Analysis of Factors Affecting Customer's Selection of Bank Services
(Case Study of Worabe, Ethiopia)

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Abstract

Globally, competition in the banking industry has become fierce, and banks are adopting various marketing strategies to determine the consumer and his perception of their offerings. The purpose of this study is to analyze the major factors of a bank selection by a customer and how customers rank the factors based on their importance level to patronize in banking services of worabe town, Ethiopia. A descriptive, cross-sectional survey was conducted among 395 convenience selected bank customers used to identify the predictors of bank choice from different occupation in the analysis. The Data required for this study collected from two sources; these are primary and secondary sources. A convenience sampling was used. The data was then coded, cleaned, analyzed and interpreted with the help of Statistical Package for Social Scientists (SPSS) where factor analysis and was used to analyze the data. Chi-square test was used to examine the association between different variables. The finding from this study reveal that group effect, role and status and family effect have significant effect on customers' bank selection but, culture have insignificant association with customer bank preference as well as the five service quality dimension have significant effect on customer bank selection. The finding also reveals that most five important bank selection criteria for customers are good customer service, security arrangement of the bank, ATM facility, Offered variety service and internet banking. On the other hand, the least three important factors of bank selection for customers are low service charge, parking service and low interest rate on loan.

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

1. Introduction

Globally, competition in the banking industry has become fierce, and banks are adopting various marketing strategies to determine the consumer and his perception of their offerings (Festus and Amaechi, 2014).

In order to survive in these days of fierce competition public and private banks have to apply Marketing approach product differentiation and each bank follow different procedure (Alagarsamy and Wilson, 2013).

In Ethiopian context, the financial system is dominated by banking industry, and yet, it is amongst the major under-banked economy in the world (Zerayehuet al, 2013). Ethiopian Banking sector has been growing significantly. This is the fact that there is now stiff competition in the sector and there is technological evolution integrated with the sector, are some of the factors pushing banks to develop strategies for the future. In addition, the banking industry appears as one of the most rapidly emerging sector. Hence, it has become increasingly important that banks identify the factors that determine the basis upon which customers choose between providers of financial services (Dawit, 2013).

The concern of how customers choose banks has been given considerable attention by researchers; Blankson et al., 2007, Hasinul and Siddique (2012), Aregbeyen (2011), Tai and J Zhu (2013), Kontota and Hamali et al., (2015), Tilahun and Gedifew (2014), Srouji et al., (2015).

A set of determinant factors that have a significant role in bank selection in one nation may prove to be insignificant in another (Rao, 2010). Hence, the results of these studies may not significantly applicable to other countries like Ethiopia, due to differences in cultural, economic and legal environments. In general, it can be

concluded that even though there have been studies on bank selection criteria's in some developed and developing nations, as per the knowledge of the researcher, there appear to be no studies that examine the factors affecting customer preferences in banking services in Worabe. As well only a few studies are found which made an effort to determine the crucial factors that customers perceive as important in their choice of bank in Ethiopia, Goiteom (2011), Dawit (2013), Gedifew (2014) and Agarwal (2016). But still there is unbalance customer share between the different public and private banks as well as there are also different demand level in those banks, Therefore, this study was particularly focus on analyzing the determinants factors that affect customers" bank selection in Worabe town. Such a study was likely to identify the reason for the unbalance share of customer among banks and fill the gap in literature by analyzing the determinants of customers" bank selection in Worabe town.

2. Research Questions

In this study the researcher tried to analyze the determinants factors that affect customer's selection of banking services. To address these issues, the student researcher has raised the following basic research question:
1.   What are the factors that customers patronize in selecting specific banking services?
2.   Is there any relationship between socio-cultural factors and customers' selection of banking services?
3.   Is there any relationship between service quality and customers' selection of banking services?
4.   Is there any relationship between accessibility and customers' selection of banking services?

3. The main drivers of research productivity

3.1. General Objective

The overall objective of the study is to analyze the main determinants that affect customers" selection of banking services.

3.2. Specific Objectives

1.   To identify the factors that are getting more priority and the other factors which are getting less priority for bank selection decision.
2.   To examine the relationship between socio-cultural factors and customers' behavioral intention to select banking services.
3.   To find out the relationship between service quality factors and customers behavioral intention to select banking services.
4.   To investigate the relationship between accessibility factor and customer choice of banking services.

4. Conceptual Framework of the Study

The conceptual framework of this study was developed based on the six clusters of bank selection criteria which are coming back in most of the studies which develop by Agarwal. These are Social influence, service quality factors and Accessibility factors were identified as independent variables and customers' bank selection intention is the dependent variable.
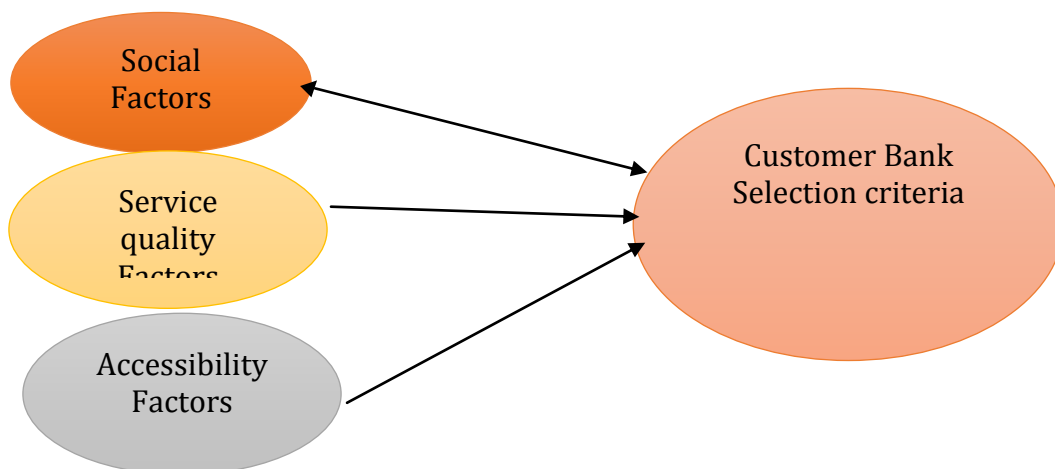

Fig. 1. Source: Agarwal (2017)

5. Research Methods

According to Kothari (2004), research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money.

Given the fact that large sample is needed to meet this objective and considering benefits offered, quantitative approach method is used to be proper and suitable to collect and analyze primary data needed for the study. Descriptive survey and some of exploratory design were employed with a view to provide explanations with regard to the factors influencing the choice and preference for a bank. Descriptive research studies are those studies which are concerned with describing the characteristics of a particular individual, or of a group. Cross-sectional survey design was used since the data was collected from customers at a given point in time.

The sources of data used for the study were primary and secondary data. Primary data source is questionnaires from the target population whereas the secondary data source was collected from different published and unpublished materials. According to Kothari (2004), Primary data are fresh data that are gathered for the first time and thus happened to be original in character. Primary data of the study is the information gathered from customers of the bank.

The primary data is collected through questionnaires. A structured questionnaire was prepared for the survey based on literature review and objectives of the study. Cooper and Schindler (2006) identify three primary data collection methods as observation, experiment and survey.

In this survey, convenient sampling technique was used to select sample respondents. It was adopted in getting

the respondents at their own convenience until the required sample size were reached. According to Roberts-Lombard (2002) convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility to the researcher. The selection of the sample under convenience sampling depends on the researcher`s personal judgment. Convenience choice means that the respondents were chosen because they are available (Bryman & Bell, 2005). The convenience sample selection of the respondents for the study was accomplished by distributing the questionnaires to the available customers of the sample occupations. The population frame were customers of various local banks in Worabe town who have at least one account and they were asked about their, behaviors and banking selection criteria.

The sample size for the study was 395 respondents comprising bank customers who actually have an account at those banks. The choice of the sample size was based on 5percent merging of error and 95 percent confidence interval.

The study sample size was calculated by using Yamane's (1967) formula which is;

    $n = N/1+N(e)2$

      Where

    n = sample size

    N = total number of population

    e = error

The researcher was taken e2 5percentwith confidence level of 95 percent.

Therefore, the sample size of employees of the company was been computed as follow;

    $n = N/1+N(e)2$

    $n = 33706/1+33706(0.05)2$

    $n =\sim 395$

The collected data was analyzed by using descriptive and inferential statistics. The data gathered through questionnaires were coded, entered into computer and analyzed in the form of tables using SPSS software of version 20. Tabulation, frequency and percentage were used as descriptive statistical analysis as well as principal factor analysis was used.

Inferential statistics used to measure the relationship between variables. For this purpose, one sample t test is used to rank the bank selection factors. To see the association between the bank selection criteria and social factors, service quality factors and accessibility factors chi- square were used.

6. Descriptive Analysis

The demographic and socioeconomic characteristics of the respondents are shown in tables 3. The respondents profile gives an indication to the sampled respondents' age group, their income level, occupation status, To further understand the demographics of the respondents the study sort to identify the age group of the respondents. Majority of the respondents fall in the category of youth (18-28 years), 88.6 percent of the respondents identified with the 18-28 years' age group, 10.9 percent identified 29-39 years' group, 5 percent identified with 40-50 years' group. Distribution of respondents' by Level of education.

Distribution of respondents 'by gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	321	81.3	81.3	81.3
	female	74	18.7	18.7	100.0
	Total	395	100.0	100.0	

Distribution of respondents' by marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	300	75.9	75.9	75.9
	Married	89	22.5	22.5	98.5
	Divorced	2	.5	.5	99.0
	Widowed	4	1.0	1.0	100.0
	Total	395	100.0	100.0	

From the above table, results indicate that 75.9 percent of the respondents were single, 22.5 percent of the respondent were married. There are also about 0.5 percent of the respondents were divorced and the remaining 1 percent of the respondents were widowed.

Distribution of respondents' by monthly income

	Frequency	Percent	Valid Percent	Cumulative Percent
primary completed	12	3.0	3.0	3.0
secondary completed	33	8.4	8.4	11.4
Diploma	73	18.5	18.5	29.9
bachelor degree	270	68.4	68.4	98.2
master degree	7	1.8	1.8	100.0
Total	395	100.0	100.0	

Based on the results shown in the above table 3, of which out of 395 respondents 81.3 percent were males and the remaining 18.7 percent were females. The over-representation of male respondents is expected since the population of male students and businessman is higher than that of female students.

Table :Distribution of respondents' by Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-28	350	88.6	88.6	88.6
	29-39	43	10.9	10.9	99.5
	40-50	2	.5	.5	100.0
	Total	395	100.0	100.0	

The distribution of the respondents according to their level of education appears to be evenly spread among primary completed, secondary completed, diploma, bachelor degree and master degree. Bachelor degree constituting a significantly large portion of the respondents out of the total population.
 In terms of level of education, 68.4 percent were bachelor degree, 18.5 percent were diploma, 8.4 of percent of the respondents were secondary completed, 3.0 percent were primary completed and about 1.8 percent of the respondent were in master degree. Therefore, most of respondents are distributed under bachelor degree level of education.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 2000	205	51.9	51.9	51.9
	2001- 4000	154	39.0	39.0	90.9
	4001-7000	27	6.8	6.8	97.7
	above 7000	9	2.3	2.3	100.0
	Total	395	100.0	100.0	

The above table was revealed that most respondents had monthly earnings less than birr 2000 (51.9 percent), followed by between birr 2001 and 4000 (39.0 percent), from to birr 4,001 and 7000 (6.8 per cent), 2.3 per cent of the respondent earns above 7000.

Table 8: Distribution of respondents' by Occupation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Students	256	64.8	64.8	64.8
	Businessman	67	17.0	17.0	81.8
	Employee	72	18.2	18.2	100.0
	Total	395	100.0	100.0	

The result of the above table 8show that out of 395 respondents 256 (64.8percent) of the respondents were student either public or private,67 (17percent) of the respondents were business man and 72 (218.2percent) were employees either private or public as shown by above table.

Table: Bank Distribution of Respondents

Types of bank		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	commercial bank	217	54.9	54.9	54.9
	Awash bank	19	4.8	4.8	59.7
	united bank	50	12.7	12.7	72.4
	Nib bank	79	20.0	20.0	92.4
	Dashen bank	14	3.5	3.5	95.9
	Debub global bank	16	4.1	4.1	100.0
	Total	395	100.0	100.0	

The result of the above table 9 indicate that, the minimum number of respondents established by the study were 14 respondents (3.5percent) in Dashen bank and a maximum of 217 respondents (54.9percent) were in commercial bank of Ethiopia. Thus, there were more distribution of respondents toward commercial bank when compared to others. Table 9 also   revealed that Commercial Bank of Ethiopia (CBE), Nib Bank (NIB) and United Bank (UB) are the most three preferred banks by the respondents in worabe town respectively. About 54 percent and 20 percent of the respondents are performing their banking activities with CBE and NIB respectively. CBE is most preferred probably due to its several branches.

Table: Types of service that the customers' use

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	current account	5	1.2	1.3	1.3
	saving account	231	56.8	58.5	59.7
	credit transfer	8	2.0	2.0	61.8
	ATM service	2	.5	.5	62.3
	saving account and ATM	37	9.1	9.4	71.6
	current account and ATM	16	3.9	4.1	75.7
	saving and credit transfer	118	35.6	24.3	100.0
	Total	395		100.0	
Missing	System	0	0		
Total		395	100.0		

Table above shows the proportion of respondents that are using different bank products or services as accessible in Worabe.
About 56.8 percent of the sample respondents are beneficiaries of the saving deposit and 35.6 percent of the sample respondents are beneficiaries of the saving and credit transfer. Besides, they are aware of and are using the other services of banks like current account and ATM services.

6.1. Chi-square test of social, service quality and accessibility factors

A Chi-square test is a statistical test commonly used for testing independence, association and goodness of fit. The result of chi square test for association of social, service quality and accessibility with customers banking service preference. Thus, dimensions of these factors associated with minimum p-values (<0.05) indicate relationship (association) with customers banking service preference. Whereas, those with larger p-values (>0.05) indicates that there is no significance association of these variables with customers banking service preference.

6.2. Analysis of Social- Cultural Factors

Effect of social factors on consumer preference of a bank service was sought from the study and the findings are presented in the following table.

Table: Chi square results for association of social factors with customers banking services preference.

No.	Social Factors	P-Value
1	Group Effect	.000
2	Effect of Role and Status	.006
3	Effect of Culture	.404
4	Family Effect	.023

Generally, social factors are high influencing factors on consumer preference of bank. Unlike the finding of Chepkangor, et.al (2015) who argue that, social factors have also generally been rated to have low effects on consumer choice of commercial bank.

On the other hand, effects of culture were not associated with customers banking service preference (p-value>0.05). This finding is consistence with the finding of Chepkangor, et.al (2015) who found out that majority of the correspondences indicated that a cultural factor has low effect on consumer choice of commercial banks. But, this finding do not agree with Kotler, (2006) who had argued that culture is the most basic cause of a person's wants and behavior and that culture has influence on buying behavior as well as the finding of Pinki, (2014) who found out that, culture is the part of every society and is the important cause of person wants and behavior.

6.3. Analysis of Accessibility Factors

Table: chi- square test of the association of accessibility factors with customers' choice of banking services.

No.	Accessibility Factors	P-Value
1	opinion about bank's network	.000
2	the service system appears troubles	.060
3	the location of the bank	.037
4	satisfaction level from the provided ability to access	.169

According to table above, two of the accessibility related factors opinion about banks network, ATM and branch expansion and the location of the bank were significantly associated with customers' choice of banking services. This finding is consistent with the results of Saleh et al., (2013) who found out that the most significant factor affects the customers in choosing a bank is the Accessibility. This factor is consistent of several items which are the bank has ATM facility, convenient ATM locations, 24 hours' availability of ATM services and number of branch. This finding also consistent with the finding of Mylonakis (2007) who examine that, bank branches proved to continue constituting the primary distribution channel for mortgage products and services as well as the finding of Farooq et al., (2010) who found that the most important factors leading to the customers' choice for selection of Islamic banking products/services are: religious, easy access to branch and profitability of the bank. They patronized easy access as the second most important factor for customers' selection of bank.

6.4. Analysis of Service quality factors

Table: chi square test of association of service quality with customers banking service preference.

No.	Dimensions	Service Quality Measures	P-Value
1	Assurance	i feel safe in my transaction	.010
		bank staff are courteous with me	.004
		bank staff have the knowledge to answer my question	.001
2	reliability	bank show a keen interest in solving problem	.001
		bank service can increase customer confidence	.005
		bank insist on error free record	.032
3	empathy	bank give individual attention	.000
		Bank operating hours convenient to me	.028
		bank has my interest at heart	.000
4	responsiveness	Bank's staff always willing to assist you.	.006
		Bank's staff tell you exactly the time the service will be performed.	.009
		Bank's staff give you prompt services.	.026
5	tangibility	The bank's employees has a neat & professional appearance.	.001
		Material associated with the service like pamphlets,	.008
		Banks has modern equipment & tools.	.002

Service quality was categorized in to assurance, reliability, empathy, responsiveness and tangibility. Each of these categories were measured in three dimensions.
Table above revealed that, the service quality dimensions' assurance, reliability, empathy, responsiveness and tangibility were significantly associated with customers banking service preference. Because, the p-values for all of the SERVQUL dimension were < 0.05 appeared to show significant association with customers' preference of banking services. In general, customers' choice of banking services was attributable to service quality.

7. Conclusion and Recommendations

Banking sector is the most prominent and competitive sector in Ethiopia. Various banks are working to stay ahead of their competitors by providing efficient services to customers. This research paper emphasizes on analysis of factors affecting customers' selection of bank services in worabe town. The researcher tried to analyze different factors in which the customer considers when selecting bank service.

This study can help bankers to identify the major factors that their customers perceive as important in a bank selection and can provide a guide to the banks in designing their future strategies in a competitive economy. The researcher observed that the Commercial Bank of Ethiopia, Nib Bank and United Bank are the top most preferred banks by customers. Users frequently choose the two former banks perhaps because of their wider operation and quality of service provision respectively. Most of the respondent used saving account in bank services.

From the above findings of this study, customers' behavioral intention in choice of banking services significantly related with various factors such as social, service quality related, and accessibility related factors at 5 percent level of significance. Groups and role and status and family influence have significant effect to consumer preference of bank service.

Accordingly, the result revealed that the Service quality dimensions' reliability, empathy, and tangibility were significantly associated with customers banking service preference. In general, customers' choice of banking services was attributable to Service quality.

The conclusion of the study therefore is that the major factors that bank customers in Worabe considered as important in their bank selection have been to a large extent   identified. It is therefore recommended that banks should take proper cognizance of these factors as a guide in designing their future strategies for competitive advantage.

8. Recommendation

On the basis of the findings and conclusions reached, the following recommendations were forwarded.

- ✓ Customers place more emphasis on factors like provide good service to customer, expanding service provision, security arrangement and ATM service. Therefore, such factors should be considered seriously by the commercial as well as private banks in designing their marketing strategies by widening their branches and providing good customers services to customers.
- ✓ For a successful consumer oriented market, service provider should work as psychologist to procure consumers. By keeping in mind affecting factors that can be made favorable and goal of consumer satisfaction can be achieved. Because study of consumer selection behavior is gate way to success in market.
- ✓ Banks should reduce the pressure on potential customers or old customers who may feel obligated to use of bank services. Instead, banks need to have a marketing strategy to attract potential customers or clients to use more facilities provided by the banks.
- ✓ There should be a clear distribution of policies by the bank marketers on specific strategies and general strategies in attracting customer in choosing a particular bank.
- ✓ All bank employees should have high moral values and build, good relationship with customers. All these criteria should be considered seriously in designing bank marketing strategies.
- ✓ Convenient location is important to customers because they do not want to waste their time. The banks should give proper attention on improving the location.
- ✓ The customers do not want to waste their time in standing in a long queue. The banks should provide speedy, customized and value added services such as ATM, E-Banking, and Mobil Banking to influence the customers.
- ✓ Banks are facing greater challenges than ever before in executing their customer management strategies. Banks are now realizing that delivering superior value to customers should be the main task in today's competitive marketplace.
- ✓ Since the results of this study are based on customers' perceptions about the bank   only, investigating the

correspondence between consumers' and service provider's perceptions could be an important further research area among interested future researchers.

✓ In addition, future researches should explore the factors which are not tested in this particular study.

✓ For comparative purposes, the future research could be simulated with a sampling frame composed of customers with different backgrounds like income group, profession, religion etc. In addition, future studies can also examine dimensions that influence customers to switching behavior from one bank to another.

✓ Future researches examine whether a larger sample of one thousand and above teachers would give similar results

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