

Determinants of Bank Selection Choices and Customer Loyalty the Case of Ethiopian Banking Sector (Full Length Paper)

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Abstract

The study aims to explore the critical bank specific and personal factors that have a bearing on the selection of banks by customers. It has employed an exploratory factor analysis on the 101 questionnaire having 38 component factors. The wide individual items in the questionnaire therefore are simplified and summarized in a gross component. The components are also run in a regression model that links the independent variables that describe bank selection factors with customer loyalty. The result on individual factors identified four critical factors that determine choice of commercial banks in Ethiopia: the speed of services is among the best in the industry, the extent of the branch network is adequate, the location of branches is appropriate and forex resources are easy to get in the bank. Component wise, the study finds that service quality and availability as well as the quality and accessibility of physical and human resources appear to be the major determinant factor in bank choice. The regression result also shows that the abovementioned factors not only influence customer bank choice but has also impact on their loyalty level.

Keywords: Bank, customer, selection, Ethiopia, choices

1. Introduction

Studies show that banks can be successful by becoming customer-focused (Driscoll, 1999). This is because the customer, which is the supplier of the fund and the one borrowing from them, remains their lifeblood. On the other front, meeting the needs of the customers in respect of banking service provision has emerged as a significant element of bank reputation that persuades customers to select a bank (Leibert, 2004). Therefore, it will be imperative for banks to explore how customers make a choice among banks to conduct their day-to-day financial transactions. Such assessment will be helpful to banks to identify the appropriate marketing strategies needed to attract new customers and retain existing ones (Kaynak and Kucukemiroglu, 1992). In Ethiopia as well the banking sector has been flourishing with the sector entertaining more participants from both private and public sector (NBE, 2012). The increase in the number of banks in the industry to some extent has increased the sense of competition among banks (Lelissa, 2014). Such competition spirit will obviously calls for banks to orient their strategies towards attracting customers. A notable progress in the industry in such regard is the expansion in the number of branches and the advance in the level of technology which both intended to offer efficient services to clients. Regardless of whether banks move in such front is in line with the preference of customers, it remains increasingly significant that banks identify the factors that determine customers choose between different providers of financial services (Rao and Sharma, 2010). This study basically aims to investigate the main determinants of bank selection decision by customers in Ethiopia with specific objectives of exploring how bank related factors (those related to banks such as products and services) and personal factors (those related to the customer) influence bank choice.

2. Literature

2.1. Theoretical Foundation

2.1.1. Rational choice theory

Rational choice theory is the process of determining what options are available and then choosing the most preferred one according to some consistent criterion. (Levin,2004).In rational choice theory, individuals are seen as motivated by the wants or goals that express their 'preferences'. They act within specific, given constraints and on the basis of the information that they have about the conditions under which they are acting. At its simplest, the relationship between preferences and constraints can be seen in the purely technical terms of the relationship of a means to an end. As it is not possible for individuals to achieve all of the various things that they want, they must also make choices in relation to both their goals and the means for attaining these goals (Scott, 2000). Rational choice theory hold that individuals must anticipate the outcomes of alternative courses of action and calculate that which will be best for them. Rational individuals choose the alternative that is likely to give them the greatest satisfaction (Scott, 2000). The relevance of rational choice, where people compare the costs and benefits of certain actions,is easy to see in respect of bank selection behavior of customers. Since people want to get the most useful products/services at the lowest price/convenience, they will judge the benefits/significance of a certain 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).

2.1.2. 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.

2.1.3. 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).

2.1.4. 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).

2.2. Empirical Review

Various experimental research using different methodologies and approaches have been done in various parts of the world to investigate the bank selection criteria of the customers. Results show that bank selection is influenced by various factors as shown below:

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

Author/s and Topic	Methodology and Technique (s) (Scope/ area)	Sample Size	Main finding (s)
Almossawi (2001) "Bank Selection Criteria Employed by College Students in Bahrain: An Empirical Analysis"	Self-administered questionnaire Descriptive analysis and Factor Analysis (Bahrain)	1000 students from University of Bahrain	Most important factors: <ul style="list-style-type: none"> ✓ Reputation ✓ Availability and location of ATM ✓ Parking space near bank ✓ Friendliness of personnel Other findings: difference in selection process between male and female
Rao (2010) "Bank Selection Criteria Employed by MBA Students in Delhi: An Empirical Analysis"	Self-administered questionnaire Descriptive analysis and Factor Analysis (India)	312 MBA students was selected from Delhi	Most important factors: <ul style="list-style-type: none"> ✓ Employee's courtesy ✓ Parking facility ✓ Loyalty programs ✓ Brand name ✓ Security system and low charges Other findings: responsiveness, value added services, convenience.
Maiyaki (2011) "Effects of Electronic Banking Facilities, Employment Sector and Age-Group on Customers' Choice of Banks in Nigeria"	Self-administered questionnaire Descriptive analysis, mean scores and standard deviations (Nigeria)	417 customers were selected from Kano metropolis	Most important factors: <ul style="list-style-type: none"> ✓ Size of bank total asset ✓ Availability of large branch ✓ Reputation of the bank ✓ Personal security of customer Other findings: recommendations of friends/relatives, attractiveness of bank's physical structure and opportunity of telephone banking
Aregbeyen, (2011) "Determinants of banks selection criteria by business customers in Nigeria."	Self-administered questionnaire Descriptive analysis, mean scores and standard deviations (Nigeria)	1750 respondents from seven locations from Nigeria	Most important factors <ul style="list-style-type: none"> ✓ :Safety of Funds;secured ATMs ✓ availability of technology based service ✓ convenience (location);
Gerrard and Cunningham (2001) "Singapore Undergraduates: How they Choose which Bank to Patronize":	Self-administered questionnaire Descriptive analysis and Factor Analysis (Singapore)	184 Singapore's undergraduates students	Most important factors <ul style="list-style-type: none"> ✓ Feel secure electronic services" and "service provision".
Holstius and Kaynak (1995) "Retail Banking in Nordic Countries: "The Case of Finland"	Self-administered questionnaire	258 banking customers from Finland	Most important factors <ul style="list-style-type: none"> ✓ fast and efficient services ✓ ,reception at the bank, ✓ friendliness of personnel
Lymperopoulos et al (2006) "The Importance of Service Quality in Bank Selection for Mortgage Loans"	Self-administered questionnaire Descriptive analysis and mean scores (Greek)	1,092 bank customers in the greater area of Athens	Most important factors: <ul style="list-style-type: none"> ✓ Bank quality service ✓ Product attributes ✓ Product access ✓ Communication Other findings: banks should try to design the right mortgage loans, interest and service charges
Dusuki A. W. and Abdullah N. I (2007). "Why do Malaysian Customers Patronize Islamic banks?"	self-administered questionnaires Friedman Test	750 respondents from four different regions.	Most important factors <ul style="list-style-type: none"> ✓ Convenient location, ✓ Friendly employees, large,profit minded, and efficient service.

3. Methodology

The population of interest is group of customers who are banking with the Ethiopian banks. The selection of the sample from each bank is done by using convenient sampling where customers that were banking in the head office are selected to fill the questionnaire. In such regard attempt to get heterogeneities of clients that are being served in branches, credit department and international banking operation are selected. This is in addition to the

age, sex and other observable profile of customers. After extended literature review a questionnaire was developed in line with the conceptual framework of the study (see annex). The five point likert scale is used for customers to rate statements from the second section ranging from strongly agree, agree, neutral (no opinion) disagree and don't know. Questionnaires were distributed to customers of selected banks which are selected based on convenient sampling. Customers were required to fill and return the questionnaire on the spot while they are conducting their routine banking activities. 150 questionnaires were distributed while 101 effective questionnaires are returned and the rest are unreturned or discarded due to missing data. The response rate is 67 percent. Such a response rate is considered sufficient for statistical reliability and generalizability (Mokhlis, 2009). This relatively high response rate was attributed to the self-administered approach undertaken in distributing questionnaires. Attempt to separately analyze the secondary and primary data made so that a careful conclusion can be drawn from such data sources. The primary data collected through questionnaire are sorted and screened for any errors and then processed using Statistical Package for the Social Sciences (SPSS version 20 for windows). Responses ranked and rated for their significance of impact. Factor analysis as well as a Regression analysis was used as part of the data analysis. Besides, qualitative method of analysis is used to show the logical arguments and relationships.

4. Determinants of Choice of Commercial Banks

4.1. Descriptive Statistics

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

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

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

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

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

Table 2: Determinants of bank selection

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

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

4.2. Exploratory Factor Analysis

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

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

1. KMO and Bartlett's Test

2. Factor extraction and rotation
3. Factor interpretation

1. KMO and Bartlett's Test

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

Table 3: KMO and Bartlett's Test

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

2. Factor extraction and rotation

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

Table 4 : Total variance Explained

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

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

Table 5: Factor Rotation (Rotated Component Matrix)

	Items	Components					
		1	2	3	4	5	6
1	<i>The speed of services is among the best in the industry</i>	-0.20	0.741	.134	.234	.342	-.121
2	<i>The extent of the branch network is adequate.</i>	.230	.369	-.136	.141	.078	.815
3	<i>The location of branches is appropriate.</i>	.064	-.232	.163	.121	-.178	.765
4	<i>Forex resources are easy to get in the bank</i>	-.043	.633		.360	-.053	.213
5	<i>There are friendly and helpful personnel in the bank</i>	.321	.543	-.029	.407	.115	.616
6	<i>Management responds well to complaints and service failures</i>	-.465	.495	.455	.141	.251	.724
7	<i>Loans are easily available or accessible</i>	-.446	.886	.177	.121	.378	.272
8	<i>The range of services offered is among the best in the industry</i>	.015	.751	.179	.210	-.074	.477
9	<i>Branches are in convenient location having good ambience</i>	-.095	.378	.097	.426	.342	.713
10	<i>The quality of head office is appreciable</i>	.198	.574	.000	.412	.370	.851
11	<i>Other bank services like money transfer, check and cash related</i>	-.221	.893	.341	.311	-.073	.122
12	<i>The information provided on services is among the best</i>	-.019	.671	.177	.405	.081	.296
13	<i>The bank is Advertising itself appropriately</i>	-.495	.195	-.306	.418	.695	-.321
14	<i>The number of ATMs is adequate and accessible</i>	.301	-.402	.812	.409	.073	-.267
15	<i>Safety of funds and confidence</i>	-.492	.034	.174	.545	.209	.386
16	<i>Referral from other customers has influenced my bank decision</i>	.304	.121	.083	.481	.723	.399
17	<i>Branch Opening and closing hours are convenient</i>	.053	.730	.183	.091	.271	.137
18	<i>Implicit/explicit guarantees to the depositors</i>	.122	.473	.302	.677	.154	.123
19	<i>The Service charge paid to bank services is the lowest</i>	.624	.042	.393	.294	.301	.031
20	<i>TV/radio presence has made me to choose the bank</i>	-.177	.312	.400	.273	.599	.126
21	<i>Personal contact from bank marketing staff has influence</i>	.437	.399	.276	.395	.672	.087
22	<i>There is no worry in the financial standing of the bank</i>	.134	.309	.120	.732	.302	.187
23	<i>Rate of interest charged for loans is small as compared to others</i>	.739	.323	.083	.343	.073	.333
24	<i>The bank is always first with new products/services</i>	-.392	.429	.813	-.42	.081	.348
25	<i>The bank has implemented a better Market segmentation</i>	.291	.590	.719	-.321	.100	.062
26	<i>the reputation in the market</i>	-.232	.348	.402	.830	.193	-.031
27	<i>Presence in newspaper and print media has made me to choice</i>	-.371	.074	.479	.146	.794	.213
28	<i>Internet banking services are available</i>	.144	.091	.649	.032	.184	-.091
29	<i>The Bank has done a lot in providing a differentiated product</i>	.300	.210	.745	.612	.403	.397
30	<i>The bank provides mobile banking services</i>	.297	.149	.825	.530	.302	.477
31	<i>Service through online banking are available 24/7</i>	-.025	.711	.072	.199	-.081	-.082
32	<i>Profitability of the bank is on the highest</i>	-.231	.034	.0384	.692	.193	.037
33	<i>The bank is run by reputable management group and board members</i>	.423	.392	.067	.053	.163	.766
34	<i>Point of sale terminals are available</i>	.399	.264	.749	.081	-.193	-.067
35	<i>The bank is heading in growth path</i>	0.093	.308	.403	.673	.0322	.532
36	<i>Service through private banking is need when needed</i>	.073	.853	.450	.343	.092	.344
37	<i>Rate of interest paid on saving deposits is highest of all banks</i>	.523	-.073	.212	.372	.046	.132
38	<i>Risk exposure of the bank is not significant</i>	.534	.079	.292	.634	.078	.199

Components: 1.Price factors, 2. Service quality and availability, 3. Innovation and e-banking Offerings,

4. Financial Performance and reputation, 5. Promotion and 6. Quality and accessibility of human and physical resources.

4.3. Factor interpretation

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

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

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

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

Table6: Results of factor analysis

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

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

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

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

4.5. Differences in bank selection criteria by various factors

4.5.1. Gender

The distribution of bank choices by gender shows that both male and female customers have almost similar order of mean importance rating of factors. Despite a marginal difference in sum male and female clients respond similarly to bank attributes. However, male respondents appear to place more importance on innovation and e-banking offerings while there is a consideration for price aspect among female customers.

Table 7 : Gender based Factors

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

4.5.2. Age

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

Table 8 : Age based factors

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

4.5.3. Education Level

The educational profiles of respondents appear to create a significant variation in terms of bank selection decisions. Customers with low educational profile prefer the quality and accessibility of human and physical resources while educated customers are sensitive to the financial performance and reputation of banks, In

addition there is a similar profile with regard to service quality and availability as well as price factors among both educated and low educated customers.

Table 9 : Education based factors

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

4.5.4. Income

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

Table 10 :Income based factors

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

4.6. Regression Analysis

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

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

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

$CL = f(PF, SQA, IEO, FPR, PRO, QAHP) \dots \dots \dots (2)$ where

PF- Price Factors, SQA- Service Quality and Availability, IEO- Innovation and e-banking Offerings, FPR- Financial Performance and Reputation, PRO- Promotion, QAHP- Quality and accessibility of human and physical resources

Therefore,

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

Description of Variables

Dependent

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

Independent

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

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

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

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

as perceived by the customers.

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

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

4.6.1. Descriptive Statistics of Variables

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

Table 11 : Descriptive Statistics

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

4.6.2. Correlations

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

Table 12 : Correlations

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

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

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

4.6.3. Overall fit of the model

The overall fitness of the model as measured by both R and R square is good. R has a value of .0.762 explicating the well representation, Similar, the value of R2 is .581, shows that six independent variables can explain the variation in customer loyalty. In other words, in the attempt to explain the variation in customers' loyalty to banks, we can look at the variation in its pricing, service quality, innovation, promotion, financial performance and quality of human and physical resources. This can provide 58.1% of the response but the rest requires looking into other factors as 42% of the variation in customer loyalty cannot be explained by the identified elements.

Table 13 :Model Summary

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

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

4.6.4. ANOVA

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

Table 14 :ANOVA^a

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

a. Dependent Variable: CL

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

4.6.5.Regression Output

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

Table 15 : Coefficients

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

a. Dependent Variable: CL

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

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

Promotion- the ability of banks to promote themselves to their existing customers also established a positive relationship with loyalty. This shows that banks need on continuous basis update their existing clients about their service and product offerings, new systems and improvements in the bank. This will ensure loyalty among the customer groups.

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

important attributes adding value to customer loyalty.

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

Summary and Conclusions

The study aims to explore the critical bank specific and personal factors that have a bearing on the selection of banks by customers. It has employed an exploratory factor analysis on the 101 questionnaire having 38 component factors. The wide individual items in the questionnaire therefore are simplified and summarized in a gross component. The components are also run in a regression model that links the independent variables that describe bank selection factors with customer loyalty. The result on individual factors four critical factors that determine choice of commercial banks in Ethiopia: the speed of services is among the best in the industry, the extent of the branch network is adequate, the location of branches is appropriate and forex resources are easy to get in the bank. Component wise, the study finds that service quality and availability as well as the quality and accessibility of physical and human resources appear to be the major determinant factor in bank choice. The regression result also shows that the abovementioned factors not only influence customer bank choice but has also impact on their loyalty level.

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