service provider. Thus, Zeithalm (1993) categorize the factor into three groups of quality characteristics. Search qualities are the features that customers can see, feel or touch and might be evaluated in advance of purchase. Secondly, experience qualities are those qualities that may be evaluated during or after consumption. And finally, credence attributes are the features that consumer find difficult to evaluate after purchase or consumption such as medical services provided by a doctor. Financial services are characterized by high levels of credence and experimental features, therefore, making them difficult to be evaluated before consumption (Owusu-Frimpong, 1999). Therefore, to minimize the risk and uncertainty that is related to the purchase of service, customers more or less rely on the tangible cues such as place, equipments, people, symbols among others as the evidence of service quality. When customers choose and prefer a service provider based on tangible cues, they are more likely to become loyal to the service provider (Morley, 2004). Given the understanding that customer retention is economically more advantageous than constantly seeking new customers; Reichheld and Sesser, (1990) observe that customers' loyalty is a primary goal for most businesses today. This leads to an explosion in the use of different types of bonds (i.e. economic or structural) which bind the customer to the firm through high switching costs.

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

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

products and upgrades existing ones, talks favorably about the company and its products, pays less attention to competing brands and advertising, and is less sensitive to price and it will cost less to serve the new customers because transactions are reutilized.

## 2.3 Theoretical Foundation Bank Selection

### 2.3.1. Rational choice theory

Rational choice theory is the process of determining what options are available and then choosing the most preferred one according to some consistent criterion. (Levin,2004).In rational choice theory, individuals are seen as motivated by the wants or goals that express their 'preferences'. They act within specific, given constraints and on the basis of the information that they have about the conditions under which they are acting. At its simplest, the relationship between preferences and constraints can be seen in the purely technical terms of the relationship of a means to an end. As it is not possible for individuals to achieve all of the various things that they want, they must also make choices in relation to both their goals and the means for attaining these goals (Scott, 2000).

Rational choice holds that individuals must anticipate the outcomes of alternative courses of action and calculate that which will be best for them. Rational individuals choose the alternative that is likely to give them the greatest satisfaction (Scott, 2000). The relevance

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

## 2.3.2. Competition theory

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

## 2.3.3. The Consumer Behavior

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

and desires (Kotler,and Armstrong, 2011). Consumer behavior is not only influenced by external factors, but also by their attitudes and expectations. These attitudes and expectations are constantly changing in response to a continuous flow of events, information and personal experiences (Peer, 2009).

## 2.3.4. Customer Loyalty

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

## 2.4 Customers Buying Behavior

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

| Market Stimuli | Other Stimuli | Factors affecting Customers buying decisions | Buyer's decision process | Buyer's decision Process |
|---|---|---|---|---|
| Product Price Place Promotion | Political Economical Cultural Technological | Cultural Social Personal | Problem Recognition Information search Evaluation Post Purchase | Product Choice Brand Choice Dealer Choice Purchase timing Purchase |

**Fig 2:1** Customers Buying Behavior, Source : (Kotler & Lane, 2006).

## 2.5 Steps in the Customer Decision Process

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

```
┌─────────────────────────────┐
│     Problem Recognition      │
└─────────────────────────────┘
              ↓
┌─────────────────────────────┐
│      Information Search       │
└─────────────────────────────┘
              ↓
┌─────────────────────────────┐
│     Evaluation of Options     │
└─────────────────────────────┘
              ↓
┌─────────────────────────────┐
│        Service Options        │
└─────────────────────────────┘
              ↓
┌─────────────────────────────┐
│      Post-use Evaluation      │
└─────────────────────────────┘
```
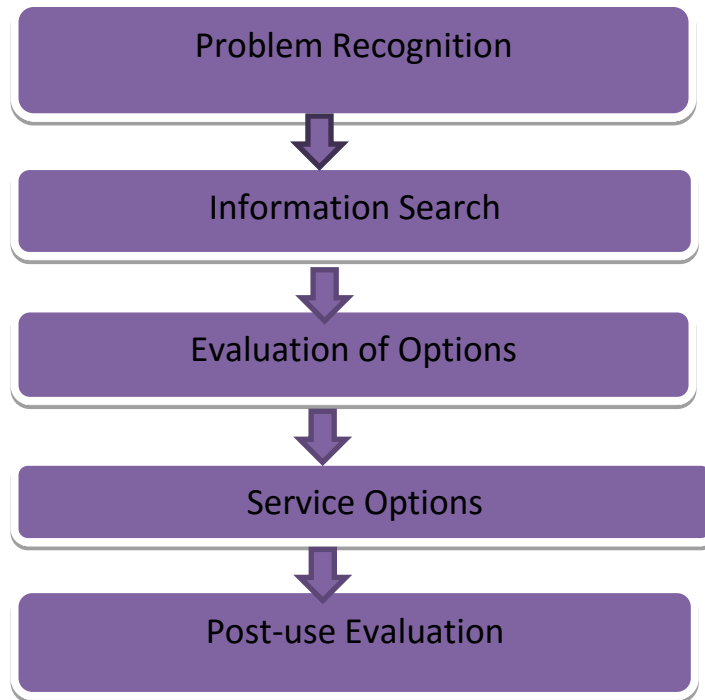
*Source: Adopted from Sells, Consumer behavior,*

*pp.157*

Fig.22: The Consumer decision-making process

## 2.5.1 Influence on Customers' Decisions

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



**Internal Influences**

Perception

Motivation

Learning Attitudes

Personality

**Situational Influences**

Physical Environment

Time

**Social Influences**

Culture

Subculture

Social class

Group

Membership

**Decision Process**
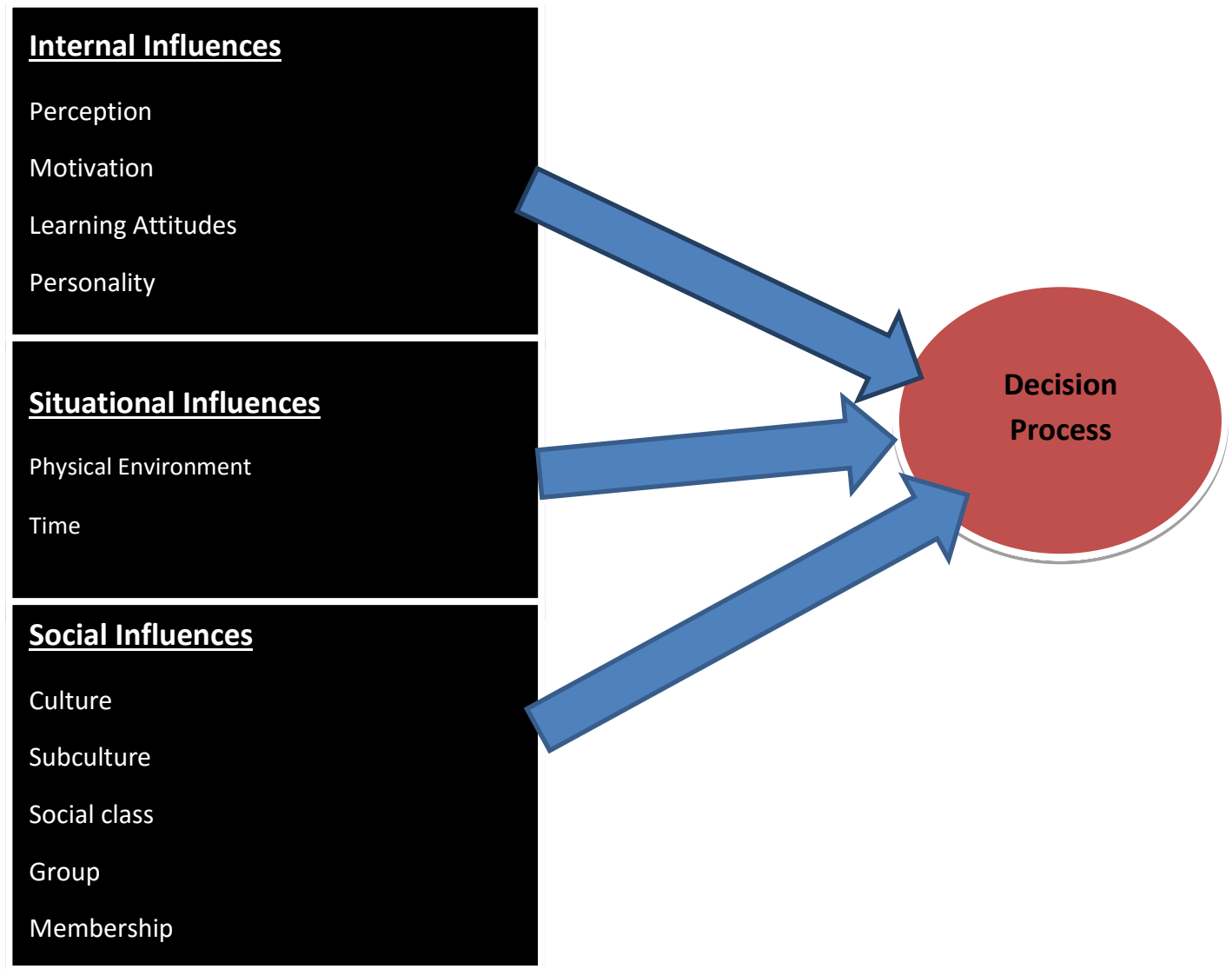
Source: (Kotler & Lane, 2006).

**Fig.2.3: Influence on Customers' Decisions**

### 2.5.2 Internal Influences on Customers' Decisions

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

### 2.5.3 Situational Influences on customers' Decisions

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

### 2.5.4 Social Influences on customers' Decisions

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

### 2.5.5 Customer Satisfaction

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

Dissatisfied customers, on the other hand, are expected to switch brands and engage in negative word of mouth advertising. Customer satisfaction is the key to the profitability

of retail banking; it implies the retention of customers for the longer term, which is cheaper than attracting new customers (Hashash & Abdul, 2008)

## 2.6 Customers Bank Selection Criteria

### 2.61 Personal Factors

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

### 2.62. Technological Factors

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

### 2.6.3 Speed and Service Quality

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

### 2.6.4 Bank Image and Reputation

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

### 2.6.5 Convenience Factors

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

### 2.6.6 Promotional Factors

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

advertising availability of several branches, availability of parking space nearby, and long operating hours by banking institutions. According to Aregbeyen (2011) and Maiyaki (2011), any branch banking and number of branches is the major factor in the bank selection by the sampled respondents.

## 2.6.7 Financial Factors

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

## 2.7 Empirical literature Review

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

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

Schlesinger (1987) found that there were three most important factors namely lending rates, accessibility of borrowing, and the number of services offered for selecting a bank for small business customers. Erol (1990) has concluded that customers give high score

to fast and efficient services, bank reputation and image, friendliness of bank personnel, and confidentiality of bank. Kayanak and Kucukermiroglu (1992) surveyed in Hong Kong to determine the importance of selection factors used in choosing domestic and foreign banks. Convenient location, available counseling, vault location, and loans and mortgages found to be major factors.

The most weighted determinant attributes found were service charges, reputation, interest charged on loans, quick loan approval, and friendly tellers in their studies in Maryland USA by Kazeh andDecker (1993). Haron (1994) surveyed on Muslims and non-Muslims commercial bank customers in Malaysia to determine the selection criteria and found that Muslims and non-Muslims valued almost the same factors.

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

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

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

Awan and Bukhari, (2011) have conducted research in Pakistan on criteria for selecting an Islamic bank. They cited that customers give importance to quality services rather than religious beliefs. Nayyab (2011) also conducted the study on Islamic bank selection in Pakistan. He stated that customers choose the Islamic bank by giving fist preference to convenience and second to cost and benefits. There were six crucial factors identified by Fatoki (2011) that influence in selecting commercial banks, including easy of opening an account, availability of ATM in several locations, provision of fast and efficient service, convenient branch location, and appropriate range of service offered.

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

Dabone (2013) analyzed different selection criteria for bank. The important factor considered by both Muslims and non-Muslims were fast and efficient services, speed of transactions, friendliness of bank personnel, confidentiality of the banks, reputation and image of bank, knowledgeable about their business, lower interest charges on loans, and parking facilities and accessibilities. According to Caratelli (2013), customers look at the

reputation of a bank before other attributes such as technology and prices. Customers consider the opinion of their families and friends as important when selecting a bank.

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

A review of literature indicates that studies related to bank selection criteria have be mainly conducted in case of more developed courtiers(Denton and Chan, 1991). Such studies have contributed substantially to the literature on bank selection but their findings may not be applicable to developing courtiers like Ethiopia due to different cultural, political and economic setup. As a set of determinant factors that have a significant role in bank selection in one region may prove to be insignificant in another (Almossawi, 2001). In case of Ethiopia, Goitom, (2011) took a survey of 201 bank customers and studied determinants of customer satisfaction in retail banking in Ethiopia. Their results indicate a strong relationship between service quality and customer satisfaction. Thus, current literature on banking in Ethiopia lacks studies on bank selection criteria and this study attempt to bridge this gap.

## 2.8 Conceptual Framework

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



**Bank selection criteria**

- ➢ Convenience/Security Factors
- ➢ Reputation Factors/Bank's Image
- ➢ Service quality
- ➢ Financialfactors
- ➢ Marketing and Promotional factors
- ➢ Technological factor

**Bank selection decision**
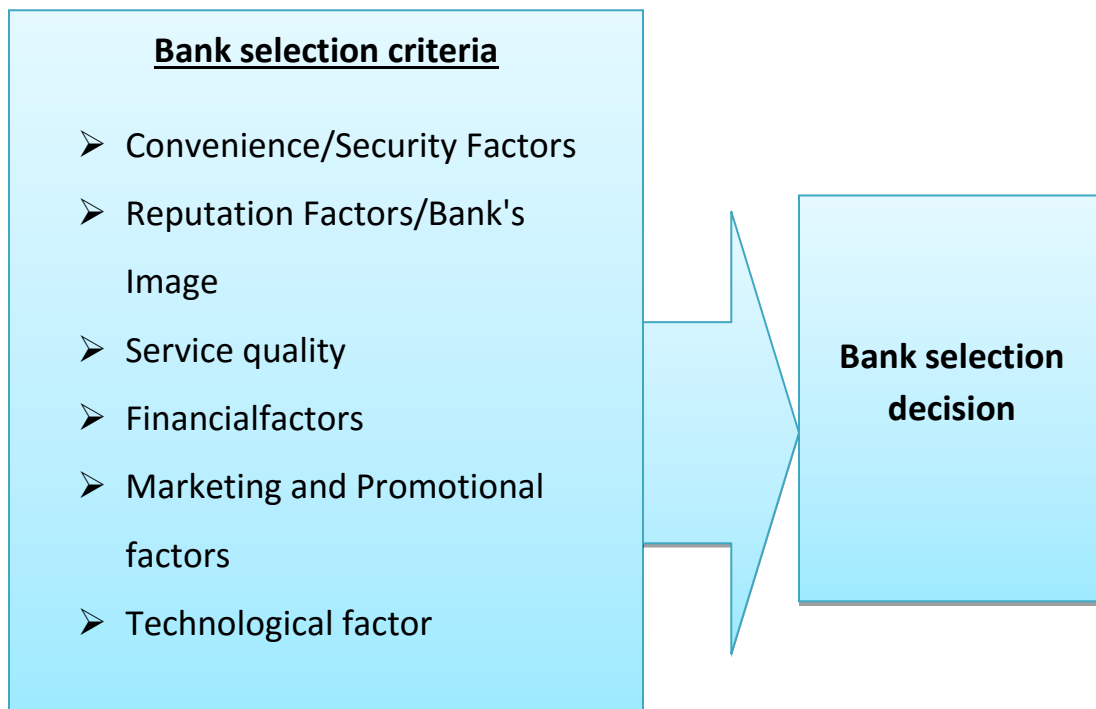
Fig 2.4 conceptual framework

Source: Gan Thai Wee & Wang Ying 2015

# Chapter Three

## 3. Research Methodology

### 3.1 Research Design

This study is exploratory research type. In order to identify and explain the determinant factors which influence the customer preference in Addis Ababa region explanatory research design would applied. In exploratory research design, it is a type of research design which focuses on explaining the aspects of your study in a detailed manner. The researcher starts with a general idea and uses research as a tool which could lead to the subjects that would be dealt with in the incoming future. It is meant to provide details where a small amount of information exists for a certain product in mind of that researcher (Kothari, 2004).

In this study the researcher tried to explore the about the customer preference and the rationalesbehind those preference in AddisAbaba.

### 3.2 Research Approach

Research approach is a plan and procedure that consists of the steps of broad assumptions to detailed method of data collection, analysis and interpretation. It is therefore, based on the nature of the research problem being addressed (Kothari, 2004).

In this research, the researcher applied both qualitative and quantitative research approach. Qualitative research is an approach used largely in the social sciences to explore **social interactions, systems and processes** while quantitative approach **emphasize objective measurements and the statistical, mathematical, or numerical** analysis of data collected through polls, questionnaires, and surveys, or by manipulating pre-existing statistical data using computational techniques. Quantitative research focuses

on gathering numerical data and generalizing it across groups of people or to explain a particular phenomenon (Kothari, 2004).

The reason why the researcher prefers to uses both qualitative and quantitative approach is to fill the gap of one approach by another approach. In addition to this, since the data were collected in the form of numbers, questionnaires and structured interviews such variety of data needs both approach.

## 3.3 Data type and source of data

The sources of data used in this research were primary data. Primary data were collected to meet the specific research need customized and required specialized data collection procedure (Dillon, 1993). According to (William, 1991), primary data were collected by the researcher for the specific problem at hand. In this study, primary data was gathered through personally administered standardized questionnaire.

## 3.4 Sampling techniques

### 3.4.1 Target population

People, products, firms, markets that are of interest to the research are called population. To be precise, population must be defined in terms of elements, units and time (Dillon, 1993). The elements that make up the population are called the sampling unit.

By referring the above definition, the target populations for this study are bank customers in all commercial banks found in Addis Ababa city

### 3.4.2 Sampling Frame

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

this research perspectives. Therefore the sampling frame for this research is customers of various commercial bank branches operating in Addis Ababa.

### 3.4.3 Sampling Method

Because the sampling frame for this research is unknown, then probabilistic two stages stratified sampling method is ideal when it is impossible or impractical to complete a list of elements composing the population. Thus the sampling technique for this study will be probability sampling particularly two stages stratified sampling which involves dividing the population into homogeneous sub-groups called strata and then select samples from each sub-group using simple random to ensure that an adequate number of samples were selected from the different sub-groups.

Hence the different commercial banks operating in Addis Ababa form the stratums and the list of each branch of a given bank used as a primary sampling unit for each stratum (PSU's). Customers in each branch of each commercial bank also served as a secondary sampling unit (SSU's). The reason behind the selection of probabilistic two stages stratified sampling technique is that, it gives each element in the population an equal probability of getting into the sample, and all the choices are independent of one another.

### 3.4.4 Sample Size

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

Accordingly, this study used the recommendation by Corbetta (2003) in determining the standard deviation, 95% confidence interval and 5% sampling error in calculating the

sample size. Thus the sample size for this study were determined by the use of the following formula(Dillon, 1993).

Where

n = required sample size

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

p= probability of positive response (0.5)

q= probability of negative response (0.5)

e= tolerable error (0.05)

Therefore, which is representative sample size as Kamakodi and Khan (2008), Hafeezer and Saima (2008), Mokhlis (2008) and Rao (2010) sampled 292, 358, 350 and 312 bank customers respectively to identify and explain the factors which influence their bank selection decisions.

Accordingly total of seventeen (17) commercial banks operating in Addis Ababa were taken as sampling area. Specifically, all head offices were become the study

. Sample of 20 up to 30 customers from each bank were selected randomly as for this study.This means that 394 sample customers were allocated for 17 sample branches to give equal representation of each bank customers considered in the study. In other word the researcher applied Convenience sample selection due to the appropriateness of the sampling method.

Table 3.1 Name of Bank and Their Branch

| No | Name of branch | Given sample size | Remark |
|----|----------------|-------------------|--------|
| 1 | Abay Bank S.C. | 20 | |
| 2 | Addis International Bank | 20 | |
| 3 | Awash International Bank | 30 | |
| 4 | Bank of Abyssinia | 30 | |
| 5 | Berhan International Bank | 20 | |
| 6 | Bunna International Bank | 20 | |
| 7 | Commercial Bank of Ethiopia | 35 | |
| 8 | Cooperative Bank of Oromia(s.c.) | 20 | |
| 9 | Dashen Bank | 30 | |
| 10 | Debub Global Bank | 20 | |
| 11 | Enat Bank | 20 | |
| 12 | Lion International Bank | 20 | |
| 13 | Nib International Bank | 20 | |
| 14 | Oromia International Bank | 20 | |
| 15 | United Bank | 20 | |
| 16 | Wegagen Bank | 29 | |
| 17 | Zemen Bank | 20 | |

Source: Survey Result, 2020

## 3.5 Data Collection Instruments

The instruments which used to collect the necessary information regarding the study area were questionnaires via Likert scale and open ended form.

Regarding the data source, the study used both primary and secondary data sources. With regard to secondary data source, relevant information were collected by consulting different other related literatures also reviewed. These include r Sample of 20 up to 30 customers from each bank were selected randomly as for this studyPrimary Data were collected by questionnaire and interview questions. Questionnaires were constructed in the Likert scale form under close supervision of the adviser.

## 3.5 Type of questionnaires' and scale

The questionnaire which had three parts as follow; The first part of the questionnaire were asked respondents to obtain their demographic information, which includes their gender, age, occupation, level of income and so forth.

The second parts of the questionnaire were designed to obtain information on the banking preference of respondents. In the last part of the questionnaire, respondents were asked to rate the relative importance of factors on their selection decision of commercial banks opne one ended format. The list of factors which determines customers' decision in their selection of commercial banks used in this study adapted from books and earlier studies (Mokhlis, 2010; Maiyaki, 2011) as mention in wubshet (2017)

## 3.6 Method of Data Analysis

Descriptive statistics and inferential statistics are used for data analysis. Inferential statistics includes; Exploratory Factor analysis, correlation and linear-regression become the major empirical analysis tools for this study. Factor analysis is a technique which is used to "reduce a large number of variances to some smaller numbers by telling the researcher which belongs together and which seems to say the same thing" (Field, 2005). Hence factor analysis technique was an appropriate for this particular analysis, because banking selection determinants have many implications. And then, the study organized, summarized and analyzed using Statistical Package for the Social Science (SPSS version 20 for windows).

## 3.7 Ethical Consideration

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

## 3.8 Reliability and validity

Regarding validity the content of the questioner were examined by the advisor before they distributed to the customer.

Reliability is refers to the consistency of a measure. A test is considered reliable if we get the same result repeatedly. Reliability means the extent to which an experiment, test or any measuring procedures yield the same result repeatedly. Therefore, in this study, the researcher used mechanisms like minimize participants' errors while filling questionnaires, minimize participants' bias and avoid researchers' errors.

Reliability of the questionnaire items reviewed using Cronbach Alpha test. If the Cronbach Alpha coefficient is greater than or equal to 0.70, then the study is reliable. Therefore from the pilot test the following table shows the questionnaire is valid and reliable.

Table 3.1 Reliability Test

| No | Variables | Cronbach Alpha | Number of items |
|----|-----------|----------------|-----------------|
| 1 | Service Quality | 0.885 | 6 |
| 2 | Convenience/Security | 0.904 | 4 |
| 3 | Technology | 0.906 | 4 |
| 4 | Marketing & promotion | 0.845 | 4 |
| 5 | Bank's Image and reputation | 0.854 | 6 |
| 6 | Financial Benefits | 0.901 | 4 |
| 7 | Bank selection decision | 0.845 | 2 |
| | Total | | 30 |

Source: Survey Result, 2020

## 3.9 Model Formulation

Since the objective of this study is to investigate the determinants of bank selection, the dependent variable is customers' bank selection decision, which is categorical variable.

The independent variables are those which expected to have relation with bank selection decision behavior of customers. Based on theoretical and empirical results of different studies on bank selection decision and results of factor analysis, Convenience/Security, Service quality,

Technology, Bank's Image or Reputation, Marketing & Promotion and financial factors have been considered as independent variables.

Deterministic relationship is one in which the value of dependent

$$y_j = \beta_0 + \beta_1 x_1{}_j + \beta_2 x_2{}_j + \ldots + \beta_p x_{pj} + \varepsilon_j \text{ ------(1)}$$

Where:

$Y_j$ is represents dependent variable for observation j.

$X_j$ is represents the independent variables (IV"s) for observation j

$\beta_0$ is the intercept

$\beta$ is the unknown regression coefficients.

$\varepsilon_j$ is the error (residual) of observation

Thus BS $= = \beta_0 += \beta_1 SQ + \beta_2 CO + \beta_3 TE + \beta_4 MP + \beta_5 BI + \beta_6 FI + \mathcal{E}$ …….. (2)

Where; BS = Bank Selection

SQ= Service Quality

CO= Convenience/Security

TE= Technology factors

MP= Marketing & promotion

BI= Bank's Image

FI= Financial Benefits

Besides, $\beta 0$ indicates constructs which shows the magnitude or the value of Bank selection decision when the coefficients for service quality, convenience/ security, technology become zero.

$\beta_0$, $\beta_0$, $\beta_1$, $\beta_2$, $\beta_3$, $\beta_4$, $\beta_5$ and $\beta_6$ are coefficients acquitted with the extent of change in the dependent variable when the explanatory variable changes by one unit, Ceteris Paribus.

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

# Chapter Four

# 4. Results and Discussion

## 4.1 Introduction

In this part the collected data by the collection tools were analyzed. Therefore this chapter presents and analyses the data collected from the participants. Out of 394 distributed questioners 384 were collected. The findings about to assess and determine those factors that influence customers' behavior to select a particular bank in Ethiopia with particular emphasis in Addis Ababa relevant statistical analysis to answer the research questions will also be presented and analyzed. In this chapter, demography of respondent, descriptive statistics, data tests and inferential analyses were conducted.

## 4.2 Characteristics of Respondents

## 4.2.1 Sex
## Fig4.1 Gender Distribution of Respondents
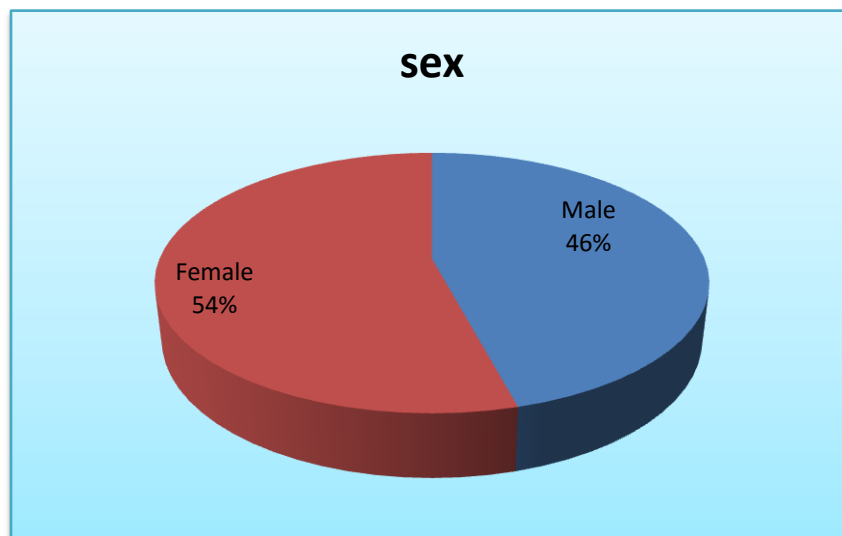
The study involved gender distribution of respondents in order to answer the questionnaires provided as shown on the above figure. The following figure portrays that respondents of male and female answered the questionnaires distributed. Out of 384 respondents 54% were female while 46 % were males. This indicates that majority of the study participants were female in the study period. This implies that the female population of the city has the chance to be represented in every matter.

## 4.2.2 Age

Fig4.2 Age Distribution of Respondents
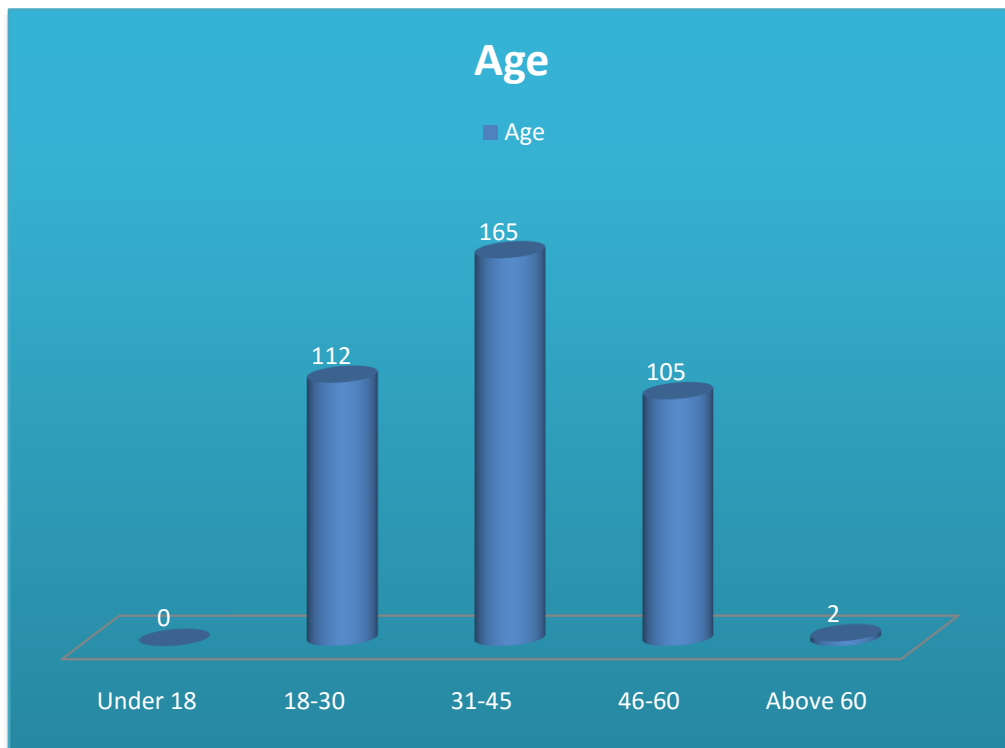
In this study, age of the respondents was considered as demographic factor of the study. The study explains the bank selection decision in Addis Ababa. When we look at the age group of respondents, the number of employees is between the ages of 31-45 becomes

165 respondents, between 18-30 years becomes 112 respondents, between 46-60 years becomes 105 respondents and above 60 years becomes 2 respondents

## 4.2.3 Work Type, Educational Level and Income per Month

Table 4.1 Work Type, Educational Level and Income per Month

| No | | | Frequency | Percentage |
|---|---|---|---|---|
| 1 | Work type | Private | 79 | 20.5% |
| | | Public employment | 161 | 41.9% |
| | | Pension | 24 | 6.2% |
| | | Unemployed | 75 | 19.5% |
| | | Merchant | 45 | 11.7% |
| 2 | Educational level | Up to diploma | 134 | 34.8% |
| | | First degree | 189 | 49.2% |
| | | Second degree and above | 61 | 15.8% |
| 3 | Income per month | Under 3500 | 201 | 52.3% |
| | | 3501-10000 | 178 | 46.3% |
| | | 10001-20000 | 4 | 1% |
| | | Above 20000 | 1 | .3% |

Survey Result, 2020

Also results of respondent's occupation, as presented in table 4.1, shows that 41.9 percent of the customers are public employees and 20.5 percent are private employees while 11.7 percent are business persons. This shows that most customers who are using banking service are employees which comprise 62 percent of the total respondents.

Looking at level of education on the above table the respondents possess a high level of education while 49.2 percent of the respondents have a bachelor degree, 34.8 percent of the respondents have education at or below diploma level and the remaining 15.9 percent have attained either a Master or above it.

In addition the results for the income level of customers show that majority of the respondents (about 52.3 percent) have an average monthly income below 3501. Income ranging from ranging between 3501 up to 10,000 comes up with 46.3%. This implies that, most of the customers who are using bank services are middle income groups as per Ethiopian context (Referring to the international poverty line of less than 1.90 USD per day).

## 4.3 Descriptive Analysis

This section deals with the analysis and interpretation of data that obtained from the response collected through the distributed questionnaire. It also presents the data obtained via interview with the management position staff.

Table 4.2 Category of mean value

| Mean value | Extent of the response |
|------------|------------------------|
| 1.00-1.50 | Strongly Disagree |
| 1.51-2.50 | Disagree |
| 2.51-2.75 | Neutral |
| 2.76-3.50 | Agree |
| 3.51-5.00 | Strongly Agree |

Source: Developed for the study, 2020

## 4.3.1 Convenience or Security Factors

Table 4.3 mean and standard deviation summery of convenience

| No | Convenience/Security | Mean | Std. Deviation |
|----|---------------------|------|----------------|
| 1 | Proximity to home and/ or workplace | 3.3903 | .70544 |
| 2 | Security arrangement of the bank | 3.6032 | 1.24920 |
| 3 | Convenient of bank location | 3.8742 | .95547 |
| 4 | More number of branches | 3.1806 | .57982 |
|  | Convenience/Security | 3.512075 | 0.872483 |

Survey Result, 2020

The mean score of convince is 3.512075 with standard deviation 0.872483. This implied that respondents were agrees that the convenience as well as the security of the bank were used as a means to select. Convince and Security variable, respondents were asked about security arrangements of the bank, convenient of the bank location,. Since the mean of convenience is it is a determinate factor to select a bank. The highly scored mean shows the high level of agreement therefore the strong factor to be selection criteria.

Form an open ended question respondents reveled that one of the reasons people have chosen banks has been their large network of branches and ATMs. People who travel across the country frequently, finding a place to conduct basic transactions without a fee were a competitive advantage for those banks with a wide distribution network or expanded ATM networks, improved online banking and now mobile banking services. In other word technology is quickly changing the definition of convenience for bank customers.

A study done by Arebgeyen O., (2011) Point outs online and mobile banking have quickly become key components of banking convenience. While consumers still value the branch and ATM access most people agree that banking convenience and having good online services are synonymous. It is expected that mobile banking service convenience will mirror or surpass the convenience value of online banking in the future.

From an open ended question participants revealed that the practice of online banking,,quick loan processing andeasier to get an account as a measurement of connivance to select a bank... As participants assert loan processing is much speedier than it was in the past. This means that more and more clients are applying for loans, getting approved, and putting their money to work faster than ever before and they considered it as means of bank selection criteria

From an open ended question participants point out that the availability of branches anywhere in the country and be convenient to send the money or to revive the money were determinate factors in selecting the bank. In addition to this government decision via its proximity to their working place were the crucial factors for government

employees to be a customer of the bank while the arrangement head of the organization in private organization were another factor to be a part of the bank.

## 4.3.2 Reputation Factors/Bank's Image
## Table 4.4 Mean and Standard Deviation Summery forReputation

| No | Reputation Factors/Bank's Image | Mean | Std. Deviation |
|----|--------------------------------|------|----------------|
| 1 | Being a government owned bank | 3.0419 | 1.08603 |
| 2 | Pleasant bank environment | 3.4355 | 1.30546 |
| 3 | Interior and exterior appearance of bank | 3.2548 | 1.01584 |
| 4 | Bank's reputation | 3.2903 | 1.07618 |
| 5 | Established early (oldest bank) | 3.5871 | .88341 |
| 6 | Prize attached bank service | 3.1774 | .93085 |
| | Reputation Factors/Bank's Image | 3.297833 | 1.049628 |

Survey Result, 2020

The mean score of bank reputation and image come with mean 3.29 and standard deviation1.04. Respondents were agreed that established early or being the oldest bank, being government bank and interior & exterior appearance of the bank were served as a means to decide or select the bank.A study done by Blankson (2009) explains the fundamental importance of reputation to banks will generally ensure that they adhere to their commitments and are careful in their selection of customers for whom they will grant facilities such as documentary credits. He also asserts the need to maintain reputation reinforces the reliability of promises from a bank, and in turn allows parties to enter into letter of credit arrangements to mitigate the risks associated with payment across national boundaries. Letters of credit may in some ways serve as substitutes for effective credit checks, in other words as substitutes for adequate information on reputation.

From an open ended question respondents point out reputation is one of the most valuable criteria to select a bank in Addis Ababa. Therefore reputation is the key to building public and consumer trust. A great reputation can set a bank apart from its competitors. Negative

reputation, meanwhile, can drive away potential clients and increase customer churn. Therefore reputation is a foundational component of a bank's ability to inspire trust. Furthermore respondents were revealed that the sense of belongings within bank via different means of linkage such as religion and ethnicity were crucial factors to select a bank.

A study done byAwang S. (1997) explains reputational risk can cause damage to a bank's brand and reputation. Its impact is very real. He also asserts, this type of risk is felt in no uncertain terms as negative publicity, litigation, loss of revenue, clients, partners and key employees, decline in share price, and difficulty in recruiting talent.

### 4.3.3 Service quality
### Table 4.5 Mean and Standard Deviation Summery forService quality

| No | Service quality | Mean | Std. Deviation |
|---|---|---|---|
| 1 | Good customer services | 3.548 | 1.40338 |
| 2 | Bank has speedy services | 4.1226 | .56127 |
| 3 | Reception at the bank | 3.6323 | 1.17426 |
| 4 | Variety of services are offered | 3.3806 | .96388 |
| 5 | Good compliant handling | 3.4065 | 1.00932 |
| 6 | Extended operation hours | 3.5903 | .86830 |
|  | Service quality | 3.613383 | 0.996735 |

Survey Result, 2020

The mean score of service quality come up with 3.613383with high standard deviation .996. This implied that all most all respondents were strongly agrees that service quality were there first criteria to select the bank to be a customer.

A study done by Worku Yeshitila (2017) explains in today's business environment, especially in the banking industry there is strong competition and dynamics of markets. His finding showed that convenience/security, technology, marketing & promotion, bank's image and service quality have significant positive relationship with bank

selection decision while, financial benefits and bank's reputation have significant negative relationship with bank selection

From an open ended question respondents list out empower Employees, Allow Consumers to Self-Service via digital services, providing consistent and accurate information across channels, Staying in compliance with strict regulations and meeting customer demand for immediate, on-the-go service and become an advisor, not just a lender, for small businessesare criterion which banks constantly chosen

From an open ended question majority of participants mentioned or list out ease access for loans, availability of parking space, fast & efficient service, welcome reception of the bank and good compliant handling as a standard of service quality and used as means of bank selection criteria

Metasebiya Boru (2017) explainscustomer choice of bank is an important element of banking strategy in today's increasingly competitive environment. Bank management must identify and improve upon factors that can increase customer retention. To plan a suitable marketing strategy, to keep existing customers and for attracting new customers, commercial banks need to identify the criteria on which customers determine their bank selection decision. As a finding her study revealed that the chief factors determining customers' bank selection are: services quality , the extent of the branch network, the location of branches, Forex resources influence as fundamental determinants of bank selection, among others.

### 4.3.4 Financial factors
**Table 4.6 Mean and Standard Deviation Summery forFinancial factors**

| No | Financial factors | Mean | Std. Deviation |
|----|-------------------|------|----------------|
| 1 | Low interest rate on loans | 3.8677 | 1.15691 |
| 2 | High interest rate on savings | 3.671 | 0.84616 |
| 3 | Attractive interest within short period of time | 3.7452 | 0.79413 |
| 4 | Ease access for loans | 3.8806 | 1.15271 |

| | Financial factors | 3.791125 | 0.987478 |
|---|---|---|---|

Survey Result, 2020

The mean score of financial factors is 3.8313 and its standard deviation is0.987478. This implied that on average majority of respondents agreed that financial factor s affect their bank selection decision in Addis Ababa region. The issue of Low interest rate on loans and Low Service charge were two fundamental issues that asked to the respondents. Low interest rate was found the determinant factor of bank selection criteria in Addis Ababa the following figure showed the frequency.

Table 4:7 Frequency of Low Interest Rate

| | | Frequency | Percent |
|---|---|---|---|
| Valid | strongly disagree | 13 | 3.6 |
| | Disagree | 6 | 1.6 |
| | moderate | 89 | 24.7 |
| | Agree | 115 | 31.9 |
| | strongly agree | 137 | 38.2 |
| | Total | 360 | 100 |

Source: Survey Result, 2020

As the above table showed that majority of respondents 38.2% were strongly agreed that low interest rate affects their banking decision while 31.9 % of respondents agreed that the interest issue strongly influence their banking decision in Addis Ababa. Very few resonates 3.6% were not influenced by the interest issue in affecting the interest mater.

From an open ended question participants were frequently mentioned that high interest rate on savings, attractive interest within short period of time,

/ data, internet banking facility in terms of speed and low service charge were influential factors that affect their bank selection decision in Addis Ababa.

Md. Nur-E-Alam Siddique (2015)revealed that the most important factors influencing customers for selecting a private commercial bank are effective and efficient customer services, speed and quality services; image of the bank, online banking, and well management. On the other hand, the most important factors for choosing a nationalized commercial bank are low interest rate on loan, convenient branch location, safe investment (accountability of the govt.), variety of services offered and low eservice charges.

### 4.3.5 Marketing and Promotional factors
**Table 4.8 Mean and Standard Deviation Summery forMarketing**

| No | Marketing and Promotional factors | Mean | Std. Deviation |
|----|-----------------------------------|------|----------------|
| 1 | Advertising via mass media | 3.1871 | 0.51246 |
| 2 | Availability of several branches | 2.8484 | 0.78389 |
| 3 | Lottery scheme | 2.33 | 0.537 |
| 4 | Recommendation of friends/relatives | 3.0935 | 0.83664 |
| | Marketing and Promotional factors | 2.866925 | 0.667745 |

Survey Result, 2020

The mean score of marketing and promotional role in selecting banking decision came up with 2.8813 and standard deviations were 0.667745. This implied that the marketing activity of the bank were not influential to be selected by customers. In otherworld's advertising via mass media, the lottery activity and the discounting practice for different saving accounts were not influential to be selected by customers.

Mansour Ilham Hassan Fathelrahman (2018)explains thedeterminant factors of consumers' bank selection decision in Sudan. His result concluded that Corporal Efficiency is the most important determinant that has influenced the customer's selection decision. Other factors perceived to be important include bank  marketing  efforts, convenience  and  service  delivery.

From an open ended question respondents point out that the blogging, social media, customer service, digital media, digital signage, non-traditional rewards programs, strategic partnerships, event sponsorship were not influential factors to select the banking that they are a customer to it. The lotteries as well as the different reward packages via exchange were not their criteria

## 4.3.6 Technological factors
## Table 4.9 Mean and Standard Deviation Summery forTechnology

| No | Technological factors | Mean | Std. Deviation |
|---|---|---|---|
| 1 | Phone banking facility | 3.129 | 0.82525 |
| 2 | Internet banking facility including ATM and POS machine | 3.1 | 0.63717 |
| 3 | Low service charge on digital banking | 3.3839 | 0.537 |
| 4 | Phone banking facility | 3.2 | 0.36824 |
| | Technological factors | 3.203225 | 0.606705 |

**Survey Result, 2020**

The mean score of technology come up with 3.2250 and its standard deviation is 0.606705. This implied that technological factors like online service or internet banking, ATM, POS machine were playing a modest role in influencing the customer's decision.Getting service within short paired of time via fast intern, phone banking facility internet banking facility were play a modest role in influencing the customers decision.

A study done by omo(2018 ) investigates the determinants of banks selection criteria by banking and business customers in Nigeria. The findings of the study reveal that the safety of funds and the availability of technology based service(s) are the major reasons for customers' choice of banks while other factors received less rating, however, this does not in any way imply that they are not important at all.

From an open ended question respondents revealed lack of technological difference among banks. Furthermore the technological practices of one bank were easily copied by other banks. Therefore no bank has unique banking service.

**Table 4.10 Summery of Mean and Standard Deviation of Variables**

| No | Variables | Mean | Std. Deviation | Rank |
|----|-----------|------|----------------|------|
| 1 | Convenience/Security | 3.512075 | 0.872483 | 3rd |
| 2 | Reputation Factors/Bank's Image | 3.297833 | 1.049628 | 4th |
| 3 | Service quality | 3.613383 | 0.996735 | 2nd |
| 4 | Financial factors | 3.791125 | 0.987478 | 1st |
| 5 | Marketing and Promotional factors | 2.866925 | 0.667745 | 6th |
| 7 | Technological factors | 3.203225 | 0.606705 | 5th |

Source: Survey Result, 2020

## 4.4 Inferential analysis

Inferential statistics is one of the two statistical methods employed to analyze data, along with descriptive statistics. The goal of this tool is to provide measurements that can describe the overall population of a research project by studying a smaller sample of it. This way the researcher can make assumptions about key elements with a fair degree of confidence. Among these inferential tools skewness' and kurtosis, normality test, homoscedastic test, autocorrelation, multi collinearity, regression models such as R-

## 4.4.1 Skewness and Kurtosis

Table 4.11 Skewness and Kurtosis

| | Convenience/Security | Technological factoer | Service quality | Financial factors | Marketing/Promotional | Reputation Factors/Bank's Image |
|---|---|---|---|---|---|---|
| Skewness | -.577 | -.619 | -.910 | -.817 | .210 | -.619 |
| Std. Error of Skewness | .192 | .192 | .192 | .192 | .192 | .192 |
| Kurtosis | -.342 | 1.100 | .393 | -.388 | -.976 | 1.10 |
| Std. Error of Kurtosis | .381 | .381 | .381 | .381 | .381 | .381 |

Source: Survey Result, 2020

Skewness is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right of the center point. Kurtosis is a measure of whether the data are heavy-tailed or light-tailed relative to a normal distribution. That is, data sets with high kurtosis tend to have heavy tails, or outliers. Data sets with low kurtosis tend to have light tails, or lack of outliers. A uniform distribution would be the extreme case.

The values within the range of +1.96 and -1.96 are the said to be acceptable. Beyond these limits can be called skewed data (Hair, 2010) and Bryne (2010) argued that data is considered to be normal if Skewness is between - 2 to +2 and Kurtosis is between - 7 to +7. From rule of the thumb the researcher's data is normally distributed.

## 4.4.2 Normality Test
## Fig 4.3Normality Test
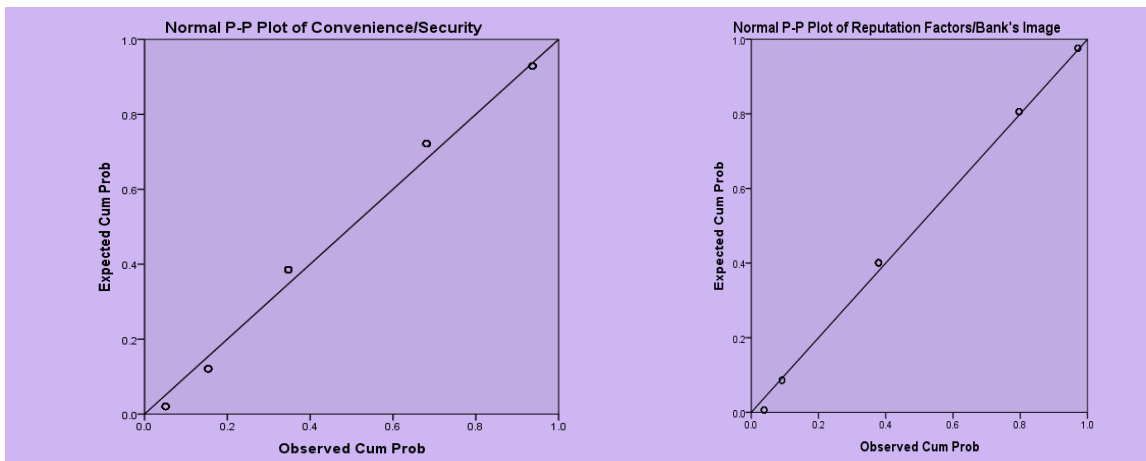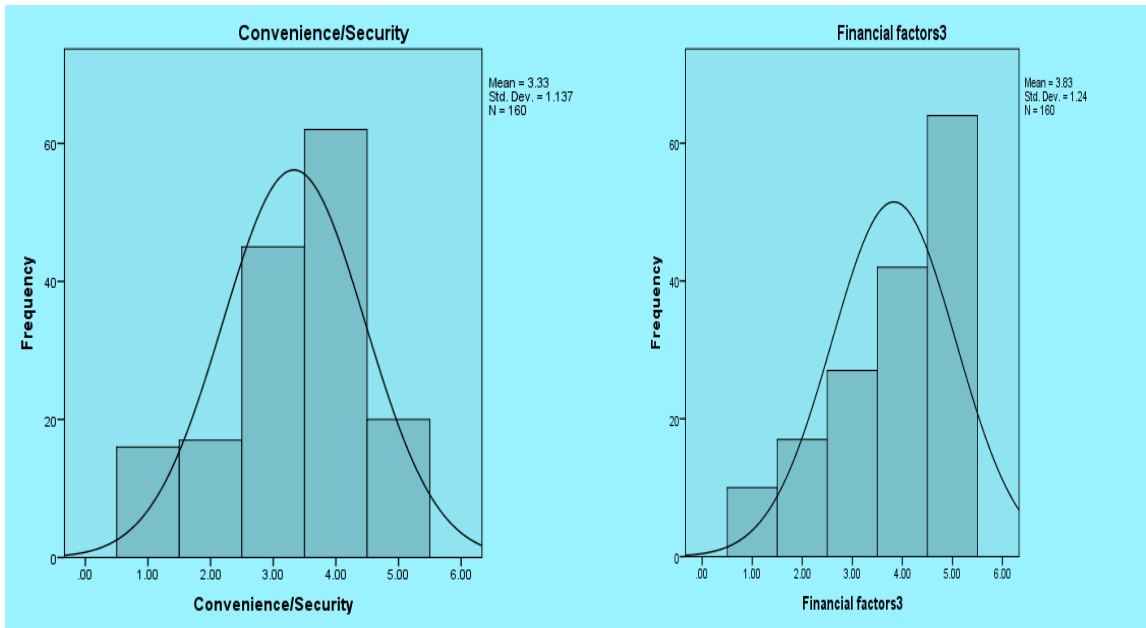
Source: Survey Result, 2020

An assessment of the normality of data is a prerequisite for many statistical tests because normal data is an underlying assumption in parametric testing. There are two main methods of assessing normality: graphically and numerically. This study relies on visual inspection. Statistical tests have the advantage of making an objective judgment of normality, but are disadvantaged by sometimes not being sensitive enough at low sample sizes or overly sensitive to large sample sizes. As such, the researcher prefers to use

visual judgment via graphical observation and the above figure show the normal distribution of data.

### 4.4.3 Multicollinearity

Multicollinearity occurs when independent variables in a regression model are correlated. This correlation is a problem because independent variables should be independent. If the degree of correlation between variables is high enough, it can cause problems when you fit the model and interpret the results. Strong relationship between explanatory variables is a problem of multicollinearity and not acceptable for ordinary list square regression analyses.

Table 4.12 Multicollinearity test

| Coefficients[a] | | |
|---|---|---|
| Model | Collinearity Statistics | |
| | Tolerance | VIF |
| Convenience/Security | .862 | .979 |
| Reputation Factors/Bank's Image | .809 | .939 |
| Service quality | .817 | .958 |
| 1   Financial factors | .866 | .847 |
| Marketing and Promotional factors | .842 | .961 |
| Technological factors | .807 | .973 |

a. Dependent Variable: selection decision

Source: Survey Result, 2020

Variance-inflation factor (VIF) has also been checked and values are found smaller, which supports that multicollinearity is not a problem. Moreover, tolerance statistics in regression analysis helps to detect collinearity problem. Tolerance value runs from 0 to 1 and values closer to 1 indicates no multicollinearity problem (Keith, 2006). In this study all the tolerances are above 0.9 and, therefore, the amount of variation in that construct is

## 4.4.4 Homoscedasticity

This assumption requires even distribution of residual terms or homogeneity of error terms throughout the data. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value. If the error terms are distributed randomly with no certain pattern then the problem is not detrimental for analyses. The following figure below shows that the standardized residuals in this research are distributed evenly indicating heteroscedasticity is not a serious problem for this data.

Fig 4.4 Homoscedasticity Test
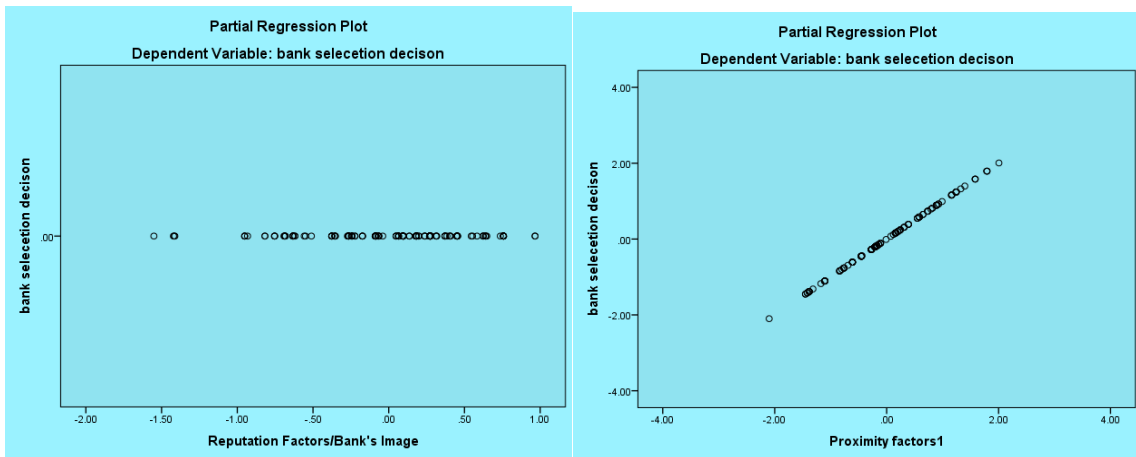


Source: Survey Result, 2020

## 4.4.5 Autocorrelation

Autocorrelation refers to the degree of correlation between the values of the same variables across different observations in the data. The concept of autocorrelation is most often discussed in the context of time series data in which observations occur at different points in time but even in cross sectional data autocorrelation were possible.

Table 4.13 Model Summary

| Model Summaryb | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .884a | .867 | .786 | .04987 | 1.957 |
| a. Predictors: (Constant): convenience/security, reputation factors/bank's image, service quality, financial factors, marketing factors and Technological factors | | | | | |
| b. Dependent Variable: Bank Selection Decision | | | | | |

Survey Result, 2020

Autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently (Stevens, 2009). Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern or a common method of testing for autocorrelation is the Durbin-Watson test. Statistical software such as SPSS may include the option of running the Durbin-Watson test when conducting a regression analysis. The Durbin-Watson tests produce a test statistic that ranges from 0 to 4. Values close to 2 (the middle of the range) suggest less autocorrelation, and values closer to 0 or 4 indicate greater positive or negative autocorrelation respectively.

## 4.6 Correlation Analysis

The Pearson's Product Movement Correlation Coefficient was computed to determine the relationships between convenience/security, reputation factors/bank's image, service quality, financial factors, marketing and promotional factors and bank selection decision. Correlation analysis is a useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 to +1. The value of coefficient of

correlation (r) indicates both the strength and direction of the relationship. If r = -1 there is perfectly negative correlation between the variables. If r = 0 there is no relationship between the variables and if r = +1 there is perfectly positive relationship between the variables (C.R Kothari, 2004)

**Table 4.14 Correlation Matrix**

| | | Convenience/ Security | Service quality | Financial factors | Marketing and | Technological factors | Reputation Factors/Bank' | bank selection decision |
|---|---|---|---|---|---|---|---|---|
| Convenience/ Security | Pearson Correlation | 1 | .796$^{**}$ | .638$^{**}$ | .666$^{**}$ | .571$^{**}$ | .765$^{**}$ | .991** |
| | Sig. (2-tailed) | | .000 | .000 | .000 | .000 | .000 | .000 |
| Service quality | Pearson Correlation | .765$^{**}$ | .653$^{**}$ | .396$^{**}$ | .703$^{**}$ | .577$^{**}$ | 1.000$^{**}$ | 618** |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | .000 | .000 |
| Financial factors | Pearson Correlation | .796$^{**}$ | 1 | .379$^{**}$ | .535$^{**}$ | .618$^{**}$ | .653$^{**}$ | .643** |
| | Sig. (2-tailed) | .000 | | .000 | .000 | .000 | .000 | .000 |
| Marketing and Promotional factors | Pearson Correlation | .638$^{**}$ | .379$^{**}$ | 1 | .493$^{**}$ | .113 | .396$^{**}$ | .269** |
| | Sig. (2-tailed) | .000 | .000 | | .000 | .156 | .000 | .156 |
| Technologic factors | Pearson Correlation | .666$^{**}$ | .535$^{**}$ | .493$^{**}$ | 1 | .369$^{**}$ | .703$^{**}$ | .269$^{*}$ |
| | Sig. (2-tailed) | .000 | .000 | .000 | | .000 | .000 | .000 |
| Reputation Factors/Bank's Image | Pearson Correlation | .765$^{**}$ | .653$^{**}$ | .396$^{**}$ | .703$^{**}$ | .577$^{**}$ | 1 | .277$^{*}$ |
| | Sig. (2-tailed) | .000 | .000 | .000 | .000 | .000 | | .000 |
| bank selection decision | Pearson Correlation | .991** | .618$^{**}$ | .643** | .269$^{**}$ | .269* | .277$^{*}$ | 1 |
| | Sig. (2-tailed) | .000 | .000 | .156 | .000 | .000 | .000 | |

**Source: Survey Result, 2020**

As the above table showed that there are significant correlation existed between bank selection decision and independent variables. Bank selection decision withservice

quality(r=.618**),financial    factors    (r=.643**)    and    convenient    and    security
factors(r=.991**).

This implies that increase or decrease in selection criteria of customers is associated with
similar change in the customer's decision in Addis Ababa.

## 4.7 Regressions Analysis
Multiple regression analysis

 applied to find out whether there was statistically significant relation surfaced between
bank selection criteria and the dimension of bank selection criteria.

| Model Summary | | | | | |
|---|---|---|---|---|---|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
| 1 | .884a | .867 | .786 | .04987 | 1.957 |
| a. Predictors: (Constant): convenience/security, reputation factors/bank's image, service quality, financial factors, marketing and promotional factors and technological  factors | | | | | |
| b. Dependent Variable: Bank Selection Decision | | | | | |

Table 4.15 Regression Result

| ANOVA | | | | | | |
|---|---|---|---|---|---|---|
| Model | | Sum of Squares | df | Mean Square | F | Sig. |
| 1 | Regression | 1.977 | 5 | .395 | .326 | .544b |
| | Residual | 11.489 | 24 | .479 | | |
| | Total | 13.467 | 29 | | | |

| a. Dependent Variable: Bank Selection Decision |
| :--- |
| b. Predictors: (Constantconvenience/security, reputation factors/bank's image, service quality, financial factors, marketing and promotional factors and technological factors |

| Coefficientsa | | | | | | |
| :--- | :--- | :--- | :--- | :--- | :--- | :--- |
| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 3.699 | .872 | | 4.243 | .000 |
| | convenience/security | .215 | .454 | .306 | 1.394 | .000 |
| | reputation factors/bank's image | .174 | .644 | .687 | .712 | .000 |
| | service quality | .126 | .587 | .536 | .670 | .000 |
| | financial factors | .051 | .568 | .465 | .306 | .000 |
| | Marketing and promotional factors | .080 | .581 | .521 | .445 | .000 |
| | Technology factor | .412 | .624 | .324 | .378 | 000 |
| a. Dependent Variable: Bank Selection Decision | | | | | | |

Source: Survey Result, 2020

The model analysis includes the independent variables convenience/security, reputation factors/bank's image; service quality, financial factors, marketing and promotional factors and dependent variable Bank Selection Decision. As indicated in the above model summary and ANOVA table, the linear combination of the independent variable was significantly related to the dependent variable, R=.867a adjusted R square=.786, F=32.6

(p=0.000). An estimated 78.6% of total variation in the dependent variableBank Selection Decision, is jointly explained by the predictors, i.e., (convenience/security, reputation factors/bank's image; service quality, financial factors, marketing and promotional factors and technology factors) whereas the remaining is explained by other factors. Therefore the bank selection decision of banking industry in Addis Ababa has more determining power than other unexplained variables.

# Chapter Five

## 5. Summary of findings, Conclusion and Recommendation

### 5.1 Summery of findings

In today's word, no business can exist without customers. The only value that any company creates is the value that comes from customers. Customer value is an asset to one organization. Hence, in order to maintain the customer, the organization needs to ensure that the right products and services, supported by the right promotion and making it available at the right time for the customers.

The study aimed to analyze the determinants of customer's choice of bank or customers preference in Addis Ababa. The study collected a data based on the questionnaire. The questionnaire was distributed to 394 respondents of which 384 responses were collected. In order to analysis the collected data the statistical software version 20.0 was used and demography characteristics of respondents were analyzed. Descriptive statistics includes frequencies, percentages, means, and standard deviations and from inferential analysis the diagnosis of data test including correlation and regression were conducted accordingly.

Regarding demography, out of 384 respondents 54% were female and 46 % were males. While there age distribution of respondent, the number of employees is between the ages of 31-45 becomes 165 respondents, between 18-30 years becomes 112 respondents, between 46-60 years becomes 105 respondents and above 60 years becomes 2 respondents. Regarding their occupation, 41.9 percent of the customers are public

employees and 20.5 percent are private employees while 11.7 percent are business persons while their level of education 49.2 percent of the respondents have a bachelor degree, 34.8 percent of the respondents have education at or below diploma level and the remaining 15.9 percent have attained either a Master or above it.

the result of the central tendency showed that convenience/security (mean=3.512075 SD=0.872),reputation factors/bank's image  (mean=3.29,SD=1.049),service        quality (mean=3.613, SD=0.996),financial factors    (mean=3.791,SD=0.98),marketing        and promotional factors(mean=  2.866925,SD= 0.667745)    and    technological    factors mean=3.203225,sd=  0.606705) which implies that, Financial factors , Service quality and Convenience/Security were perceived as means to influence customers bank selection Addis Ababa region.

In case of inferential analysis particularly results from Pearson's Product Moment Correlation Coefficient were used to discuss the relationship between dependent variable (bank selection decision) and independent variables (convenience/security, reputation factors/bank's image, service quality, financial factors, marketing factors and Technological factors). There that there are significant correlations existed between bank selection decision and independent variables. Bank selection decision with service quality(r=.618**),    financial    factors    (r=.643**)    and    convenient    and    security factors(r=.991**).

Regarding regression analysis and ANOVA result   the linear combination of the independent variable was significantly related to the dependent variable, R=.867a adjusted R square=.786, F=32.6 (p=0.000). An estimated 78.6% of total variation in the dependent variable Bank Selection Decision, is jointly explained by the predictors, i.e., (convenience/security, reputation factors/bank's image; service quality, financial factors, marketing and promotional factors and technological factor

## 5.2 Conclusion

Competition in banking is entirely different from other sectors of the economy due to the special function of banks in the financial system. The standard competition paradigm in favor of competition regarding cost minimization and allocated efficiency is not entirely valid for banking because many customer issues distort the nature of competition and there outcomes.

The customer is the foundation of any business' success banks were not an exception. Considering customer importance at all stages of the marketing process helps thebank to ensure greater customer satisfaction and increase its long-term goal of repeat business.

Therefore commercial banks need to identify the criteria on which potential customers determine their bank selection decision in order to plan an appropriate marketing strategy for keeping present customers and attracting new ones. Consequently, the identification of factors deemed important to potential bank customers are a crucial step towards winning the battle.

## 5.3 Recommendation

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

- Customers' selection of banks mainly dependent on factors such as financial factors, service quality, convenience/security and technology. Therefore such factors should be considered seriously by banks in designing their marking strategies by winding their branches and proving good customers' service to customers using latest technologies.
- Financial factots is one of the important factors identified in the study. It can be ensured through adopting appropriate strategic plan aimed at enhancing the financial capacity of banks through improving rules and regulation of interest and loan management.
- Convenience/security is another important factor identified for customers' selection of banks. In order to ensure convenience/security for customers, there is a need for banks to locate their branches in convenient locations and also make

maximum security arrangements to fell customers free while using bank serviceslike parking becomes issues in Addis Ababa

Security can be seen in a lot of dimension like while customers use technology based money withdrawal systems through ATM or Mobile and internet banking, its hard to identify weather the customer by it self or other person withdrawing the money. The only mechanism that banks control is to give credential ID or pass word which enaible them to withdraw money from their accounts. My recommendation is that if the banks can add up more strong authentication feature while withdrawing big amount from the ATM and other digital banking systems which saves the customer for any kind of theft. Beside while there is loss of ATM card for instant at night time, it si impossible to report the loss of the card to issuer beside you have to present in face to report it. So if it is possible to make toll-free numbers and 24-hour service for such emergencies

- Service quality is the most considered things in the study. It can be delivered through training employees of the bank about the major customer service quality skills and close follow up of the employees in how delivering it through many mechanisms through security camera which record day to day activities of the banks employees and evaluating the employees accordingly to their performance will increase the selection of the bank. Plus while waiting queue for their turn to be serviced in the bank, good and clean waiting area with entertaining things like TV and WIFI services could help with good monitoring service for queue also would help to minimizecustomers valuable time and achieve service quality

- Bank management should also be aware that some of the bank selection determinants differ from gender, age income level and the business activities. These results would enable bank managers to identify the important bank attributes that affect bank selection decisions made by each segment of the banking business Addis Ababa

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## Appendixes
## JIMMA UNIVERSITY

## FACULTY OF BUSINESS AND ECONOMICS

## DEPRTMENT OF BUSINESS ADMINISTRATION

## ABH Compass Addis Ababa

## በአዲስአበባከተማነዋሪየባንክተጠቃሚዎችየሚሞላየጥናትመጠይቅ

ይህመጠይቅየተዘጋጀውበአዲስአበባከተማውስጥለሚገኙየባንክደንበኞችሲሆን፣ የመጠይቁምአላማየባንክደንበኞችየባንክምርጫበሚያካሂዱበትወቅትታሳቢየሚያደርጓቸውንውሳ ኝምክንያቶችምንምንእንደሆኑለማወቅተያያዥመረጃዎችንለመሰብሰብነው፡፡ ሁሉምመልሶቸየሚውሉትከጅማዩኒቨርስቲከቢዝነስናኢኮኖሚክስትምህርትክፍልየማስተርስዲግሪ መመረቂያፅሁፍለማዘገጀትነው፡፡ እርስዎየምትሰጡኝሀሳበከዚህ�前 ዘለለለ ሌላ ዓላማ እንደማልጠቀም በትና ሚስጥሩምየተጠበቀ መሆ ኙኑ እየገለፅኩ ለ ም ታደር ጉ ል ኝ ትብ ብ ር ሁ ል በ ቅድ ሚ ያ አ መ ሰ ግ ና ለ ሁ ፡፡

ከድጃአብዱ

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    ኢሜል: kedijaaa1@gmail.com

## ማስታወሻ

  ✓ ስምዎንመፃፍአይጠበቅቦትም
  ✓ ለማንኛውምጥያቄበሞባይልስ.ቁ 0912744791 በማንኛውምሰዓት
    መደዎልይቸላሉ፡፡

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**ማስታወሻ;**

እባክዎበከቁጥርምርጫሆነዉለተቀመጡአጠቃላይሁኔታዎችቁጥሮችንበመክበብይመልሱ፤ለሰን ጠረዣበተሰጠዉክፍትቦታላይየ X"    ምልክትያስቀምጡ::

**ክፍልአንድ: የተሳታፊዎችአጠቃላይሁኔታ**

1. ዓታ:

2. ሀ. ወንድ        ለ. ሴት

3. ዕድሜ:-

4. ሀ .ከ18 ዓመትበታች    ለ. 18-30 ዓመት

ሐ. 31-45 ዓመት        መ. 46-60 ዓመት

ሠ. 60 ዓመት

3. የሥራሁኔታ:

ሀ. የግልሰራተኛለ. የመንግሰትሰራተኛ    ሐ. ጡረተኛመ. ነጋዴሠ . ስራየለለዉ    ሸ . ሌላዘርፍ

4. የትምህርትደረጃ: ሀኮሌጅዲፕሎማናከዚያበታች        ለ.የመጀመሪያዲግሪ

              ሐ.ሁለተኛዲግሪናከዚያበላይ

5. አማካይየወርገቢ:- ሀ. ከ3,500 በታች   ለ.3,501– 10,000

        ሐ.10,001–20,000 መ.20,000 ከዚያበላይ

**ክፍልሁለት: የተሳታፊዎችየባንክአጠቃቀምሁኔታ**

6.                            ለምንያህልጊዜየባንክአገልግሎትተጠቃሚኖዋት (ከአንድባንክበላይየሚገለገሉከሆነእባክዎመጀመሪያአገልግሎቱንመጠቀምየጀመሩበትንጊዜመሰረ ትአድርገዉይመልሱ)

ሀ. ከ5 ዓመትበታች    ለ.ከ5-10 ዓመትሐ.ከ10 ዓመትበላይ

7. ከሚከተሉትየትኞቹንየባንክአገልግሎቶችይጠቀማሉ?

ሀ.የቁጠባሂሳብ  ለ. አለምአቀፍየባንክአገልግሎት  ሐ.ተንቀሳቃሽሂሳብ

መ.የሀገርውስጥ/የውጭሃዋላ    ሠ.ATM" አገልግሎት

ረ.ሞባይልናኢንተርኔትባንኪንግ  ሽ.የተዋሰነጊዜቁጠባ

ቀ.የብድርአገልግሎት

        ሌላካለይግለፁልን

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8.
የሚገለገሉበትባንኮችከሚሰጡዉዉቸውአገልግሎቶችበተጨማሪመሰጠትአለበትየሚሉትአገልግሎ
ትአለ

        ሀ.አዎ   ለ.የለም

9. ለጥያቄቁጥር 8 መልስዎአዎከሆነመጨመርአለበትየሚሉትንአገልግሎቶችቢገልፁልን?

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10. በሚገለገሉባቸዉባንኮችበሚሰጧቸዉአገልግሎቶችይረካሉ?

ሀ. አዎ  ለ. አልረካም

11.      ለጥያቄቁጥር      10      መልሶዎ      "አልረካም"
ከሆነባንኮችምንቢያደርጉደንበኞቻቸውንሊያረኩይችላሉብለውያስባሉ?

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12. አሁንየሚገለገሉበትንባንክለመቀየርሐሳብአለዎት

   ሀ.አዎለ. የለኝም

13. ለጥያቄቁጥር 12 መልስዎ "አዎ" ከሆነለምንመቀየርእንዳሰቡቢያብራሩልን

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**ክፍልሦስትየባንክምርጫ~መመዘኛዎች**

14.የሚገለገሉበትባንክ/ኮቸሲመርጡየሚጠቀሙባቸውመመዘኛዎችከሚከተሉትአማራጮቸውስ
ጥለእርስዎበላቸውጠቀሜታክ      "5"      በጥምጣሚእስከ      "1"
ምንምአይጠቅምምእያሉአንድቁጥርብቻበማክበብመልሰዎንእንዲያስቀምጡበአክብሮትእጠይቃ
ለሁ::

5=በጣምጠቃሚ 4=ጠቃቀሚ 3=መካከለኛ     2=እነስተኛጠቃሚ 1=ምንምአይጠቅምም

| ተ.ቁ | መመዘኛዎች | የጠቀሜታቸውደረጃ | | | | |
|---|---|---|---|---|---|---|
| | | 5 | 4 | 3 | 2 | 1 |
| 1 | ለቤቴ፥ • ለሥራቦታዬቅርበትስላለው | | | | | |
| 2 | ብዙቅርንጫፍስላላው | | | | | |
| 3 | ጥሩየሆነመስተንግዶስላለው | | | | | |
| 4 | ተጨማሪየአገልግሎትሰዓትስላላው (ቅዳሜማታ) | | | | | |
| 5 | የጥበቃደህንነትአደረጃጀቱጥሩስለሆነ | | | | | |
| 7 | የኢንተርኔትናሞባይልባንክአገልግሎትስለሚሰጥ | | | | | |
| 8 | የመኪናማቆሚያስላለው | | | | | |
| 9 | አገልግሎቶቹንበመገናኛብዙሀንስለሚያስተዋውቅ | | | | | |
| 10 | የቤተሰቦቼንናየጓደኞቼንምክርሰምቼ | | | | | |
| 11 | ዝቅተኛየአገልግሎትዋጋስለሚያስከፍል | | | | | |
| 12 | ብድርበዝቅተኛየወለድምጣኔስለሚሰጥ | | | | | |
| 13 | በቁጠባሂሳብላይከፍተኛወለድስለሚከፍል | | | | | |
| 14 | የባንኩዝናስመጥርመሆን | | | | | |
| 15 | የመጀመሪያባንክስለሆነ�ሌላባንክስላልነበረ | | | | | |
| 16 | ፈጣንናቀልጣፋአገልግሎትስለሚሰጥ | | | | | |
| 17 | የምሰራበትም_ቤትስለሚጠቀምበት | | | | | |
| 18 | መንግስታዊባንክበመሆኑ | | | | | |
| 19 | የባንኩየስራቦታአመቺመሆኑ | | | | | |
| 20 | ቀላልየሆነየብድርአቀርበት | | | | | |
| 21 | የባንኩውስጣዊናውጫዊገፅታየሚያምርመሆኑ | | | | | |
| 22 | ጥሩየሆነየቅሬታአቀባበልናአፈታትመኖሩ | | | | | |
| 23 | ለደንበኞችየተለያዩየአገልግሎትዓይነቶችመስጠቱ | | | | | |
| 24 | ለደንበኞችሽልማትመስጠቱ | | | | | |

አመሰግናለሁ!

## Appendix 2

## Grouped Factor with Specific Mean

| No | Convenience/Security | Mean | Std. Deviation |
|---|---|---|---|
| 1 | Proximity to home and/ or workplace | 3.3903 | .70544 |
| 2 | Security arrangement of the bank | 3.6032 | 1.24920 |
| 3 | Convenient of bank location | 3.8742 | .95547 |
| 4 | More number of branches | 3.1806 | .57982 |
| | Convenience/Security | 3.512075 | 0.872483 |
| | **Reputation Factors/Bank's Image** | | |
| 1 | Being a government owned bank | 3.0419 | 1.08603 |
| 2 | Pleasant bank environment | 3.4355 | 1.30546 |
| 3 | Interior and exterior appearance of bank | 3.2548 | 1.01584 |
| 4 | Bank's reputation | 3.2903 | 1.07618 |
| 5 | Established early (oldest bank) | 3.5871 | .88341 |
| 6 | Prize attached bank service | 3.1774 | .93085 |
| 7 | Being a government owned bank | 3.0419 | 1.08603 |
| | Reputation Factors/Bank's Image | 3.297833 | 1.049628 |
| | **Service quality** | | |
| 1 | Good customer services | 3.548 | 1.40338 |
| 2 | Bank has speedy services | 4.1226 | .56127 |
| 3 | Reception at the bank | 3.6323 | 1.17426 |
| 4 | Variety of services are offered | 3.3806 | .96388 |
| 5 | Good compliant handling | 3.4065 | 1.00932 |
| 6 | Extended operation hours | 3.5903 | .86830 |
| | Service quality | 3.613383 | 0.996735 |
| | **Financial factors** | | |
| 1 | Low interest rate on loans | 3.8677 | 1.15691 |

| | | | |
|---|---|---|---|
| 2 | High interest rate on savings | 3.671 | 0.84616 |
| 3 | Attractive interest within short period of time | 3.7452 | 0.79413 |
| 4 | Ease access for loans | 3.8806 | 1.15271 |
| | Financial factors | 3.791125 | 0.987478 |
| | Marketing and Promotional factors | | |
| 1 | Advertising via mass media | 3.1871 | 0.51246 |
| 2 | Availability of several branches | 2.8484 | 0.78389 |
| 3 | Availability of parking space nearby | 2.3387 | 0.53799 |
| 4 | Recommendation of friends/relatives | 3.0935 | 0.83664 |
| | Marketing and Promotional factors | 2.866925 | 0.667745 |
| | Technological factors | | |
| 1 | Phone banking facility | 3.129 | 0.82525 |
| 2 | Internet banking facility  including ATM and POS machine | 3.1 | 0.63717 |
| 3 | Low service charge on digital banking | 3.3839 | 0.537 |
| 4 | Phone banking facility | 3.2 | 0.36824 |
| | Technological factors | 3.203225 | 0.606705 |