ST. MARY UNIVERSITY
SCHOOL OF GRADUATE STUDIES

FACTORS AFFECTING CUSTOMERS' BANK SELECTION:

THE CASE OF BANK OF ABYSSINIA

BY: MESKEREM AYELE

FEBRUARY, 2024
ADDIS ABABA, ETHIOPIA

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ENDORSEMENT

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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Advisor **Signature**

St. Mary’s University, Addis Ababa **February, 2024**

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of **Asmamaw Getie (Asst. Prof.)**. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted for any degree.

Name **_Meskerem Ayele_**

Signature ______________________

Date___________________________

St. Mary's University, Addis Ababa.

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LIST OF ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis of Variance
BOA	Bank of Abyssinia
CLRM	Classical Linear Regression Model
E-Banking	Electronics Banking
SPSS	Statistical Package for Social Science
VIF	Variance Inflation Factor

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ABSTRACT

The main purpose of this study is to investigate the factors that influence customers' bank selection among Bank of Abyssinia. The study specifically examined the effect of service charges, initial deposit requirement, interest charges, e-banking, ATM banking, number of branches, safety of funds, customer based service, and loan provision on customers' bank selection. Using a convenience selection approach, a total of 367 out of 384 Bank of Abyssinia customers were used as a sample for this research. The study was descriptive and explanatory in nature, and survey research was employed to obtain data from participants. Mean, standard deviation, Pearson's product-moment correlation, and multiple linear regressions were used as statistical techniques. The findings revealed a positive correlation between service charges, initial deposit requirement, interest charges, e-banking, ATM banking, number of branches, safety of funds, customer based service, and loan provision and customers bank selection. Furthermore, the study concluded that service charges, interest charges, e-banking, safety of funds, customer based service, and loan provision are significant determinants of customers bank selection. The study also revealed that initial deposit requirement, ATM services, and number of branches have no statistically significant influence on customers' bank selection. Finally, the study recommends that the bank should prioritize transparency and clarity in communicating service charges, offering competitive interest rates, and prioritizing robust and user-friendly e-banking platforms, alongside ensuring the safety of customer funds through regulatory compliance and strong security measures. Moreover, personalized account management services, clear loan terms and conditions, and responsive customer support are recommended to foster strong, long-term relationships with customers and instill trust in potential borrowers.

Keywords: *Bank Selection, E-banking, Safety of Funds, Service Charges*

CHAPTER ONE: INTRODUCTION

1.1. Backgrounds of the study

The intermediation of economic wishes is done by banks, which are profit-driven financial entities. They are responsible for acting as vital engines of economic and monetary intensification and serve as the country's financial sectors' intermediaries for the movement of money. According to Jain (2020), banks carry out the valuable role of supplying money to both deficits and surpluses at the maximum degree of liquidity, profitability, and safety.

A customer is a person or corporation that makes a purchase of products or services from another firm (Chivandi et al., 2019). Customers are crucial because they provide income; without them, companies couldn't survive. Customers are a business's main source of income and the driving force behind its existence (Adebisi & Matthew, 2015). Therefore, no firm devalues the importance of its consumers to its operations (Zeithaml et al., 2001). In the banking industry, clients use a variety of services that are offered by each bank. Designing marketing strategies and surviving in a cutthroat financial business require a keen understanding of clients. According to Grewal & Levy (2012), it is virtually impossible to develop any kind of marketing plan without a thorough grasp of the target audience.

Consumers make far too many purchases each day, and marketers concentrate their efforts on one particular purchase. Numerous factors affect consumer purchasing decisions. Banks can better satisfy customer demands by recognizing interested clients and modifying their offerings of financial services and appeals using this information. The majority of large organizations' consumer purchasing decision research focuses on addressing issues such as what customers buy, how much they spend, why they spend it, where they spend it, and when they spend it (Kotler & Armstrong, 2011).

The cultural, social, and psychological aspects of an individual have a big impact on how they use financial services (Chan et al., 2010). Banks generally have no influence over these issues, but they nevertheless need to take them into account (Kotler & Armstrong, 2011). Customer and bank-specific factors most frequently have an impact on the customer's choice of bank.

Customers are more affluent and demanding as the economic climate changes quickly. Finding out which criteria are taken into account when choosing a customer is crucial for banks. Therefore, banks must clearly communicate how clients pick which banks to use for their regular financial activities (Lelissa & Lelissa, 2017). Understanding what is valuable to consumers and how they make decisions is necessary in order to satisfy their demands. A key component in conceptualizing a customer's selection criteria is understanding their financial demands from the bank's perspective, which is mostly mirrored in the services a bank offers.

The provision of efficient and high-quality financial services to potential clients is crucial in the era of globalization for the growth of the banking industry in Ethiopia (Ketema, 2020). Because of this, the Ethiopian banking sector is providing a wider range of financial services to its clients in order to generate income and meet clients' demands (Cepheus, 2019). Since the early 1980s, the banking sector has been characterized by increased rivalry among financial service providers. Banks must comprehend and meet the needs of their consumers in order to thrive in the cutthroat banking industry (Rahmayati, 2021). To satisfy needs of customers on the bank side, it is first required to understand what the most important factors that determine the customer bank selection decisions are (Pakurár et al., 2019).

When it comes to choosing a bank in developing countries, customers weigh numerous factors influenced by local conditions. As Almossawi (2001) found in Bahrain, branch proximity, ATM access, mobile banking availability, fees, product offerings, and customer service tend to be key bank selection factors. Given limited transportation options, convenience is paramount for many customers. Similarly, Mokhlis et al.'s (2009) Malaysia-based research revealed deciding aspects like charges, distribution reach, account features, IT capabilities, and rates matter for developing world consumers with varying needs and connectivity. Additionally, Lee & Shin's (2018) study across emerging Asian markets highlighted preferences for personalized service, transparency in pricing, digital innovation, and trust—amidst often inadequate regulatory protections.

As this literature shows, bank selection drivers in developing nations have unique contours based on infrastructure and tech limitations, cost sensitivities, and customer service expectations. This study aims to build on these insights by examining product-service bundles, convenience, charges, and channel options most influencing choice for retail banking consumers in the developing world. Findings can assist banks Tailor offerings and outreach for target customer segments in these markets. The focus responds to developing countries' diverse banking needs.

Overall, studies suggest that customers are looking for banks that offer convenience, accessibility, transparency, personalized products and services, digital capabilities, competitive fees and charges, interest rates, and trust and security. By understanding these determinants of customers' bank selection, banks can better meet the needs of their customers and build stronger relationships with them.

Therefore, at this juncture, this study tried to examine the determinants of customer bank selection, the case of Bank of Abyssinia.

1.2. Statement of the Problem

The banking industry is subject to intense rivalry because banking services are becoming more and more competitive while remaining largely uniform. Every commercial bank needs to discover the factors that influence consumer decision-making when choosing a bank in order to retain current clients, win new ones, and stay in business (Hussein, 2021).

Numerous studies have been conducted to examine the variables that influence customers' choices for financial services. The factors that influence client bank selection choices have been the subject of extensive research outside of Ethiopia; some of them include (Mwange, 2017; Oluwaseyitan, Hashim, & Yusof, 2018; Dogbe, 2019; Bhatt & Jain, 2020). However, their research showed a strong correlation between consumer preference for a bank and ease, and accessibility to technology, and those factors. For instance, research by Aregbeyen (2011), Halim, Srouji, Lubis, and Hamdallah (2018), Bugyei 2020, and Bhatt & Jain (2020) showed that customers' decisions to choose a bank are primarily influenced by variables related to the safety of funds, dependability, religious motivations, proximity, and advertising. Related studies (Aregbeyen, 2011; Murtala Garba, Garba & Usman, 2017; Mihir Kumar, 2017; Ara & Begum, 2018) also demonstrated that the protection of money, security features of the bank, banking charges or fees, and ATM network all have an impact on the customer's choice of bank.

A few studies on consumers' banking choices have been done in Ethiopia. To name just a few, there are Goitom (2011), Tekletsadik (2013), Tehulu and Wondmagegn (2014), Tessema (2016), Lelissa and Lelissa (2017), Yeshitila (2017), Tesfaye, Abera, and Mengesha (2018), Addisu (2018), Eshetu (2018), Shewmolo and Getnet (2020), and Hussein (2021). Goitom (2011)'s research, which employed a non-probability convenience sampling technique, found that convenience and service provision for the complete customer are the two most crucial bank selection factors for clients. The results of the T/Tsadik (2013) research showed that convenience, dependability, and service supply for the complete customer are the major factors influencing consumers' choice of bank. The location of the branch and the accessibility of ATMs were found to be the most important selection factors by Tessema (2016) in his research on the importance of bank selection factors for numerous bank customers. According to Lelissa and Lelissa (2017), the more important drivers of client bank choice are service quality, liquidity, quality, and ease of access to physical and human resources. According to Yeshitila's (2017) research, factors that significantly influence bank selection choices include ease, security, technology, marketing and promotion, bank image, and proximity.

According to Tesfaye, Abera, and Mengesha's (2018) research, ease, service quality, bank image and reputation, and technology all have a substantial and favorable impact on the choice to choose a bank. According to Addisu's (2018) research, customers' choice of bank was influenced by gender, interviewees' ages, levels of education, kinds of employment, security, the number of locations, and the bank's closeness to their homes or places of employment. Eshetu (2018) also noted that consumers' choices to choose a bank are significantly influenced by convenience, the availability of branches and ATMs, bank image, and online banking. The study of Shewmolo and Getnets (2020) findings also reveals that the five most important bank selection criteria for customers are good customer service, the security arrangements of the bank, ATM facilities, the variety of services offered, and internet banking. The most recent study by Hussein (2021) indicated that convenience and service provision are the most important factors that determine customer bank selection decisions.

Additionally, to the best of the researcher's knowledge, Tehulu & Wondermagn (2014) conducted a prior study in Bahir Dar City regarding the variables influencing customers' banking selection choices. In their study, the researchers found that customer bank selection is significantly influenced by the staff's pleasant or friendly demeanor, the availability of ATM service, the speed of the bank, the quality of the service, the internal seating arrangement, the feeling of security, the bank's proximity to the customer's home or place of employment, the availability of multiple branches, and the excessive number of working hours. The number of counter displays, the security of the funds, the welcoming atmosphere at the bank, and the cheap service fee, on the other hand, had less of an impact on the choice to choose a particular bank.

There is a lack of literature that focuses on the following determining factors of customer bank selection decisions: initial deposit requirement, loan provision, E-banking, interest charged to deposits and loans, and provision of customer-based service. This includes the study of Tehulu and Wondmagegn (2014). In order to close the aforementioned lacuna in the literature, the researcher will carefully examine the factors that influence customers' choice of bank in the context of the Bank of Abyssinia in this study. In order to achieve this, the study concentrates on identifying the variables that influence a customer's choice of bank, specifically the service fee, the requirement for an initial deposit, the provision of a loan, E-banking (electronic banking), the safety of funds, the number of branches, the interest rate on savings and loans, the availability of ATM (Automatic Teller Machine) service, and the provision of customer-based service in the case of Bank of Abyssinia.

Bank of Abyssinia was selected as an ideal case to study the factors influencing customers' bank selection decisions due to its large and diverse customer base, competitive market environment, mix of new and existing customers, openness to hosting research, and contacts the researchers have to facilitate data collection. Moreover, as a major bank facing fierce sector competition, understanding customer choice is paramount. By comparing new and existing customers, important insights can be gained into initial selection versus retention decisions. Ultimately, Bank of Abyssinia's scale, diversity, competitiveness, and willingness to enable in-depth study of their customers made the bank an informative choice to research bank selection factors.

1.3. Research Questions

This study tried to answer the following main research questions

1. How do service charges affect customers' bank selection?
2. How does interest to loan and deposit influence customers' bank selection?
3. To what extent the requirement for the initial deposit influence customers' bank selection?
4. How does loan provision affect customers' bank selection?
5. How does E-banking services influence customers' bank selection?
6. How does ATM services affect customers' bank selection?
7. To what extent number of branches affect customers' bank selection?
8. How does safety of funds affect customers' bank selection?
9. How does customer-based service influence customers' bank selection?

1.4. Objectives of the study

1.4.1. General objective of the study

The general objective of the study is to examine the factors affecting customers' bank selection in the case of Bank of Abyssinia.

1.4.2. Specific objective of the study

The study includes the following specific objectives.

1. To examine the effect of bank service charges on customers' bank selection.
2. To examine the influence of interest to loan and deposits on customers' bank selection.
3. To examine the effect of requirement for the initial deposit on customers' bank selection.
4. To determine the extent to which loan provision affect customers' bank selection.
5. To examine the effect of E-banking services on customers' bank selection.
6. To examine the influence of ATM services on customers' bank selection.
7. To examine the relationship between the number of branches and customer bank selection.
8. To examine the influence of safety of funds on customers' bank selection.
9. To examine the influence of customer-based services on customers' bank selection.

1.5. Research Hypothesis

Based on the study question, the following alternative hypotheses are developed and tested inregard to the independent variables and customer banking selection decisions.

H1: Bank service charge has a statistically significant effect on customers' banks selection decision.
H2: Number of branch has a statistically significant effect on customers' banks selection decision.
H3: Loan provision has a statistically significant effect on customers' bank selection decision.
H4: E-banking services to customers has a statistically significant influence on customers' bank selection decision.
H5: Safety of funds has a statistically significant effect on customers' bank selection decision.
H6: Required amount of initial deposit has a statistically significant effect on customers' bank selection decisions.
H7: Interest charged to deposits and loans has a statistically significant effect on customers' bank selection decision.
H8: ATM service has a statistically significant influence on customers' bank selection decision.
H9: Customer-Based service has a statistically significant effect on customers' bank selection decision.

1.6. Significances of the study

The theoretical insights and practical consequences of this study can be seen as two perspectives on its worth. Theoretically, this research bridges the knowledge gap on client bank selection choices made to accomplish their goal. As a result, the results of this study provide significant value to the existing body of knowledge and can be used as a foundation for subsequent research. On the practical side, most significantly, the methods and experiences used in the study can be communicated to the relevant group about the variables that influence a customer's choice of bank.

1.7. Scope and limitation of the Study

This study investigates factors influencing consumers' choice of Bank of Abyssinia for their commercial banking needs. While numerous aspects may impact bank selection decisions, this research focuses on nine key determinants identified from past literature: service charges, initial deposit requirements to open an account, availability of loans, electronic banking features, safety of deposited funds, number of bank branches, interest rates on deposits and loans, access to ATMs, and customized services for specific customer segments. The study examines the impact of these nine factors on customers' selection of Bank of Abyssinia as their bank through primary research conducted among the bank's consumer banking customers. Though many drivers may shape bank patronage, this study concentrates specifically on evaluating these nine variables highlighted by academic studies on bank selection criteria.

1.8. Limitation of the Study

Given the study's specific focus on the Bank of Abyssinia, it is important to note that the findings may not be easily extrapolated to other banks operating in diverse national contexts. The cross-sectional design offers insights limited to a snapshot in time, highlighting the significance of longitudinal data to capture changes in the factors affecting customers' bank selection. While the study incorporates nine pivotal variables, it is crucial to acknowledge the potential influence of additional contextual and personal factors on customers' bank selection. The inclusion of a more extensive set of variables could potentially unveil nuanced relationships that warrant exploration in the study.

Furthermore, the study's reliance solely on quantitative methodology may limit the depth of understanding regarding factors impacting customers' bank selection. Integrating qualitative data through interviews or open-ended questions has the potential to provide a more nuanced perspective on the factors affecting customers' bank selection, thus enriching the study's insights and breadth of analysis.

1.9. Organization of Paper

This paper is organized into five chapters. Chapter One consists of the background of the study, the statement of the problem, the objectives of the study, the significance of the study, the research questions, and the scope and limitations of the study. Chapter Two deals with the review of literature, which includes a conceptual literature review and an empirical review, and frameworks, are elaborated. Chapter Three presents research methodology that includes research issues regarding research design, population, sample size, sampling technique, type of data, and tools or instruments of data collection procedures. Chapter Four addresses the data analysis and presentation, and Chapter Five provides a summary and future recommendations based on research findings.

CHAPTER TWO: REVIEW OF RELATED LITERATURE REVIEW

2.1. Introduction

The main ideas of customer bank selection are covered in this section, along with the variables that affect that choice. Additionally, this chapter presents theoretical frameworks, empirical research, a literature review, and knowledge gaps in the field.

2.2. Theoretical Review

2.2.1. Banking sectors

Banks are financial entities that accept deposits from the general public and collect funds from any other available sources so they may offer loans to anyone who needs them. The bank is a business that deals with credit and money. Customers' deposits are accepted, and it offers loans and advances to people who need credit for a variety of reasons. Accepting deposits with the goal of lending money or making investments is referred to as banking. Additionally, banking entails offering a variety of other financial services in addition to its primary banking activity of receiving deposits and disbursing loans (W/Mariam, 2011).

2.2.2. Rational choice theory and competition theory

The rationality of choice theory and competition theory are the pertinent theoretical expositions that support the investigation. The competition theory examines how businesses attempt to compete for customers' patronage and loyalty through service improvements, meeting customers' needs, and offering innovative products, whereas the rational choice theory offers helpful insights into the preference or selection behavior of individual or business customers. A framework for comprehending and frequently formally modeling social and economic behavior, choice theory is sometimes known as rational choice theory or rational action theory (Aregbeyen, 2011).

According to rational choice theory, people are driven by the desires or goals that represent their 'preferences'. The link between preferences and limitations may be conceptualized in terms of a means to a goal, which is the easiest way to understand it from a technical standpoint. According to rational choice theory, people must choose which course of action is best for them by anticipating the results of many options. Those who make rational decisions select the course of action that is most likely to satisfy them (Scott, 2000).

When two or more businesses work independently to provide their goods to the same market of customers, competition results. When businesses create comparable goods that appeal to the same market segment, direct competition develops. When various businesses produce or market goods that compete for the same amount of money in customers' pockets without engaging in direct head-to-head rivalry, this is known as indirect competition (Aregbeyen, 2011).

2.2.3. Definition of customer

A customer is a person or corporation that makes a purchase of products or services from another firm. Customers are crucial to businesses because they generate income; without them, they would cease to exist. All organizations battle with one another to draw clients, whether through aggressive product promotion, price reductions to increase clientele, or the creation of distinctive goods and services that clients adore (www.investopedia.com).

2.2.4. The Consumer Behavior Theory

The buying habits of end customers are referred to as consumer behavior. It is the actions that customers take while looking for, buying, using, assessing, and discarding the product—or it might be the concept that they have for the item that will meet their requirements. Therefore, the goal of the study of consumer behavior is to comprehend how consumers choose how to allocate their available funds for purchases (Kotler & Keller, 2006). Understanding the fundamentals of consumer behavior is essential because, according to marketing literature, the customer is the fundamental idea of marketing, making it a crucial component of both marketing research and marketing decision-making (Baines & Fill, 2014).

Consumer behavior is impacted by attitudes and expectations in addition to extrinsic variables. As a result of a constant stream of events, knowledge, and personal experiences, these attitudes and expectations are always shifting (Peer, 2009). Kotler & Armstrong (2011) add the study of how people or groups acquire, utilize, and discard products, services, ideas, or experiences to meet their needs and desires to your definition of consumer behavior.

2.2.5. Steps in the Customer Decision Process

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

A. Need or Problem Recognition

The buying process starts with recognition. The buyer recognizes a problem or need.

B. Information Search

After a need is recognized, the consumer goes on an information search to be able to make the right purchase decision. He gathers information about the product category and its variations, various alternatives, and various brands. Such a search could be ongoing, specific, or incidental.

C. Evaluation of Alternatives

Once the consumer has gathered information and identified the alternatives, he compares the different alternatives available for certain features.

D. Purchase Decision

After the consumer has evaluated the various alternatives, he selects a particular brand. Consumer purchases may be trials, first purchases, or repeat purchases.

E. Post-Purchase Behavior:

After the purchase, the consumer uses the product and reevaluates the chosen alternative in light of its performance in relation to expectations. (Kotler & Armstrong, 2011).

2.3. Empirical Review

The study of client bank choice behaviors throughout the world has received a lot of attention for a number of years. However, because many procedures and approaches were employed, it was shown that no one aspect had a greater impact on customers' selection decisions than others.

2.3.1. International studies

Numerous bank-specific factors, including the number of branches, e-banking, service fees, availability of services, prices, accessibility, innovative products, quality of facilities, staff management, reputation and confidence, financial performance, and bank loyalty, have been identified in prior studies that focused on bank selection criteria. Numerous variables, in the eyes of the banks, influence the clients' bank choices. In this research, several of these elements are brought up and looked at.

2.3.1.1. Number of branch

According to research by Mohamad et al. (2014) and Ahmed (2011), the presence of several branches in various areas was one of the key elements in customers' decisions to choose a bank.

Other research has found that clients are more likely to choose a bank with more branch locations (Katitcioglu et al., 2011). It is more convenient for a consumer to conduct business with a bank when there are more branch offices.

In order to determine clients' retail bank selection decisions in South Africa, Muzenda (2014) conducted research in which five factors were taken into account: security, service quality, technology and service, location, and affordability. According to the survey, security perceptions have a significant impact on customers' bank decisions, whereas pricing has less of an impact. Mwange (2017) tried to look at the factors that influence University of Zambia students' choices of commercial banks. The researcher's findings also revealed that out of 40 factors that affected student bank choice, the top ten in descending order were as follows: bank proximity to the university; recommendation from a friend; the number of tellers in the bank; the fact that the university already uses the bank; the convenience of the location; the reputation of the bank; the friendliness of the staff; the proximity to the student's home; and innovative e-banking services (Garba, Jaji, & Usman, 2017). With support from the state of Bauchi, the authors looked at the factors that influence bank choice in northern Nigeria. They claimed that technology and security issues have a role in influencing customers' choices of banks among bank customers in the research region.

The goal of the study by Srouji, Halim, Lubis, and Hamdallah (2018) was to determine the factors that influence which bank clients in Jordan, both Islamic and conventional, are chosen. The key findings indicated that, in contrast to conventional banks, clients of Islamic banks were more influenced by their religious beliefs. While bank convenience and bank reputation and images were positively significant for both types of banks, only conventional bank clients were influenced by factors such as service quality, branch locations, ATM accessibility, transaction processing speed, and bank image. In their study, Oluwaseyitan, Hashim, and Yusof (2018) investigated the factors that international students at Malaysian public institutions consider while choosing a banking major. Five of the nine factors identified in the literature as the main predictors of banking choice among foreign students were revealed by their study's findings. These include (i) outside factors, (ii) convenient locations, (iii) ATM accessibility, (iv) high-quality services, and (v) financial gains from saving.

According to Fathelrahman (2019), the main factor influencing bank customers' choices in Sudanese banks to rank the most crucial factors in bank selection, mean analysis and exploratory factor analysis are used. The primary findings of the study indicated that corporeal efficiency is the most significant factor that has affected the customer's choice. Bank marketing initiatives, convenience, and service delivery are other criteria that are considered to be significant. In his research, Bugyei (2020) looked at the factors that influenced bank choice in the Ghanaian municipality of Mfantseman. The results showed a strong correlation between client bank preference and bank branding, promotion, accessibility to bank locations, and the types of electronic services provided by banks.

2.3.1.2.Service charge

Aregbeyen (2011) highlighted cheap or fair service charges as one of the primary reasons for a bank's selection by the selected respondents. Kumar (2017) also found out in his study that the intra-bank banking charge or fee is playing a key role in influencing client bank decisions. Based on the study performed by Lelissa & Lelissa (2017) to examine the primary factors influencing bank selection decisions by consumers in Ethiopia, most of the customers appear less sensitive to the costs of different banking services. Based on the study done by Tehulu and Wondmagegn (2014), they identified elements impacting consumers. According to their research, reduced service costs have no substantial influence on clients selecting their own banks (Commercial Bank of Ethiopia, Dashen Bank, Abyssinia Bank, and Wegagen Bank) over a unified bank. Furthermore, Maiyaki (2011) believes that service cost and benefit have minimal impact on bank choices. Service fees on their accounts are one of the most critical elements in consumer bank selection decisions (Owusu, 2014).

Kumar (2017) wanted to advance academic knowledge and comprehend the management ramifications of Bangladeshi clients' bank selection criteria. The results demonstrate that the intra-bank banking fee or charge has a significant impact on the banks that customers choose. One of the key criteria affecting client bank decisions is a sizable ATM network with adequate security.

According to Dogbe, Bamfo, and Sarsah's study (2019), they looked at the bank selection factors used by Ghanaian university students. The variables that assess students' choice of bank criteria were initially identified using exploratory factor analysis. Six components were culled from the study to quantify university students' bank-choosing criteria. These included operational skill, outside influence, tangible proof, e-banking capabilities, ease of use, and the expense of maintaining a bank account. Out these, e-banking facilities, convenience and cost of operating a bank account, were statistically significant in determining the selection ofa bank.

2.3.1.3. Requirement of initial deposit

The bare minimum required to open an account with a financial institution, such as a bank, is known as the minimum deposit or initial deposit. The bank required a variety of materials when customers opened bank accounts. such as an ID card, a photo the size of a passport, and a down payment. Every bank has certain requirements, one of which is a minimum starting deposit. The minimal sum of money required to open an account with a financial institution is known as a minimum or initial deposit. Therefore, the requirement for a minimum initial deposit influences the clients' choice of bank.

There have been several studies conducted on the effect of initial deposit requirements on customer bank selection. One study published in the Journal of Financial Services Research found that higher initial deposit requirements were associated with lower customer satisfaction and loyalty, particularly among low-income customers (Bauer et al., 2007). Another study published in the Journal of Retailing and Consumer Services found that initial deposit requirements were not a significant factor in customer bank selection, but rather convenience and accessibility were the most important factors (Wang et al., 2014).

Additionally, a survey conducted by Bankrate found that 38% of Americans would not be able to come up with $1,000 in an emergency, which suggests that high initial deposit requirements may be a barrier for many potential customers (Bankrate, 2019). A research study was conducted on the factors influencing the criteria used by Nigerian business clients when choosing banks (Aregbeyen, 2011). The survey finds that the main factors influencing consumers' choice of banks are the safety of their money and the accessibility of technology-based services. Significant disparities in factor choices and preferences were also seen across the age and gender spectrum.

Overall, while the importance of initial deposit requirements may vary among customers, it is important for banks to consider the potential impact on their customer base and offer flexible options to cater to a range of customers.

2.3.1.4. Safety of funds

A degree of guarantee for money put in banks equates to financial safety. Aregbeyen (2011) performed a study on the factors influencing Nigerian business clients' bank choice criteria. In the course of his inquiry, a total of 1750 responses on the significance of 25 distinct aspects were sought out and examined when choosing a deposit bank. According to the report, one of the main factors influencing consumers' bank selection is the protection of their money. The study (Tehulu & Wondmagegn, 2014) found that a major factor in client bank selection is the safety of money.

2.3.1.5. Availability of ATM service

An automated teller machine, sometimes known as an ATM, is a type of self-service banking facility. Customers of the bank can check their balances and withdraw cash. By placing ATMs in various locations around the nation, different banks provide ATM services. The number of ATMs may be the most crucial selection factor for bank clients, according to certain research in the literature. According to Saleh, Rosman, and Nani's (2013) research, one of the most important factors influencing a customer's decision to choose a bank in Kelantan, Malaysia, was the availability of ATM service. This factor is made up of multiple components, including the availability of ATM services around the clock, the availability of ATM facilities at banks, and accessible ATM locations.

Layla and Amaldeen (2021) identify the selection standards for businessmen applying to Saudi Arabian banks. Through survey analysis, the researchers' approach was used to ascertain and comprehend the criteria that businessmen consider when choosing a bank. The findings demonstrated that businesses were more interested in commercial banking. The variables that influence clients' decisions to use a bank include the country's economy and the circumstances that led them to make the decision about the bank. Other significant aspects are Internet banking, more ATMs, and the goods and services offered by the bank. In order to determine the most crucial elements affecting consumers' decisions while choosing a bank in Malaysia, Saleh et al. (2013) questioned 100 Muslim and non-Muslim bank customers. Their research demonstrates the importance of accessibility as a selection factor, which includes ATM facilities, convenient ATM locations, 24-hour availability of ATM services, and quick service. On the other hand, reliability, responsiveness, value-added service, convenience, and assurance also increase in importance.

2.3.1.6. E-Banking

E-banking is a platform that allows for the virtual provision of financial services. With the advent of technologies like ATMs and e-banking, the rivalry in the banking sector has intensified, and clients are anticipating a rise in demand for financial services (Hinson, Osarenkhoe, & Okoe, 2013). Some of the most common e-banking procedures at banks that offer the service to their customers include balance inquiries, cash withdrawals, transfers within the same bank, and statement printing. The several e-banking channels that banks employ to offer these services to their clients include ATMs, debit cards, internet banking, and mobile banking.

2.3.1.7. Provision of loans

The main duties of a bank are to receive deposits and give loans to their clients. Customers' requests and wants will determine how the banks will provide loans. The banks additionally assess client applications in light of the institution's lending criteria and the federal loan policy. Due to the loans' inherent risk of default, the majority of banks offer small loans. Customers must borrow money from financial firms, in their opinion. One of the deciding elements in a customer's choice of bank is the loan.

Banks are financial organizations that provide loans and take deposits. A local bank is often where a person gets a loan if they need one to buy a house or a car. The majority of Americans maintain a sizable amount of their financial assets in banks as deposits in checking or savings accounts or other forms of bank accounts. Banks should be the subject of the most thorough research since they are the biggest financial intermediaries in our economy (Mishkin, 2004).

2.3.1.8. Provision of customer-based service

The provision of customer-based service has been found to have a significant impact on customer bank selection. One study published in the International Journal of Bank Marketing found that customers who perceived higher levels of customer service were more likely to choose a particular bank and remain loyal to that bank (Singh & Srivastava, 2012). Another study published in the Journal of Financial Services Marketing found that personalized service and attention were important factors in customer satisfaction and loyalty (Liu & Chen, 2015).

Furthermore, a survey conducted by Accenture found that 52% of customers would switch banks if they received poor customer service, highlighting the importance of providing high-quality service to retain customers (Accenture, 2019). Sahadev and Swati (2020) researched the bank's client selection criteria in Nepal. In order to accomplish their goal, 137 questionnaires were distributed and collected from respondents among the specified demographic of customers of a commercial bank in the Nepalese city of Bhairahawa. Reliability is the most crucial criterion or aspect affecting the client in choosing a bank, according to a conclusion from their survey.

According to the findings of the factor analysis, convenience and dependability are the key factors in choosing a bank. Value-added services and timeliness, on the other hand, were the two least important factors for Nepalese clients when choosing a bank.

In their study, Ibrahim, Hamid, and Abdulai (2021) look at first-year students' bank selection and loyalty decisions (most of them are opening or operating bank accounts for the first time on their own). We performed an exploratory analysis on 320 valid surveys. The survey discovered that, in Ghana, elements affecting people's decisions to choose a bank included, in order of importance: bank service, convenience, service quality, bank image, staff attitude or recommendations, core service, communication, and customer service. Additionally, in order of significance, it was determined that friendly operations, rules, relationship management, service quality/financial advantages, customer happiness, and bank image were accountable for their continued devotion to banks in Ghana.

Overall, the provision of customer-based service is an essential factor in customer bank selection and retention. Banks should focus on providing personalized and attentive service to meet the needs and preferences of their customers.

2.3.1.9. Interest

Interest is a revenue or payment that is taken into account on loan and deposit accounts. Different methods can be used to calculate interest. The results of the principle (amount of money), interest rate, and time period are the total interest. One of the economic factors that is most heavily scrutinized is interest rates. The primary source of income for banks is interest. Banks typically generate money by receiving deposits with lower interest rates and offering loans with higher interest rates. The banks' profit share is represented by the difference between the two interest rate levels. Customers choose their banks based on the fact that they receive income from their deposits as well.

The change in interest rates has the most impact on interest rates. They immediately impact our daily lives and have a significant impact on the state of the economy; thus, the news media covers their movements virtually every day. They have an impact on the choices that individuals make for themselves, including whether to spend or save, whether to buy a home, and whether to invest in bonds or save money. Interest rates can have an impact on how firms and families make financial decisions, such as whether to invest in new manufacturing equipment or save money in a bank (Mishkin, 2004).

2.3.2. Local studies

A few studies on consumers' bank choice decisions have been done in Ethiopia. Among these, W/mariyam (2011), Tekletsadik (2013), Tehulu and Wondmagegn (2014), Tessema (2016), Agarwal (2017), Kebede (2017), Lelissa and Lelissa (2017), Yeshitila (2017), Eshetu (2018), Addisu (2018), Tesfaye, Abera, Menegesha (2018), Shewmolo and Gwtwnet (2020), and Hussen (2022) are a few to mention. W/mariyam (2011) conducted a survey of 201 bank customers using a non-probability convenience sample approach to examine the factors that influence customer satisfaction in banking in Ethiopia. According to his research, the two most essential factors for customers when choosing a bank are convenience and service for all clients, with the bank's image ranking second.

He advised bank managers to consider using hierarchical information integration as a tool to investigate difficult decision-making issues like choosing a bank. In his research on Addis Abeba city, Tekletsadik (2013) determined that convenience, reliability, and service supply were the most crucial elements. He employed factor analysis and 120 consumers from four Addis Ababa banks in his study. Finally, this research showed that ease, dependability, and service supply for the whole customer base are the primary elements influencing customers' choice of bank. On the other hand, product variety, reputation, and referrals from family and friends are the three least significant considerations for clients when choosing a bank.

In their study, Tehulu and Wondmagegn (2014) examined the factors that influence consumers' decisions to choose private or state-owned commercial banks in Ethiopia. In their study, they used a survey method, especially a questionnaire, to gather information from 204 customers at five commercial banks who participated in a sample. According to the findings of their study, important factors included the staff's pleasant or friendly demeanor, ATM service, bank speed, service quality, external bank appearance and internal seating arrangement, a secure feeling, proximity to one's home or place of employment, the availability of multiple branches, and lengthy operating hours.

Tessema (2016) looked into the value of bank selection criteria for consumers who use several banks and how clients rate the criteria according to how important it is to use different banks and banking services. He also included 193 respondents and employed non-probability convenience sampling. His research's conclusions revealed that choosing between many banks is greatly influenced by branch location and ATM accessibility.

Agarwal (2017) also did the study in Arba Minch City. He employed a sample size of 385 consumers from any bank in his analysis, and he contacted the clients and collected their comments. The author indicated that the result of his study states that technology factors and social influence are significant factors, while convenience factors have aninsignificant impact.

By using data from Addis Abeba, Shode (2016) performed research on the factors that affect customer satisfaction at the Commercial Bank of Ethiopia. In his research, seven branches were chosen at random. Five-point Likert-scale questionnaires were created and given to 210 consumers on a convenience sampling basis in order to accomplish the study's goal. According to his study, the main factors influencing customer satisfaction in Ethiopian commercial banks were found to be service quality, service features, and a customer-compliant handling mechanism.

In their 2017 study, Lelissa & Lelissa looked at the key factors influencing bank choice and client loyalty in Ethiopia. This study uses an exploratory factor analysis on the 101 questionnaire, which includes 38 component components, to identify the important bank-specific and personal aspects that affect the consumers' bank selection. They discovered that the most important determining elements in choosing a bank appear to be the availability and quality of services, as well as the standard and accessibility of physical and human resources.

In Addis Abeba, Yeshitila (2017) looked at the elements that influence bank choice and how clients rank those aspects according to how important they are to using banks and financial services. 358 bank customers from various jobs, ages, and income levels in Addis Abeba city participated in the study, which utilized a two-stage stratified sampling procedure and both qualitative and quantitative data analysis methodologies. His research's conclusions showed that while service quality, financial advantages, and bank reputation have significant negative relationships with bank selection, convenience, security, technology, marketing, and promotion, the bank's image and proximity have significant positive relationships.

Eshetu (2018) also did a study on the empirical examination of the selection criteria used by Addis Ababa University graduating students. He also chose a total of 400 graduating students for his study using a non-probability convenience sampling approach. According to the study's findings, students' judgments on which banks to choose are influenced by convenience, the availability of branches and ATMs, bank reputation, and online banking. According to this survey, banks should think about expanding the number of branches and ATMs that are conveniently accessible on campuses, at homes, and at places of employment, have convenient operating hours, and provide electronic banking services.

Addisu (2018) measured the strength of the link between the dependent variable of each of the five commercial banks' selection decisions and the determinant factors using descriptive statistics and a multinomial logistic regression model (MLRM). The results of the multinomial regression model showed that the significant factors influencing customers' decision to choose a bank were gender, age of respondents, educational levels, types of employment, friendly or pleasing staff manners, ATM service provision, number of counter windows, speed, service quality, external appearance, sitting arrangement, total assets of banks, safety of funds, secure felling, number of branches, and proximity of the bank to home or workplace.

Tesfaye, Abera, and Mengesha (2018) set out to examine the variables that affect customers' choice of bank. They use a cross-sectional survey approach for their study, which is mostly based on information gathered through questionnaires and interviews. The study used a 384-person sample size. The results of their study showed that, of the five factors, four—technology, service quality, bank image and reputation, and convenience—have significant and favorable relationships with bank selection decisions, whereas financial factors have negligible relationships.

Shewmolo & Getnet's (2020) study sought to identify the key variables that consumers consider when choosing a bank and how they rank these variables according to how important they are to their decision to use Worabe Town, Ethiopia's banking services. 395 convenience bank customers participated in a descriptive, cross-sectional survey that was used to determine the determinants of bank choice across various vocations in the analysis. The results of their research show that group effects, role, status, and family effects have a significant impact on customers' bank preferences, but that culture has a negligible impact on customer bank preferences, and the five service quality dimensions have a significant impact as well. According to their research, the five most crucial factors for clients when choosing a bank are strong customer service, bank security, an ATM facility, a wide range of services offered, and internet banking. Low service fees and parking availability, on the other hand, are the two criteria that clients consider least when choosing a bank.

Hussen (2021) conducted research on creating an effective marketing plan to retain current clients and draw in new ones. Commercial banks must determine the factors that influence client decisions about which banks to use. The research is based on responses from 201 city of Addis Abeba residents from a variety of professions (students, workers, and businesses). The results of his survey show that ease and service provision for the whole customer base are the two most critical bank selection criteria for clients, with the bank's image ranking second among male customers. The least essential criteria for choosing a bank for a consumer are financial advantage, technology, reputation, and an advertising plan for female customers.

As a result, research on bank selection decisions may be found in Ethiopia's contemporary literature on banking. However, it is not thoroughly addressed, just as no study looks at how to influence a client's choice to choose a bank by the criteria of starting deposit requirement, loan availability, interest rates for both deposits and loans, and customer service availability. Therefore, our study will try to bridge this gap.

2.4. Summary of the literature review and knowledge gap

A survey of the literature on the factors that influence customers' bank choice has been done. According to a study of the literature, established and rising nations, including the United States, China, Bangladesh, Malaysia, and Pakistan, are represented in the majority of research that has been undertaken with the goal of determining the factors affecting bank selection decisions. The literature analysis also finds that just a few studies have been done in Africa thus far, including those in South Africa, Ghana, Nigeria, and Sudan.

Some research in Ethiopia looks at factors that influence bank choice. W/mariyam (2011) highlights convenience and service supply as the two most crucial bank selection factors for clients in his survey. In his study, Tekletsadik (2013) recognized convenience, dependability, and service offering as the key elements. Tessema (2016) also found in his study that customers' choice of bank is influenced by branch location and ATM accessibility. Commercial banks in Ethiopia have shown that customer choice of bank is significantly influenced by service quality, service features, and the customer complaint management system (Kebede, 2016).

Agarwal (2017) discovered that while convenience variables had a negligible effect on consumer bank selection intentions, technology factors, social influence, service quality factors, bank image factors, and financial considerations all had substantial effects. The study by Lelissa and Lelissa

(2017) concluded that the speed of services, the size of the branch network, the placement of branches, and the accessibility to forex resources were the most crucial aspects. This was based on a descriptive analysis utilizing mean scores and factor analysis. According to a study by Yeshitila (2017), factors such as accessibility, safety, technology, marketing, promotion, the bank's reputation, and proximity significantly influence the decision to choose a certain bank.

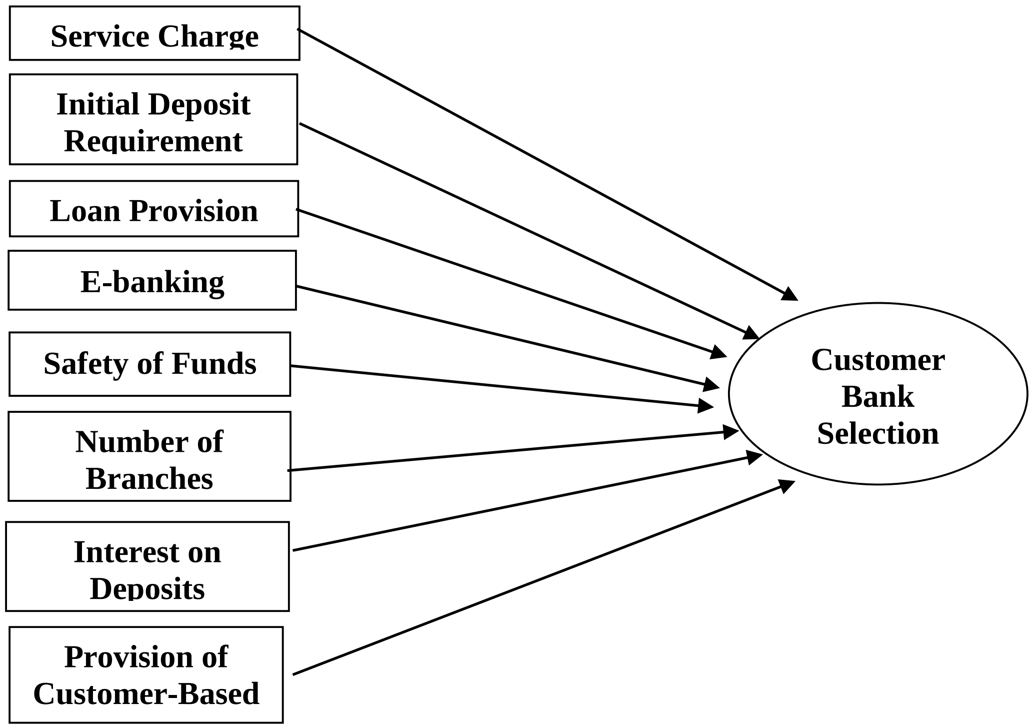
According to Eshetu's (2018) research, students' judgments on which banks to choose are influenced by convenience, the availability of branches and ATMs, bank reputation, and online banking. Addisu (2018) reported that the results of the multinomial regression model for the entire sample showed that gender, age of respondents, levels of education, types of employment, friendly, pleasant staff, ATM service provision, numbers of counter windows, speed, service quality, external appearance, sitting arrangement, total assets of banks, safety of funds, secure felling, numbers of branches, and proximity of the bank to home or workplace were the significant.

According to Shewmolo & Getnet (2020), consumers' banks are significantly impacted by group effect, role and status, and family influence. According to Hussein's most recent survey (2021), the two most crucial factors for clients when choosing a bank are convenience and service for all customers, with the bank's reputation coming in second. This study attempts to fill a gap in the literature by examining how initial deposit requirements, loan availability, e-banking, interest rates on deposits and loans, and customer-based service provision in the case of Bank of Abyssinia affect customers' decisions to choose a particular bank.

2.5. The conceptual frame work

Based on the above-mentioned theoretical and empirical literature review, this study has identified service fees, initial deposit requirements, loan availability, e-banking, the security of funds, the number of branches, interest rates applied to savings and loans, the accessibility of ATM services, and the availability of customer-based service as potential determinants of customers' bank selection. As a result, the researcher created the conceptual framework below to direct the investigation. The relationship between dependent and independent variables can be expressed in the following.

Figure 2.1. Conceptual Framework of the study



Source: *Ara & Begum (2018)*

As Figure 2.1 shows, consumers bank selections (dependent variable) is influenced by bank specific (service charge, requirement of initial deposit, providing of loan, E- banking, safety of funds, number of branch, interest in deposited and to loan, availability of ATM service, provision of customer based service).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1. Introduction

This chapter describes the research design and methodology which are used in testing relationship between factors affecting Bank of Abyssinia customers' bank selection. Elements discussed include; research design, target population, sample size and samplingprocedure, data collection and data analysis.

3.2. Research Design

A research design is the overall plan for relating the conceptual research problem to relevant and practicable empirical research. In other words, the research design provides a plan or framework for data collection and its analysis. This study adopted a descriptive research design in assessing the factors determining customer bank selection. The descriptive research involves gathering data and systematically treating it to present a comprehensive and intelligible inference (Orodho & Kombo, 2002). The study also adopted an explanatory research design since the study attempts to examine the effects of bank specific factors on customers' bank selection.

3.3. Research Approach

In terms of research approach, this study used a quantitative research method, with a survey questionnaire that is utilized to collect data from the sample respondents. According to Creswell (2009), the quantitative method includes inquiry tactics such as experiments and surveys, and data is collected on specified instruments that give numeric data that can be examined using statistical processes. It is a method of evaluating objective ideas by studying the connection between variables. It is useful since it uses a scientific methodology to assess the instrument's reliability and validity. It leverages a large sample size to reduce bias from the researcher's influence. As a consequence, the results may be trusted and extrapolated to a broader population. It cannot, however, address concerns that cannot be measured.

3.4. Target Population, Sample Size and Sampling Technique

3.4.1. Target Population

The term "target population" refers to the complete set of people or things from which the research hopes to generalize its results (Cooper & Schindler, 2014). Therefore, the target population for this study is customers of Bank of Abyssinia in Addis Ababa.

3.4.2. Sampling method and sample size

Sampling method

Sampling is the process of selecting a portion of all the units of interest in order to draw broad conclusions about the whole population of units (Patrick, 2008). There are two types of sampling techniques: probability sampling techniques and non-probability sampling techniques. Non-probability sampling is used for this project. Convenience sampling is used to choose sample respondents. Because the study's target population is large and difficult to sample, convenience sampling is the most straightforward, accessible, and cost-effective strategy. A non-probability sampling approach called convenience sampling selects a sample of respondents who are easy to engage with or reach.

Sample size

For populations that are large, the sample size is determined using Kothari's (2004) estimation approach, which is described below.

$$\mathrm{n} = \frac{z^2 * \ p * q}{e^2}$$

Where,

n= size of sample

z= standard variation at the given confidence interval

p= percentage of success

q= Percentage of failure

e= sampling errors

$$\mathrm{n} = \frac{1.96^2 * \ 0.5\ (1 - 0.5)}{0.5^2}$$

Consequently, based on the calculation, an estimation of the likelihood of success must be taken into account (Kothari, 2004). As a result, a confidence interval of 95% (z) and a 5% sampling error (e) are used to identify the most common percentage of success (p), which is 50%. Thus, 384 people made up the study's sample.

3.5. Data Types, Sources and Collection Instruments

3.5.1. Data Type and Sources

The study used quantitative data that were collected through questionnaires. The study also used primary data sources. An advantage of using primary data source is that researchers are collecting information for the specific purposes of their study. In essence, the questions the researcher asked are tailored to elicit the data that help to get information on factors of customers' bank selection.

3.5.2. Data Collection Instruments

The researcher gathered information through closed-ended questionnaire. Customers were approached for participation in the survey through a convenience sampling method. They were invited to participate when gathered in high-traffic areas of Bank of Abyssinia's branches during peak hours, including bank lobbies, queues, ATMs, and waiting areas. Selecting locations and times with the highest customer volume allowed access to a larger pool of potential respondents for the sampling.

Questionnaires are well-established tools within social science research for gathering information on participant social characteristics, behavior, attitudes and their beliefs and reasons for action with respect to the topic under investigation (Bulmer, 2004). This tool is the most appropriate for this study seeing as the research seeks to measure participant's loyalty. As noted by Oppenhaim (1996) when properly designed, questionnaires motivate the respondents to give accurate and complete information. Therefore, it should provide reliable and relevant data in return (Beiske, 2002). The quantitative data are largely gathered using the survey technique, and the data were cross-sectional in nature.

The surveys are advantageous because they save time, are private, and eliminate interviewer bias (Kombo & Tromp, 2011). A structured, closed-ended questionnaire is used to collect the data. The survey instrument is designed in the form of a Likert scale using secondary data obtained from prior research, with values ranging from "1" (Strongly Disagree) to "5" (Strongly Agree).

3.6. Methods of Data analysis

Data analysis is the process of evaluating data using the logical and analytical reasoning to carefully examine each component of the data collected or provided. Also is one of the many steps that are taken when a research experiment is conducted (Edewin, 2019). The data that were collected from these research questionnaires are entered by the data entry tools which is called statistical package for social science version 27 (SPSS) and to analyze the collected data, this research used descriptive statistics comprising of measures of central tendency such as mean and standard deviations and multiple regression analysis model are applied to establish the factors affecting customers' bank selection. Therefore, tables are used to present the study results to facilitate ease of understanding and interpretation of the results that are generated as well as the recommendations from outcomes. Multiple Regression analysis is used to predict dependent variable given the independent variables.

Multiple Regression models: -

$CBSDi = \alpha + \beta\ 1SC + \beta 2ID + \beta 3PL + \beta 4EB + \beta 5I + \beta 6NB + \beta 7ATM + \beta 8SF + \beta 9CS + \varepsilon i$

Where, *β1* is the partial slope for x1 on y x1

CBSD= customer's bank selection decision (dependent variable)

SC= Service charge

ID =Requirement of initial deposit

PL = providing of loan

EB = E-banking

I=Interest on deposited and loan

NB=Number of branch

ATM=availability of ATM service

SF = Safety of funds

CS=providing of customer based service

εi- Error term

3.7. Study Variables and Measurement

3.7.1. Study Variables

For this study, both the independent variable and the dependent variable were practically put into use.

Dependent Variable

The dependent variable represents the outcome or impact resulting from the independent variable. In this research, the dependent variable focuses on customer decisions regarding bank selection. This decision-making process is evaluated using a five-point Likert scale, a subjective assessment method. Essentially, the dependent variable is gauged through questionnaires that employ a five-point Likert scale. To assess the dependent variable, two Likert scale questions target customer loyalty and the level of confidence (either assurance or satisfaction) in their bank selection.

Independent Variable Explanation

The independent variables are those factors that directly or indirectly influence the dependent variable. This study incorporates nine independent variables. Similar to the dependent variable, all variables are evaluated using the Likert scale, measured on a five-point scale of importance, ranging from 5 (very important) to 1 (not important at all). These Likert scale items evaluate the various factors impacting customer decisions in selecting a bank. A questionnaire instrument using a five-point Likert scale, consisting of 18 items, was developed for this purpose.

Service Charge

Banks generate revenue through various means, including service charges imposed on customers. A service charge denotes the fee paid for utilizing a service. Within the banking sector, service charges are collected from customers in exchange for services rendered. These charges may vary from one bank to another. Customers often consider avoiding or minimizing these charges when making their bank selection decision. To evaluate the impact of service charges on customer bank selection decisions, customers are presented with information on the lowest service charge and are prompted to compare it with other banks.

Initial Deposit Requirement

When opening a customer account, banks typically require several documents, such as identification cards, application letters, and proof of demographics. Among the key requirements stipulated by banks is the need for an initial deposit. While some customers may prefer account options that do not necessitate an initial deposit, most banks impose varying deposit amounts for account opening. This requirement plays a role in influencing customers' decisions on which bank to select.

Loan Provision

A significant aspect of banking operations is the provision of loans to customers in various forms. Customers often seek loans from banks for diverse financial needs. Shortages of funds can impede customers' daily activities, prompting them to seek loans as a solution. However, accessing loans may not always be as straightforward as desired. Regulations set by entities like the National Bank of Ethiopia govern the provision of loans by banks, with specific requirements varying across institutions. Customers' decisions on bank selection are influenced by the availability and terms of loans provided by banks.

E-Banking Evolution

The banking landscape has witnessed heightened competition propelled by technological advancements like mobile and electronic banking. This surge in technology has led consumers to anticipate a broader spectrum of financial services (Hinson, R. E., Osarenkhoe, A., & Okoe, A. F., 2013). E-banking practices encompass activities such as balance inquiries, cash withdrawals, interbank transfers, and statement generation, offered by banks embracing electronic solutions. Presently, banking operations are predominantly executed through E-banking systems. This study accentuates the customer-centric aspect, delving into how consumer bank preferences are influenced by their interactions with E-banking platforms. Customers increasingly engage with Mobile Banking, which facilitates diverse transactions such as checking balances, initiating transfers, and conducting electronic bill payments through mobile devices.

Security of Deposits

Every bank customer entrusts varying sums of money to their accounts, emphasizing the significance of fund security within banking institutions. Customer apprehensions regarding fund safety may prompt withdrawals—a crucial aspect given that fund security safeguards against diverse financial risks.

Branch Network

The quantification of branches denotes the aggregate bank offices established by the central headquarters to cater to customer service requirements. Banks strategically operate numerous branches to ensure convenient and adequate banking services are accessible to clientele.

Interest Rates on Deposits and Loans

The revenue structure of banks primarily hinges on the interest differentiation between deposits and loans. Banks tend to levy lower interest rates on deposits while imposing higher rates on loans to bolster profitability. Customer preferences often lean towards lower loan interest rates and higher returns on deposits, shaping their decisions when selecting banks.

ATM Service Accessibility

Research by Al-mossawi (2001) in Bahrain underscored the pivotal role of ATM availability and positioning in influencing bank choices, notably among college students. The convenience of strategically located ATMs with round-the-clock service provision enhances the banking experience for customers.

Customer-Based Services

Banking institutions presently offer a spectrum of services tailored to specific customer demographics such as age, gender, religion, business categorization, and occupational profiles. This personalized service aspect forms a decisive factor in customer banking choices, reflecting the importance of service customization based on individual customer attributes.

3.7.2. Measurement of Variables

The study measured both the dependent and independent variables related to bank selection.

Table 3.1: Summary of variables measurement

Variables	Type of variables	Measurement tool	Criteria (attributes)
Customer selection (CBSD)	Bank decision	Five-point Likert Scale	Loyalty
			Confidence
Service charge (SC)	Independent	Likert scale	Low service charge
			Comparatively low service
Requirement ofinitial deposit (ID)	Independent	Likert scale	Convinces to open bank account
			Required small initial deposit
Providing Loan (PL)	Independent	Likert scale	Accessibility of loans
			Easy requirement to get loan
E-banking (EB)	Independent	Likert scale	Availability of mobile and internet banking
			Get instant SMS notification
Interest (I)	Independent	Likert scale	Low interest on loan
			High interest on deposit
Number of branches(NB)	Independent	Likert scale	Convinces branch location
			Easy to make transaction
ATM service	Independent	Likert scale	24-hour ATM service
			Convenient locations ATM service
Safety of funds (SF)	Independent	Likert scale	Level of deposit guaranteed
			Not worried about banks financial standing
Provision of customer based services	Independent	Likert scale	Providing a differentiated service
			Services based on characteristics' of customer

Source: Survey Data (204)

3.8. Validity and Reliability

Validity and reliability of the research measurement instruments influence, first the extent that one can learn from the phenomena of the study. Second, the probability that one will obtain statistical significance in data analysis and third the extent to which one can bring meaningful conclusion from the collected data.

3.8.1. Validity

According to Yin (2008), the validity of research can be achieved in two steps: internal and external validity. Internal validity is the accuracy or quality of the research work; external validity is the degree to which results or findings can be generalized. Given the fact that questionnaires were administered personally, the data collection method accurately measured what they were intended to measure. As the theoretical framework developed is broad, it enabled us to validate the survey internally, and the respondent's answers enabled us to observe the degree of external validity. The theoretical framework encompassed certain theories that enabled us to validate the survey, which is validated with other similar research within the domain of our thesis; hence, we can say that the survey developed is validated to a certain extent as it has been developed from several research works.

3.8.2. Reliability

According to Williamson (2002), reliability is the extent to which a study can be repeated with the same results. The reliability of the survey can be seen in receiving quality answers to the questions and in how you are able to get the respondents to understand the questionnaire. To achieve this, sampling questions are used with a scaling system. The survey is developed in a careful manner to ensure that the respondents can answer in the best possible manner and also to ensure a high response rate. Hence, to ensure the reliability of the measurement instrument, the researcher first standardized the instrument and then distributed it to all respondents. In addition, to assess the internal consistency of each construct, Cronbach's alpha test was used.

3.9. Ethical Consideration

Ethical issues are expected to be considered in any kind of research study. Therefore, this paper took into consideration the ethical issues of access to and use of data, analysis, and reporting of the findings in a moral and responsible way. The respondents were informed about the purpose of the study and asked for their permission. Participants are assured that the data collected from them will remain confidential and that anonymity will be maintained.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1. Introduction

This chapter contains the analysis of data, presentation of the findings and discussion of the data analyzed. It starts with a discussion of the response rate, assessment of research instruments and testing for the assumptions of regression analysis. The findings of descriptive statistics of the profiles of respondents are presented followed by descriptive statistics findings on the study's variables. Data is also tested for validity and reliability.

4.2. Response Rate

A total of three hundred eighty-four (384) questionnaires were sent out. A total three hundred sixty-seven (367) questionnaires were filled and returned. This represented a response rate of 95.57%. This response is deemed enough for data analysis (Magutu, 2014). Bailey (2002) stipulates that a reaction rate of half is sufficient, while a reaction rate more noteworthy than 70% is great.

A review of the collected data revealed that there were few and random cases of missing values. These missing values did not reveal any systematic pattern for both dependent and independent variables. Since the missing variables were few and random, their imputation was considered unnecessary and they were excluded pair wise in the SPSS 27.

Table 4.1: Response Rate

Questionnaire Distributed	Frequency	Percentage
Filled and Returned Questionnaires	367	95.57
Unreturned Questionnaires	17	4.43
Total questionnaires administered	384	100

Source: Survey data (2024)

4.3. Demographic Characteristics

The first part of the questionnaire consists of the general profile of respondents. This section of the questionnaire asked for some information about the respondents' general status. Descriptive statistics (frequency distribution) is used to discuss the general demographic characteristics of respondents (Age, gender, education, and occupation) and general information of respondent which are suitable for study are discussed in the table below.

Table 4.2: Demographic characteristics of the respondents

No.	Items	Variables	Respondents	
			Frequency	**Percentages**
1	Age	18-25	41	11.2
		26-35	149	40.6
		36-45	131	35.7
		46-55	36	9.8
		Above 55	10	2.7
		Total	**367**	**100.0**
2	**Gender**	Male	217	59.1
		Female	150	40.9
		Total	**367**	**100.0**
3	**Education Level**	High School	19	5.2
		Diploma	120	32.7
		First Degree	169	46.0
		Master's Degree & Above	59	16.1
		Total	**367**	**100.0**
4	**Occupation**	Private Employee	122	33.2
		Public Employee	155	42.2
		Self-Employed	74	20.2
		Unemployed	16	4.4
		Total	**367**	**100.0**

Source: Survey data (2024)

The majority of respondents (40.6 percent) said they were between the ages of 26 and 35, 35.7 percent said they were between the ages of 36 and 45, 11.2 percent said they were between the age 18 and 25, 9.8 percent said they were between 46 and 55, and the remaining 2.7 percent said they were above 55 years. These results show that respondents were selected from all age groups, with the majority (76.3 percent) of them being mature in age and life since they were between the ages of 26 and 45. Generally, the majority of the respondents were middle aged. From the total 367 respondents, 217 (59.1%) are males and 150 (40.9%) of them are female this tell us respondents do have fair gender representation.

The above table shows that from the total respondents of 367, most of them 169 (46%) had first degree qualifications. Holders of diploma (120) ranked second at 32.7%, and master's degree and above holders are 59 (16.1%). The remaining 19 (5.2%) respondents were with high school education level. Cumulatively, diploma and degree holders made up 78.7% of the respondents. This indicates that respondents were well suited to address the issues contained on the questionnaire. When we come to occupation of the respondents, the higher numbers of respondents are public employees, which count 42.2% of all respondents. Private employees, self-employed, and unemployed respondents count for the next large proportion of the respondents, which cover 33.2%, 20.2%, and 4.4%, respectively.

4.4. Reliability Test

Cronbach's alpha is used in this study to assess the internal consistency of the research instrument, which is a questionnaire. Cronbach's alpha is a coefficient of reliability used to measure the internal consistency of a test or scale; it results in a number between 0 and 1. As the result approaches 1, the greater the internal consistency of the items, which means all the items measure the same variable.

The result of the coefficient alpha for this study's instrument was found to be overall 0.8233, as an indication of the acceptability of the scale for further analysis since all nine variables (service charges, initial deposit requirement, loan provision, e banking, interest charge, number of branches, ATM service, safety of funds, and customer based services) measure the same variable, which is customer bank selection. Thus, considering the results are acceptable, further analysis is conducted.

Table 4.3: Reliability Statistics

Variables	Items	Cronbach's Alpha
Service Charges	2	.828
Initial Deposit Requirement	2	.822
Loan Provision	2	.825
E Banking	2	.802
Interest Charge	2	.826
Number of Branches	2	.840
ATM Services	2	.849
Safety of Funds	2	.812
Customer Based Services	2	.812
Bank Selection	2	.817
Overall	**20**	**0.8233**

Source: Survey Data (2024)

As indicated in the Table 4.3 above, the Cronbach's alpha for each individual variable is between 0.802 and 0.849, which is high and shows a very strong internal consistency among the measurement items, and the overall reliability is 0.8233, which is also high and signifies greater internal consistency of the instrument.

4.5. Descriptive Statistics Analysis

This study tested the determinants of customers' bank selection (a dependent variable) using service charges, initial deposit requirement, loan provision, e banking, interest charge, number of branches, ATM service, safety of funds, and customer based services (independent variables). Customers' perceptions towards these variables are analyzed using descriptive statistics. Accordingly, the overall mean (M) score between 4.50-5.00 is considered as the respondents strongly agreeing (SA), if the respondents score between 3.50-4.49 means they agree (A), the score between 2.50-3.49 is considered the respondents are neutral (N), the respondents score between 1.50-2.49 shows that they disagree, and if the respondents score between 0-1.45 shows that they strongly disagree (Marenesh, 2018).

4.5.1. Service Charges

To assess customers' perceptions concerning how much service charge influences the customer's bank selection decision, the study used two items, and the overall mean response was 4.26. As it falls on the scale between 3.50 and 4.49, this study result is an indication that bank service charge required by banks as a fee for the provision of financial services influences bank selection among Bank of Abyssinia customers. The overall standard deviation value of 0.7782 also indicates that respondents' perception towards this item is less varied, as it is less than one. The result is presented in table 4.4.

Table 4.4: Descriptive statistics, Service Charges

No.		N	Mean	Std. Dev.
1	I have selected the bank because the bank considers low service charges	367	4.5940	.70227
2	Commission & fee collected by the bank for different bank services is the lowest as compared with other private banks	367	3.9264	.85413
	Overall Mean and Std. Dev.		**4.2602**	**0.7782**

Source: Survey Data (2024)

4.5.2. Initial Deposit Requirement

As indicated in table 4.5, the study used two questions to assess customers' opinion on the influence of banks initial deposit requirement on their bank selection. Based on data obtained from the respondents, most of the respondents feel the required initial deposit affects their bank choice. The mean score of the required initial deposit factor is 4.0722. This indicates this factor does influence the customers' bank selection. The overall standard deviation value of 0.9075 also indicates that respondents' perception towards this item is less varied, as it is less than one. The result is presented in table 4.5.

Table 4.5: Descriptive statistics, Initial Deposit Requirement

No.		N	Mean	Std. Dev.
1	I selected the bank because it is convenience to opening an account	367	3.9646	.95606
2	I selected the bank because required small amount of initial deposit to open bank account	367	4.1798	.85911
	Overall Mean and Std. Dev.		**4.0722**	**0.9075**

Source: Survey Data (2024)

4.5.3. Loan Provision

The provision of loans to clients is one of a bank's fundamental duties. However, because most banks are afraid of default risk, they are unable to offer loans to customers as expected. This study assessed how customers bank selection is influenced by the loans it offers. With an aggregate mean score of 3.92, the majority of respondents concur that offering loans is a significant component in customers' decisions about which bank to choose. The overall standard deviation value of 0.903 also indicates that respondents' perception towards this item is less varied, as it is less than one. The result is presented in table 4.6.

Table 4.6: Descriptive statistics, Loan Provision

No.		N	Mean	Std. Dev.
1	I became a customer to the bank because loans are easily available/accessible	367	4.2316	.87045
2	I have selected the bank because of the bank requirement is easy to giving loan	367	3.6185	.93592
	Overall Mean and Std. Dev.		**3.9250**	**0.9031**

Source: Survey Data (2024)

4.5.4. Electronic Banking

The study also tried to assess whether electronic banking services being provided by the bank influence customers bank selection. The study used two questions. Accordingly, the overall mean value of 3.512 shows that respondents agree that E-banking service is one of the important factors with respect to customer bank selection. However, the overall standard deviations value of 1.07 shows that respondent perception towards this item is somehow varied, since it is greater than one.

The result is presented in table 4.7.

Table 4.7: Descriptive statistics, E Banking

No.		N	Mean	Std. Dev.
1	I have selected the bank due to the availability of mobile & internet banking services	367	3.6812	1.17080
2	I have selected the bank because I get instant SMS notification	367	3.3433	.97614
	Overall Mean and Std. Dev.		**3.51225**	**1.07347**

Source: Survey Data (2024)

4.5.5. Interest Charge on Deposit and Loan

The study asked two questions to assess whether interest charge on customers' loan and deposit has an influence on customers' bank selection. The overall mean value of 2.95 shows that majority of the respondents are uncertain that whether interest charge is one of the important factors with respect to customer bank selection. The overall standard deviations value of 0.875 shows that respondent perception towards this item is less varied, since it is less than one. The result is presented in table 4.8.

Table 4.8: Descriptive statistics, Interest Charge

No.		N	Mean	Std. Dev.
1	I have selected the bank because rate of interest paid on saving deposits is better than other banks	367	3.8447	1.00020
2	I have selected the bank because rate of interest charged for loans is small as compared to others	367	2.0572	.74986
	Overall Mean and Std. Dev.		**2.95095**	**0.87503**

Source: Survey Data (2024)

4.5.6. Number of Branches

The study asked two questions to assess whether ease of access of bank branches determines customers bank selection. The overall mean value of 1.98 shows that majority of the respondents do not feel that number of bank branches is an important factor with respect to customer bank selection. The overall standard deviations value of 0.882 shows that respondent perception towards this item is less varied, since it is less than one. The result is presented in table 4.9.

Table 4.9: Descriptive statistics, Number of Branches

No.		N	Mean	Std. Dev.
1	Convenience branch locations	367	1.9537	.81685
2	I have selected the bank due to the easiness of money transfer /receive for customers /family anywhere	367	2.0082	.94807
	Overall Mean and Std. Dev.		**1.98095**	**0.88246**

Source: Survey Data (2024)

4.5.7. ATM Services

Respondents were also asked about their opinion concerning the influence of ATM services being provided by the bank on their bank selection. The overall mean value of 3.44 shows that majority of the respondents agree to some extent that number of bank branches is an important factor with respect to customer bank selection. This suggests that the primary factor influencing consumers' choice of bank was the quality of the ATM service. Customers focus on ATM service because it's too simple to withdraw cash from an ATM. The majority of consumers preferred to use banks for financial services and required ATM service, and banks typically had a sufficient number of ATMs. The results of this study showed that one of the key elements influencing consumer bank selection is ATM service. The overall standard deviations value of 1.025 shows that respondent perception towards this item is somehow varied, since it is greater than one. The result is presented in table 4.10.

Table 4.10: Descriptive statistics, ATM Services

No.		N	Mean	Std. Dev.
1	I have selected the bank because of 24-hours availability of ATM machines	367	3.2970	.99263
2	I have selected the bank to get ATM service Convenient locations.	367	3.6022	1.05830
	Overall Mean and Std. Dev.		**3.4496**	**1.025465**

Source: Survey Data (2024)

4.5.8. Safety of Funds

The study also tried to establish whether customers' perception towards safety of funds influence their bank selection. With an overall mean vale of 3.82, majority of the respondents concur that the safety of their cash influences their choice of bank, and they don't worry about the bank's financial status since they think the protection of their money is ensured. The overall standard deviations value of 1.044 shows that respondent perception towards this item is somehow varied, since it is greater than one. The result is presented in table 4.11.

Table 4.11: Descriptive statistics, Safety of Funds

No.		N	Mean	Std. Dev.
1	I selected this bank because of safety of deposit is guaranteed	367	4.0300	.88502
2	I have selected the bank because I am not worried in the financial standing of the bank	367	3.6131	1.20229
	Overall Mean and Std. Dev.		**3.82155**	**1.043655**

Source: Survey Data (2024)

4.5.9. Customer Based Service

Finally, the study tried to determine whether banks' delivery of customer-focused services influence customers bank selection. The overall mean score for the customer-based service factor is 3.788. This suggests that the availability of customer-based services offered by the bank is the determining factor in customers' bank selection. Customers generally concur that customer-based services influence their bank preference. The overall standard deviations value of 1.008 shows that respondent perception towards this item is somehow varied, since it is greater than one. The result is presented in table 4.12.

Table 4.12: Descriptive statistics, Customer Based Service

No.		N	Mean	Std. Dev.
1	I have selected the bank because the bank has done a lot in providing a differentiated service	367	3.5940	1.05389
2	I have selected the bank because of providing specific services based on characteristics' of customer	367	3.9837	.96369
	Overall Mean and Std. Dev.		**3.78885**	**1.00879**

Source: Survey Data (2024)

4.5.10. Bank Selection

Bank selection decision made by customers is the dependent variable in this study. This suggests that a wide range of factors are taken into account when choosing a bank for a customer. The researcher employed two questions using a five-point Likert scale to measure the dependent variable. The topic of discussion centers on the loyalty and trust that customers have in the bank of their choice. With an overall mean score of 3.67, respondents concur that they are loyal and happy with their bank selection. The overall standard deviations value of 0.98 also shows that respondent perception towards this item is less varied, since it is less than one. The result is presented in table 4.13.

Table 4.13: Descriptive statistics, Bank Selection

No.		N	Mean	Std. Dev.
1	I am loyal customer of this bank	367	4.2589	.83373
2	I am sure and feel happy on our choice of bank	367	3.0899	1.13565
	Overall Mean and Std. Dev.		**3.6744**	**0.98469**

Source: Survey Data (2024)

4.6. Results Analysis and Discussion

4.6.1. Correlation analysis between dependent and independent variables

To determine the existence and level of association, the study used bivariate correlation, from which Pearson's correlation coefficient is considered. Pearson's correlation coefficient, which falls between -1.0 and +1.0, indicates the strength and direction of the association between the two variables (Field, 2005). The Pearson's correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationships between the dependent and independent variables. It was also used to rank the variables that have the strongest associations with customers' bank selection. Correlations of 0.30 are regarded as mention worthy (Cohen, 1988). High correlation coefficients illustrate a higher level of association between the variables, i.e., dependent and independent. According to Cohen (1988), the value of Pearson's correlation is divided into three areas. A correlation coefficient between 0.10 and 0.29 will indicate a small correlation, a correlation coefficient between 0.30 and 0.49 will indicate a medium correlation, and a correlation coefficient between 0.50 and 1.0 will indicate a strong correlation.

The bivariate correlation of a two-tailed test confirms the presence of a statistically significant difference at probability level $p<0.05$ i.e., assuming a 95% confidence interval on statistical analysis. In the Pearson correlation analysis shown in Table 4.14 below, all independent variables (service charges, initial deposit requirement, loan provision, e banking, interest charge, number of branches, ATM service, safety of funds, and customer based services) were significantly (statistically) and positively correlated with customers' bank selection.

Table 4.14: Correlations between dependent and independent variables

		Service Charges	Requirement for Initial Deposit	Loan Provision	E Banking	Interest Charge	Number of Branches	ATM Service	Safety of Funds	Customer Based Services	Bank Selection
Service Charges	Pearson Correlation	1									
	Sig. (2-tailed)										
	N	367									
Requirement for Initial Deposit	Pearson Correlation	.526**	1								
	Sig. (2-tailed)	.000									
	N	367	367								
Loan Provision	Pearson Correlation	.630**	.571**	1							
	Sig. (2-tailed)	.000	.000								
	N	367	367	367							
E Banking	Pearson Correlation	.434**	.558**	.442**	1						
	Sig. (2-tailed)	.000	.000	.000							
	N	367	367	367	367						
Interest Charge	Pearson Correlation	.192**	.249**	.204**	.508**	1					
	Sig. (2-tailed)	.000	.000	.000	.000						
	N	367	367	367	367	367					
Number of Branches	Pearson Correlation	.072	.145**	.099	.345**	.341**	1				
	Sig. (2-tailed)	.168	.005	.057	.000	.000					
	N	367	367	367	367	367	367				
ATM Service	Pearson Correlation	-.073	.035	.043	.221**	.215**	.238**	1			
	Sig. (2-tailed)	.161	.508	.412	.000	.000	.000				
	N	367	367	367	367	367	367	367			
Safety of Funds	Pearson Correlation	.539**	.423**	.505**	.525**	.335**	.087	.182**	1		
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.096	.000			
	N	367	367	367	367	367	367	367	367		
Customer Based Services	Pearson Correlation	.209**	.295**	.261**	.532**	.467**	.394**	.312**	.565**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000		
	N	367	367	367	367	367	367	367	367	367	
Bank Selection	Pearson Correlation	.291**	.343**	.225**	.524**	.429**	.273**	.260**	.478**	.595**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	.000	.000	.000	
	N	367	367	367	367	367	367	367	367	367	367

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

Source: Survey Data (2024)

Accordingly, the correlation matrix shows that customer based service delivery has a highest significant positive correlation with overall customers' bank selection ($r=.595$, $p<0.01$). The other factors also have a positive and significant correlation with overall customers' bank selection. This indicates that all independent variables have positive and significant correlation with customers' bank selection.

4.6.2. Assumptions Testing in Multiple Regression

The basic assumptions should be satisfied in order to maintain the validity and robustness of the regressed results of the research under multiple regression models. Hence, this study has conducted assumption tests such as multi-collinearity and normality.

Multi-collinearity Test: To have good results, the independent variables should not be highly correlated with each other. In multiple regression analysis, collinearity refers to the correlation among the independent variables (Pallant, 2007).

Therefore, to make sure that there is low collinearity, the values of tolerance and VIF (variance inflation factor) should be checked. According to Pallant (2007), tolerance indicates to what extent the independent variables do not explain much of the variability of a specified independent variable, and the value should not be small (more than 0.10) to indicate the absence of collinearity. In addition to that, VIF, the inverse of tolerance value, should have a value of less than 10 to avoid any concerns about collinearity (Pallant, 2007).

Table 4 15: Multi-collinearity test

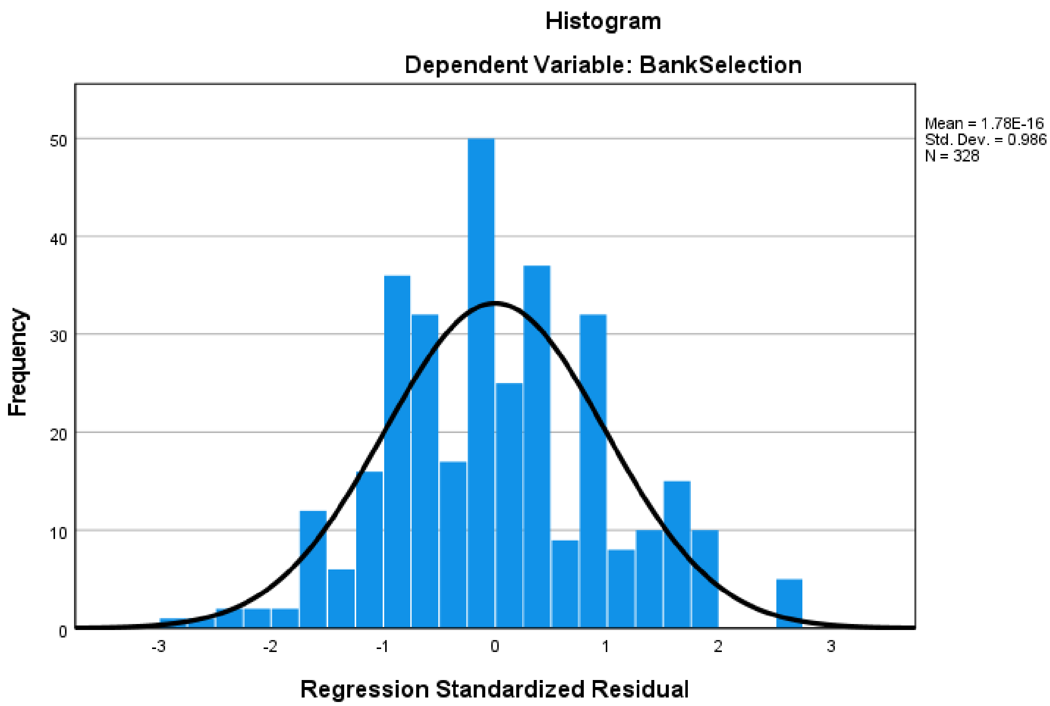
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Service Charges	.477	2.096
	Requirement for Initial Deposit	.535	1.868
	Loan Provision	.501	1.997
	E Banking	.442	2.260
	Interest Charge	.671	1.491
	Number of Branches	.738	1.354
	ATM Service	.841	1.190
	Safety of Funds	.439	2.278
	Customer Based Services	.483	2.070

Source: Survey Data (2024)

Hence, the values in Table 4.15 above indicates low collinearity because all tolerance values are above 0.1 and all VIF values are less than 10. Therefore, these tests reflect that the variables used in the study are free from multi-collinearity.

Normal distribution/normality test: One of the most important statistical procedures is the normal distribution. A normal distribution with a mean of zero and a standard deviation of one is referred to as a standard normal distribution (Garson, 2012). Multiple regression analysis demands that the variables in the sample be naturally distributed. Assume that the histogram was bell-shaped and that the residuals were usually spread around its mean of zero. As seen in Figure 4.1, residuals were normally spread around their mean of zero, indicating that the results were normally distributed and conformed to the normal distribution assumption. Since the figures validated the data's normality assumption, it follows that the inferences drawn regarding population parameters from survey statistics are likely to be correct.

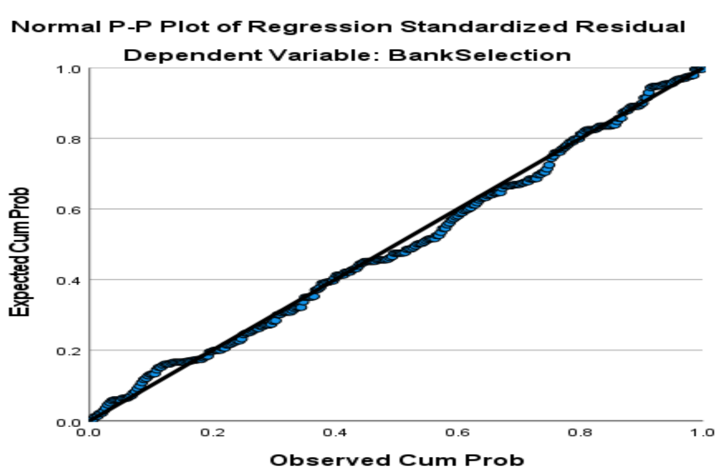
Figure 4.1: Normality Test, Histogram



Source: Survey Data (2024)

Besides, the normal probability plots were also used to test the normality assumption as shown by the Normal P P-Plot Figure 4.2, as you can see below.

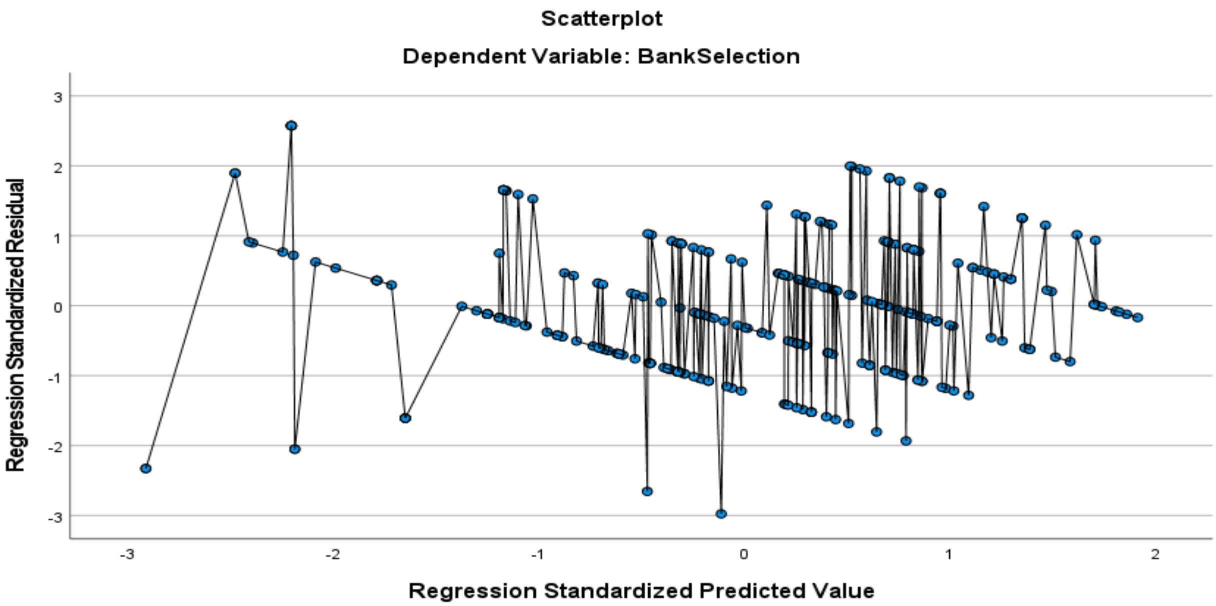
Figure 4.2: Normal P P-Plot



Source: Survey Data (2024)

Test for Homoscedasticity and Linearity test: A matrix scatter plot was used to test for homoscedasticity and linearity. The scatter plot presents the standardized residuals (ZRESID) plotted against the standardized predicted (ZPRED) values used. Figure 4.3 shows the graph representing the data. The linearity of the relationship between dependent and independent variables represents the degree to which the change in the dependent variable is associated with the independent variable (Hair et al., 1996). As shown in Fig. 4.3, the test result in the appendices shows that there are no linearity problems between dependent and independent variables.

Figure 4.3: Scatter Plot of ZPRESID and the ZPRED values of the Data



Source: Survey Data (2024)

4.7. Inferential Statistics

Multivariate regression was used to establish the relationship between the independent variables (service charges, initial deposit requirement, loan provision, e banking, interest charge, number of branches, ATM service, safety of funds, and customer based services) and customers bank selection (the dependent variable) in Bank of Abyssinia. The analysis applied the Statistical Package for Social Sciences (SPSS) version 27 to compute the measurements of the multiple regressions for the study. The goal of this analysis is to know the level to which customers’ bank selection is affected by independent variables by considering the R square value, beta coefficient, and P-value for the significance of the relation.

4.7.1. Model Summary

The overall results of the subject study are as shown in Table 4.16.

Table 4.16: Model Summary

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.672[a]	.452	.438	.54071	2.630

a. Predictors: (Constant), Customer Based Services, Service Charges, ATM Service, Number of Branches, Interest Charge, Requirement for Initial Deposit, Loan Provision, E Banking, Safety of Funds
b. Dependent Variable: Bank Selection

Source: Survey Data (2024)

The model summary findings indicated that there is a strong (R =.672a) relationship between the independent variables (service charges, initial deposit requirement, loan provision, e banking, interest charge, number of branches, ATM service, safety of funds, and customer based services) and the dependent variable (customers bank selection) in Bank of Abyssinia. R-square measures the goodness of fit of the explanatory variables in explaining the variations in the dependent variable. The adjusted R-square (R^2= 0.438) shows the explanatory power of all independent variables involved in the study. Hence, service charges, initial deposit requirement, loan provision, e banking, interest charge, number of branches, ATM service, safety of funds, and customer based services jointly determine (explain) 43.8% of the variance in customers' bank selection. Whereas, 56.2% the variation in customers' bank selection is determined by variables that are not included in the study.

4.7.2. Analysis of Variance (ANOVA)

The study further sought to establish the goodness of fit of the regression model using ANOVA statistics. According to Mugenda & Mugenda (2003), ANOVA is a statistical technique for the data analysis, which is applied in establishing whether any significant differences among two or more groups or samples at a chosen level of probability exist, or not. An explanatory variable is said to be a significant predictor of the dependent variable if the absolute t-values of the regression coefficient related with that independent variable is greater than the absolute critical t-values. The results of the study are as shown in the table below.

Table 4.17: Analysis of Variance (ANOVA)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	85.966	9	9.552	32.671	.000[b]
	Residual	104.373	357	.292		
	Total	190.339	366			

a. Dependent Variable: Bank Selection
b. Predictors: (Constant), Customer Based Services, Service Charges, ATM Service, Number of Branches, Interest Charge, Requirement for Initial Deposit, Loan Provision, E Banking, Safety of Funds

Source: Survey Data (2024)

According to the findings in the study as above, the regression model had a significance level of 0.00%, which indicates that the regression model is perfect for predicting customers bank selection given the nine explanatory variables included in the model. This is because the significant value (p-value) was less than 1%, which was used as an indicator of statistical significance. Therefore, from the result, it can be concluded that 43.8% of the variance (R-square) in customers' bank selection is significant and the model appropriately measures it.

4.7.3. Coefficients of Determination

The regression coefficient indicates the direction and the relationship between dependent and independent variables. The results of this study are shown in Table 4.18.

Table 4.18: Regression Coefficient Analysis of the Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.758	.268		2.827	.005
	Service Charges	.128	.065	.111	1.961	.051
	Requirement for Initial Deposit	.084	.049	.092	1.712	.088
	Loan Provision	-.143	.053	-.148	-2.680	.008
	E Banking	.132	.046	.169	2.861	.004
	Interest Charge	.121	.053	.108	2.260	.024
	Number of Branches	.004	.049	.004	.082	.935
	ATM Service	.080	.043	.079	1.851	.065
	Safety of Funds	.098	.050	.116	1.967	.050
	Customer Based Services	.292	.047	.352	6.237	.000

Source: Survey Data (2024)

The values of the unstandardized beta coefficients (β) indicate the effects of each independent variable on the dependent variable. Furthermore, the values of the unstandardized beta coefficients in the beta column of Table 4.18 above indicate which independent variable makes the strongest contribution to explaining the dependent variable (customers bank selection) when the variance explained by all other independent variables in the model is controlled.

The regression analysis shows that all the independent variables except requirement for initial deposit, number of branches, and ATM have a significant effect on the dependent variable. The study also shows that loan provision has a statistically significant but negative relationship with customers' bank selection.

The study's hypothesis testing was made based on β and P values. Hence, using those coefficient results, the proposed hypotheses for this study were tested as follows.

H1: Bank service charge has a statistically significant effect on customers' bank selection decision.

To test the hypothesis, multiple regressions was run on SPSS, which gives the overall fitness of the model that was presented in the previous paragraphs and the significance of each independent variable in affecting the dependent variable. The results of multiple regressions, as presented in Table 4.18 above, revealed that service charges had a significant and positive effect on customers' bank selection (β = 0.128, t = 1.961, and p = 0.051). This shows that if our predictor variable (banks service charge) increases by one percent, on average, customers' bank selection will improve by 12.8%. Among the independent variables included in this study, bank service charge has the fourth largest significant effect on customers' bank selection. Thus, the researcher fails to reject the study hypothesis.

This finding is in line with the findings of Rahman et al. (2020) who concluded that competitive charges are a significant factor in middle-income Islamic bank customers' selection. Nzowa et al. (2020) also found that bank service charges, interest rates, transaction costs, and unfair charges significantly influence customer switching behavior. Contrary to this finding, Tavahodi et al. (2016) revealed that bank service charges are not the most influential factor in customers' bank selection, as other factors like bank credit, access, and personnel are more important.

H2: Number of branches has a statistically significant effect on customers' bank selection decisions.

The regression result shows that number of branches has a positive but statistically insignificant effect on customers' bank selection (β = 0.004, t = 0.082, and p = 0.935). Thus, the researcher rejected the study hypothesis that states there is significant relationship between customers' bank selection decision and number of bank branches. This finding is inconsistent with Tehulu (2014) who found that customers' bank selection decision in Ethiopia is significantly influenced by the availability of several branches and long operating hours. Similarly, Kochukalam et al. (2017) disclosed that several numbers of branches is significantly relevant in motivating the choice of banks for millennial customers in Kerala. Availability large number of branches with internet banking facility influences customer selection in public sector banks (Jeyarama, 2019).

H3: Loan provision has a statistically significant influence on customers' bank selection decision.

The regression result shows that amount of loan provision has a negative and statistically significant effect on customers' bank selection (β = -0.143, t = -2.680, and p = 0.008). If our predictor variable (amount of loan provision) increases by one percent, on average, customers' bank selection will decrease by 14.3%. Among the independent variables included in this study, the amount of loan provision has the second largest significant effect on customers' bank selection. Thus, the researcher fails to reject the study hypothesis. However, this study finding is inconsistent with the findings of Chepkangor et al. (2015) who found that customer service, availability of loan, and convenience affect consumers' choice of bank.

H4: E-banking services has a statistically significant effect on customers' bank selection decision.

The regression result shows that E-banking service has a positive and statistically significant effect on customers' bank selection (β = 0.132, t = 2.861, and p = 0.004). If our predictor variable (E-banking service) increases by one percent, on average, customers' bank selection will increase by 13.2%. Among the independent variables included in this study, the amount of loan provision has the third largest significant effect on customers' bank selection. Thus, the researcher fails to reject the study hypothesis. This is in line with Omofowa et al. (2021) who claimed that E-banking service quality dimensions like innovation, technology competence, reliability, and tangibility positively influence customer satisfaction, which can influence bank selection. Similarly, Echchabi et al. (2019) argued that customers have a high tendency to embrace and utilize E-banking services, with factors like relative advantage, self-efficacy, ease of use, and facilitating conditions impacting their selection.

H5: Safety of funds has a statistically significant effect on customers' bank selection decision.

The regression result shows that safety of funds has a positive and statistically significant effect on customers' bank selection ($\beta = 0.098$, $t = 1.967$, and $p = 0.050$). If our predictor variable (safety of funds) increases by one percent, on average, customers' bank selection will increase by 9.8%. Among the independent variables included in this study, safety of funds has the least significant effect on customers' bank selection. Thus, the researcher fails to reject the study hypothesis. This study finding is in line with Maiyaki (2010) who concluded that safety of funds is one of the factors highly influencing customers' choice of banks in Nigerian retail banking. Kamakodi and Khan (2008) also concluded that safety of Funds is one of the top 10 parameters influencing bank selection decisions for Indian customers. Contrary to these findings, Tehulu (2014) found that safety of funds was insignificant among the factors influencing customers' bank selection decision in Ethiopia.

H6: Required amount of initial deposit has a statistically significant influence on customers' bank selection decision.

The regression result shows that required amount of initial deposit has a positive but statistically insignificant effect on customers' bank selection ($\beta = 0.084$, $t = 1.712$, and $p = 0.088$). Thus, the researcher rejected the study hypothesis that states there is significant relationship between customers' bank selection decision and the required amount of initial deposit. This finding is inconsistent with Mullins and Pyle (1994) who concluded that higher initial deposit requirements can impose on customers if they do not have access to low-cost alternatives, affecting their bank selection.

H7: Interest charged to deposits and loans has a statistically significant influence on customers' bank selection decision.

The regression result shows that interest charged to deposits and loans has a positive and statistically significant effect on customers' bank selection ($\beta = 0.121$, $t = 2.260$, and $p = 0.024$). This implies that if our predictor variable (the interest charged to deposits and loans) increases by one percent, on average, customers' bank selection will increase by 12.1%. Among the independent variables included in this study, the interest charged to deposits and loans has the fifth largest significant effect on customers' bank selection. Thus, the researcher fails to reject the study hypothesis. In line with this finding, Mutesi (2020) concluded that interest rates charged by Bank of Kigali may affect the loan performance, which in turn influences customer selection. Sa and Jorge (2019) also concluded that low interest rates may turn off the deposits channel, affecting banks' profitability and customer bank selection.

H8: Availability of ATM service has a statistically significant effect on customers' bank selection decision.

The regression result shows that ATM services has a positive but statistically insignificant effect on customers' bank selection (β = 0.080, t = 1.851, and p = 0.065). Thus, the researcher rejected the study hypothesis that states there is significant relationship between customers' bank selection decision and ATM services. This study finding is not consistent with the findings of Sama (2019) who revealed that customers consider factors like online banking, mobile banking, credit and debit card services, and number of ATM booths available when selecting a bank. Zafar et al. (2021) also indicated that customers of conventional banks emphasized "Availability of ATM Machines" as the second most important factor in bank selection.

H9: Customer-based financial service has a statistically significant effect on customers' bank selection decision.

The multiple regression result shows that customer based financial service has a positive and statistically significant effect on customers' bank selection (β = 0.292, t = 6.237, and p = 0.000). If our predictor variable (customer based financial service) increases by one percent, on average, customers' bank selection will increase by 29.2%. Among the independent variables included in this study, customer based financial service has the first largest significant effect on customers' bank selection. Thus, the researcher fails to reject the study hypothesis. This finding supports the finding of Salimdra et al. (2021) who concluded that relationship marketing and high-quality service quality positively affect customer satisfaction and loyalty, leading to increased bank selection. Similarly, Malela (2021) revealed that customers prioritize convenience and service provision as the two most important bank selection criteria, while bank's image is the second most important factor for male customers.

The following regression equation can be obtained from the analysis

$$Y = 0.758 + 0.128X_1 + 0.084X_2 - 0.143X_3 + 0.132X_4 + 0.121X_5 + 0.004X_6 + 0.080X_7 + 0.098X_8 + 0.292X_9$$

Where Y = Customers Bank Selection

X_1= Service Charges

X_2= Requirement for Initial Deposit

X_3 = Loan Provision

X_4= E Banking

X_5= Interest Charges

X_6= Number of Branches

X_7= ATM Services

X_8= Safety of Funds

X_9= Customer Based Services

The regression equation above indicates that customers' bank selection among Bank of Abyssinia customers is 0.758 when all other independent variables are held constant with a value of zero.

CHAPTER FIVE SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

This chapter summarizes the findings from chapter four, as well as the conclusions and suggestions. The chapter also included recommendations for future research in order to answer the research question or achieve the research aim.

5.2. Summary of Major Findings

The study's objective was to examine the determinants of customers' bank selection among Bank of Abyssinia customers. The study utilized a descriptive and explanatory research approach, with questionnaires used to collect data. The intended audience consisted of non-randomly chosen customers of Bank of Abyssinia. Convenience sampling methodology was used to pick respondents, and a sample size of 384 was chosen. The acquired data was coded and sorted, and descriptive and inferential analyses were performed in the SPSS Version 27. A regression analysis test was run to determine the impact of all independent factors on customers' bank selection. These findings were then provided for interpretation in the form of figures and tables.

The study discovered a positive correlation between bank service charge, initial deposit requirement, ATM services, interest charges, safety of funds, number of branches, e-banking, and customer based service, loan provision, and customers' bank selection. Based on the findings, customers at Bank of Abyssinia are happy with their selection. In addition, the regression result indicated that customers' bank selection is influenced by service charges, e-banking, loan provision, interest charges, safety of funds, and customer based services, all of which have a significant relationship with customers' bank selection. Furthermore, independent variables under study accounted for 43.8% of customers' bank selection variation as represented by the adjusted R square. This, therefore, means that other factors not studied in this research contribute 56.2% of customers' bank selection.

5.3. Conclusions

The study's main objective was to establish the relationship between nine explanatory variables (service charge, initial deposit requirement, ATM services, interest charges, safety of funds, number of branches, e-banking, customer based service, and loan provision) and the dependent variable (customers bank selection) in Bank of Abyssinia. The study's findings led to the following conclusions;

Service charge, interest charges, safety of funds, e-banking, and customer based service, and loan provision are significant predictors of customers' bank selection among Bank of Abyssinia customers. Customers bank selection and the independent variables (service charge, interest charges, safety of funds, e-banking, and customer based service, and loan provision) were shown to have a strong positive relationship. Customers bank selection is predicted by all the explanatory variables included in the model, except ATM service, initial deposit requirement, and number of branches. In addition, the study concluded that loan provision has a negative and statistically significant effect on customers' bank selection. It clearly demonstrates that the more bank service charge, interest charges, safety of funds, e-banking, and customer based service, and loan provision, the greater customers' bank selection.

5.4. Recommendations

Based on the findings of the analysis and the conclusions reached, the following suggestions are made:

- The study result revealed that bank service charge has a significant influence on customers' bank selection. Thus, the bank should prioritize transparency and clarity in communicating their service charges to potential customers. Clear and easily accessible information about account fees, transaction charges, and other service-related costs can help customers make informed decisions when selecting a bank. It should also evaluate its service charges in comparison to those of competitors. Offering competitive pricing that aligns with industry standards and customer expectations can positively influence bank selection. The bank should also continue offering more digital banking platforms and self-service options that can be a way to mitigate the impact of service charges. When customers have access to efficient and convenient digital services, they may be more open to paying a reasonable fee for personalized support or specialized services.
- The study also revealed that loan provision has a significant influence on customers' bank selection. Therefore, the study recommends that the bank should ensure that loan terms and conditions are presented in a transparent and straightforward manner. This includes clearly outlining interest rates, associated fees, repayment schedules, and any potential penalties.

By avoiding complex jargon and providing easy-to-understand information, banks can instill trust and confidence in potential borrowers.

- The study established that e-baking has a significant effect on customers’ bank selection. Thus, the bank should prioritize the development and maintenance of robust, user-friendly e-banking platforms. This includes intuitive interfaces, seamless navigation, and comprehensive features that cater to various customer needs, such as online account management, mobile check deposit, bill payment, and fund transfers. Providing a positive user experience can greatly influence customers' decisions when selecting a bank. It should also enhance security measures and implementing robust fraud protection which are essential in fostering trust among e-banking users. The bank should continuously invest in advanced security technologies, encryption standards, and authentication methods to safeguard customers' sensitive financial information and protect against cyber threats. The bank should also offer around-the-clock customer support for e-banking users in addressing potential issues or inquiries in real-time. Providing access to live chat, email support, or dedicated hotlines ensures that customers feel supported and valued, contributing to their overall banking experience.
- The effect of interest charges on deposits and loans plays a significant role in customers' bank selection process. Therefore, it is advised that the bank should strive to offer competitive interest rates on deposits and loans with in national bank threshold. This entails regularly evaluating market trends and adjusting rates to remain favorable to customers. Competitive rates contribute to attracting deposits and incentivize borrowers to select the bank for their loan needs.
- The safety of funds significantly influences customers' bank selection. Therefore, the bank should prioritize regulatory compliance and ensure that customer deposits are protected by government-backed deposit insurance schemes. Communicating customers, the extent of deposit insurance coverage can help reassure customers about the safety of their funds, ultimately impacting their bank selection. The bank should also implement robust security measures to protect customer data and transactions. It should reassure customers by continuously investing in and communicating their commitment to cyber security and fraud prevention.

- Finally, the study result revealed that customer-based service significantly influences customers’ bank selection. Thus, it is advised that the bank should provide personalized account management services tailored to individual customer needs to enhance the overall customer experience. Providing dedicated relationship managers or personalized advisory services for deposit and loan customers can foster strong, long-term relationships with the bank. The bank should also ensure that customers have access to responsive and helpful customer support services. This includes providing multichannel support, such as live chat, email, or phone assistance, to address any inquiries or concerns related to deposits and loans promptly.

5.5. Recommendations for Further Studies

This research looked at the factors determining customers’ bank selection. In this study, the Bank of Abyssinia was used as a case study. As a result, the study suggests that more research on the same problem be conducted involving multiple banks concurrently for a broader analysis. This will help enhance the study findings and generalize a newly discovered phenomenon.

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APPENDIX

St. MARY'S UNIVERSITY
SCHOOL OF POSTGRADUATE STUDIES

Dear Respondents

This questionnaire is designed for collecting data for a research to be conducted on the determinants of customers' bank selection.

I am conducting a research on ***"Determinants of Customers Bank Selection The Case of Bank of Abyssinia."*** for partial fulfillment of the requirements for masters of Arts in accounting. Your information is vital for the accomplishment of the study; it is intended for academic purpose only and it will be kept confidential.

General Instructions

- There is no need for writing your name
- In all cases where answer options are available please make a tick mark(√) in the appropriate box where the choice is appropriate for you.

Regards,

Meskerem Ayele

Part One: Demographic characteristics

1. Gender: Male ( ) Female ( )
2. Age

18-25	
26-35	
36-45	
46-55	
Above 55	

3. Educational qualifications

High School	
Diploma	
First Degree	
Master's Degree & Above	

4. Occupation

Private Employee	
Public Employee	
Self-Employed	
Unemployed	

Section II: Factors affecting customers bank selection

Below are potential factors that could affect customers' bank selection. Considering each factor please indicate your rating to the extent the given factor has affected your bank selection by putting a (√) on the corresponding column. The ratings are as follows:

1 = Strongly Disagree "SD" 2 = Disagree "D" 3 = Neither agree nor disagree "N" 4= Agree "A" 5= strongly agree "SA"

No.		SD	D	N	A	SA
		1	2	3	4	5
Bank Service Charges						
1	I have selected the bank because the bank consider Low service charges	1	2	3	4	5
2	Commission & fee collected by the bank for different bank services is the lowest as compared with other private banks	1	2	3	4	5
Initial Deposit Requirement						
1	I selected the bank because it is convenience to opening an account	1	2	3	4	5
2	I selected the bank because required small amount of initial deposit to open bank account	1	2	3	4	5
Loan Provision						
1	I became a customer to the bank because loans are easily available/accessible	1	2	3	4	5
2	I have selected the bank because of the bank requirement is easy to giving loan	1	2	3	4	5
E-Banking Facility						
1	I have selected the bank due to the availability of mobile & internet banking services	1	2	3	4	5
2	I have selected the bank because I get instant SMS notification	1	2	3	4	5
Interest Charges						
1	I have selected the bank because rate of interest paid on saving deposits is better than other banks	1	2	3	4	5
2	I have selected the bank because rate of interest charged for loans is small as compared to others	1	2	3	4	5
Number of Branches						

1	Convenient branch locations	1	2	3	4	5
2	I have selected the bank due to the easiness of money transfer /receive for customers /family anywhere	1	2	3	4	5
ATM Services						
1	I have selected the bank because of 24-hours availability of ATM machines	1	2	3	4	5
2	I have selected the bank to get ATM service Convenient locations.	1	2	3	4	5
Safety of Funds						
1	I selected this bank because of safety of deposit is guaranteed	1	2	3	4	5
2	I have selected the bank because I am not worried in the financial standing of the bank	1	2	3	4	5
Customer Based Services						
1	I have selected the bank because the bank has done a lot in providing a differentiated service	1	2	3	4	5
2	I have selected the bank because of providing specific services based on characteristics' of customer	1	2	3	4	5
Customers Bank Selection						
1	I am loyal customer of this bank	1	2	3	4	5
2	I am sure and feel happy on our choice of bank	1	2	3	4	5

Thank You!