

UNIVERSITY OF KWAZULU-NATAL

**DEVELOPING MARKETING STRATEGIES TO
ENHANCE THE USE OF BANKING SERVICES FOR
THE UNBANKED IN ETHIOPIA**

By

Dinkisa Keno Wakene

214585071

A thesis submitted in fulfilment of the requirements for the degree

of

Doctor of Business Administration

Graduate School of Business and Leadership

College of Law and Management Studies

Supervisor: Prof. Elias Munapo


Co-Supervisor: Dr. Adeyeye Olufemi Patrick

2017

DECLARATION

I, **Dinkisa Keno Wakene**, declare that

- (i) The research reported in this thesis, except where otherwise indicated, is my original research.
- (ii) This thesis has not been submitted for any degree or examination at any other university.
- (iii) This thesis does not contain other persons' data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
- (iv) This thesis does not contain other persons' writing, unless specifically acknowledged as being sourced from other researchers. Where other written sources have been quoted, then:
 - a) their words have been re-written, but the general information attributed to them has been referenced;
 - b) where their exact words have been used, their written words have been placed inside quotation marks, and referenced.
- (v) Where I have reproduced a publication of which I am author, co-author or editor, I have indicated in detail which part of the publication was actually written by myself alone and have fully referenced such publications.
- (vi) This thesis does not contain text, graphics or tables copied and pasted from the Internet, unless specifically acknowledged, and the source being detailed in the thesis/theses and in the References section.

Signature: 

DEDICATION

I dedicate this research work to my parents, Keno Wakene and Almaz Taye, my wife, Jalale Tadesse and my son, Olbirat Dinkisa.

ACKNOWLEDGEMENT

Foremost, I would like to give praises and thanks to the Almighty God, for His everlasting love, blessings, wisdom and guidance throughout my journey to complete this research successfully.

I extend my deep and sincere gratitude to my supervisors, Professor Elias Munapo and Dr. Adeyeye Olufemi Patrick, for their exceptional dedication, providing invaluable guidance, follow up, feedback and critiques throughout my study.

I am enormously grateful to my parents, Keno Wakene and Almaz Taye, for their encouragement, prayers, and sacrifices for my education and setting my feet on the right path. My heartfelt and humble gratitude goes to my wife, Jalale Tadesse and my son, Olbirat for their understanding, prayers, relentless love and source of energy to accomplish this research work. I extend my thanks to my wife's parents, Dinkinesh Tegegn and Tadesse Kitila, for supporting my wife and son while I was away for study. I am very much thankful to my brothers, sisters, brother-in-law and sisters-in-law for their backing and valuable prayers. My special thanks go to Mr. Abera and his family for his prayer and moral support throughout this research work.

I am extending my acknowledgement to people who have supported me in language editing, statistical coaching and all the respondents who completed and returned the questionnaires.

Finally, I wish to acknowledge all the people who have directly or indirectly supported me to complete this research work.

ABSTRACT

Nowadays, banking the unbanked has become critical for developing countries, as most of the households do not hold bank accounts with banks. Currently, only 21.8 percent of the population (age 15+) have an account in financial institutions in Ethiopia. As a result, a huge amount of money circulates outside the banking system, which limits the role of the banks. As a result, this study aims to investigate factors affecting intention of the unbanked to use banking services and propose possible marketing strategies for banking them. The study captured three regions of Ethiopia, using multi-stage cluster sampling technique. Questionnaires were distributed and collected from 384 unbanked respondents and 153 bank managers in the selected regions. For the analysis, descriptive and inferential statistics were applied to test associations of the data set. Measures to facilitate evaluation and interpretation of data include percentage, mean, standard deviation, ANOVA and *t*-test respectively. Moreover, exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were employed to propose and test the structural equation model (SEM). The study found that the marketing strategy employed by banks are limited to traditional banking system, while the use of electronic banking to reach the untapped area to create bank services accessibility is poor. Hence, the degree of awareness of both conventional and e-banking services by the unbanked individuals is significantly very low. It also identified that the unbanked demographic factors (level of education and occupation), perceived ease of use, social influence and personal factor significantly affect their intention to use banking services; whereas, the effect of culture and social support are insignificant. Therefore, Ethiopian banking sector should consider these factors while taking measures to bring the unbanked into the banking system and adopt the strategy of banking beyond bank branches to make accessible their services to a wide geographical area. The study makes an investigative effort to point out where banking institutions should stress in order to successfully bring the unbanked to the banking system and, as a result, harvest its possible benefits. Furthermore, it tests empirically factors affecting the unbanked intention to use banking services, thus providing additional understanding for practitioners and academics.

Key words: unbanked, banking services, marketing strategies, consumer behaviour, banking institutions, macro environmental framework, banking sector

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT.....	v
TABLE OF CONTENTS.....	vi
LIST OF TABLES	x
LIST OF FIGURES	xii
CHAPTER ONE : INTRODUCTION AND OVERVIEW OF THE STUDY	1
1.1. Introduction	1
1.2. Background of the study.....	1
1.3. Statement of the problem.....	6
1.4. Aim and objectives of the study	8
1.5. Significance of the study	9
1.6. Scope and limitations of the study.....	10
1.7. Research methodology	11
1.8. Summary.....	13
CHAPTER TWO : LITERATURE REVIEW	14
2.1. Introduction	14
2.2. Historical development of the banking sector in Ethiopia.....	15
2.3. Contribution of banks toward economic growth	19
2.4. Macro-environment of the banking sector.....	20
2.4.1. Political or legal environment	22
2.4.2. Economic environment	23
2.4.3. Sociocultural environment	24
2.4.4. Technological environment.....	25
2.5. Characteristics of unbanked households.....	26
2.5.1. Demographic characteristics	27
2.5.2. Financial service knowledge and awareness	29
2.5.3. Reasons for being unbanked	30
2.6. Service marketing strategy	31
2.6.1. Product or service strategy	34
2.6.2. Pricing strategy.....	37

2.6.3.	Distribution or place strategy	39
2.6.4.	Promotion strategy	41
2.6.5.	Physical evidence strategy	45
2.6.6.	Service delivery process strategy	46
2.6.7.	Personnel strategy	48
2.7.	Consumer behaviour	49
2.8.	Determinants of consumer behaviour	51
2.8.1.	Cultural factors.....	52
2.8.2.	Social factors.....	54
2.8.3.	Personal factors	57
2.8.4.	Psychological factors	59
2.9.	Theoretical framework.....	63
2.10.	Summary.....	65
CHAPTER THREE : RESEARCH METHODOLOGY		68
3.1.	Introduction	68
3.2.	Research process.....	69
3.3.	Problem formulation.....	70
3.4.	Hypothesis to be tested	71
3.5.	Research design	72
3.5.1.	Classification of research design.....	72
3.5.1.1.	Exploratory research	73
3.5.1.2.	Conclusive research.....	74
3.6.	Methodology.....	75
3.6.1.	Sources of data	75
3.6.1.1.	Secondary data.....	76
3.6.1.2.	Primary data	76
3.6.2.	Data collection method	76
3.6.2.1.	Quantitative research	77
3.6.3.	Sampling plan.....	78
3.6.3.1.	Defining the population	78
3.6.3.2.	Identifying the sampling frame	79
3.6.3.3.	Sampling technique and sample size	79
3.6.4.	Measurement scale	83
3.6.5.	Research instrument design.....	85
3.6.5.1.	The linkage between the questions and research objectives.....	92
3.7.	Data analysis.....	92
3.7.1.	Data editing and coding	93

3.7.2.	Validity and reliability	93
3.7.3.	Descriptive statistics.....	95
3.7.4.	Inferential statistics	95
3.7.4.1.	Significance test	97
3.7.4.2.	Factor analysis.....	98
3.7.4.3.	Cronbach's coefficient alpha.....	99
3.8.	Ethical considerations.....	100
3.9.	Summary.....	101
CHAPTER FOUR : RESEARCH FINDINGS		102
4.1.	Introduction	102
4.2.	Marketing strategies currently being used in the Ethiopian banks	103
4.2.1.	Marketing mix strategies employed by banks in Ethiopia	103
4.2.2.	Cronbach's alpha for marketing strategy constructs	113
4.2.3.	Secondary data analysis of existing bank service marketing strategies	114
4.3.	Macro-environmental factors affecting bank marketing strategies	122
4.3.1.	Cronbach's alpha for macro-environmental constructs.....	127
4.4.	Factors affecting the unbanked individual's intention to use banking services....	128
4.4.1.	Demographic characteristics	128
4.4.2.	Unbanked respondents' level of awareness of banking services	133
4.4.3.	Reasons for being unbanked	136
4.4.4.	Demographic factors and intention to use banking services	139
4.4.5.	Consumer characteristics and intention to use banking services	142
4.4.5.1.	Descriptive data analysis.....	142
4.4.5.2.	Exploratory factor analysis (EFA) of model constructs	146
4.4.5.3.	The Structural equation modelling	151
4.4.5.4.	Measurement model.....	151
4.4.5.5.	Validity and reliability.....	155
4.4.5.6.	Final structural equation model.....	157
4.5.	Hypothesis testing.....	159
4.6.	Summary.....	160
CHAPTER FIVE : DISCUSSION OF THE RESEARCH FINDINGS		163
5.1.	Introduction	163
5.2.	Marketing strategies currently being used in the Ethiopian banks	163
5.3.	Macro-environmental factors affecting bank marketing strategies	174
5.4.	Level of awareness and reason for being unbanked	176
5.4.1.	Level of awareness of banking services	177
5.4.2.	Reasons for being unbanked	178

5.5.	Demographic factors and intention to use banking services.....	179
5.6.	Consumer characteristics and intention to use banking services	181
5.7.	Summary.....	182
CHAPTER SIX : PROPOSED MARKETING STRATEGIES TO BANK THE		
UNBANKED IN ETHIOPIA.....		
6.1.	Introduction	184
6.2.	The proposed marketing strategies	186
6.3.	Conclusion.....	195
CHAPTER SEVEN : SUMMARY, RECOMMENDATIONS AND CONCLUSION		
7.1.	Introduction	197
7.2.	Summary of research findings	197
7.2.1.	Research objective 1	198
7.2.2.	Research objective 2	200
7.2.3.	Research objective 3	201
7.2.4.	Research objective 4	202
7.2.5.	Research objective 5	203
7.3.	Recommendations	203
7.4.	Implication of the study.....	207
7.4.1.	Academic contribution.....	207
7.4.2.	Practical contributions.....	208
7.5.	Limitations and suggestions for further studies.....	208
7.6.	Concluding remarks.....	209
References.....		211
Appendices.....		231
Appendix A: Ethical clearance letter		231
Appendix B: Questionnaire for bank managers		232
Appendix C: Questionnaire for unbanked individuals.....		238
Appendix D: Language editing letter		246

LIST OF TABLES

Table 2:1 Comparison of access to and use of banking services	18
Table 2:2 Summary of factors affecting consumer buying behaviour	52
Table 3:1 The difference between exploratory and conclusive research	73
Table 3:2 Comparison of measurement scales	84
Table 3:3 Linkage between research objectives and questions	92
Table 3:4 Key differences between parametric and non-parametric tests.....	97
Table 4:1 Bank managers' responses on service strategies.....	104
Table 4:2 Bank managers' responses to pricing strategies.....	105
Table 4:3 Bank managers' responses to promotional strategies	107
Table 4:4 Bank manager's responses to place or distribution strategies.....	108
Table 4:5 Bank managers' responses to people strategies	109
Table 4:6 Bank managers' responses to service delivery process strategies	111
Table 4:7 Bank managers' responses to service physical evidence strategies	112
Table 4:8 Cronbach's alpha for marketing strategy constructs	113
Table 4:9 Average agreement score for marketing strategy constructs	114
Table 4:10 Bank managers' responses to political environmental effects	124
Table 4:11 Bank managers' responses to economic environmental effects.....	125
Table 4:12 Bank managers' responses to sociocultural, environmental effects.....	126
Table 4:13 Bank managers' responses to technological, environmental effects.....	127
Table 4:14 Cronbach's alpha for macro-environmental constructs	127
Table 4:15 Average level of effect score for macro-environmental constructs	128
Table 4:16 One sample t-test of unbanked level of awareness of banking services	134
Table 4:17 Level of awareness of banking services factor analysis.....	135
Table 4:18 Respondents' knowledge of conventional and e-banking services.....	136
Table 4:19 Reasons for being unbanked	138
Table 4:20 Reason for being unbanked in order from greatest to least.....	139
Table 4:21 Unbanked individuals' intention to use banking services.....	140
Table 4:22 ANOVA test of demographic factors and intention to use bank services.....	141
Table 4:23 Descriptive statistics of consumer characteristic variables	144
Table 4:24 Descriptive statistics of leading factors	146
Table 4:25 Summary of exploratory factor analysis of model constructs.....	150
Table 4:26 Cut-off criteria for model fit indices	152
Table 4:27 Model fit estimates for measurement model.....	152

Table 4:28 Standardized regression weights of the measurement model	154
Table 4:29 Correlation between constructs in the measurement model.....	155
Table 4:30 Reliability and validity indices for the model constructs.....	156
Table 4:31 Model fit estimates for final measurement model.....	157
Table 4:32 Standardised regression weights in the final measurement model.....	158
Table 4:33 Summary of hypothesis testing	160

LIST OF FIGURES

Figure 2:1 Conceptual framework adapted from Kotler & Armstrong (2012)	65
Figure 3:1 The research process.....	69
Figure 3:2 Multistage cluster sampling of data collection sites	82
Figure 4:1 Branch networks of private and public banks in Addis Ababa and regions	115
Figure 4:2 Population per branch in Addis Ababa and regions	116
Figure 4:3 Number of ATM and POS machines in Ethiopia	119
Figure 4:4 Annual deposit mobilisation services by banks (millions birr)	120
Figure 4:5 Percentage changes in deposit mobilisation of banks in Ethiopia	121
Figure 4:6 Loans and advances by lenders (Millions Birr)	122
Figure 4:7 Loans and advances in millions birr by sector type.....	122
Figure 4:8 Frequency graph of unbanked respondents by age and gender	129
Figure 4:9 Frequency graph of unbanked respondents' educational level	130
Figure 4:10 Frequency graph presenting occupation and employment sector	131
Figure 4:11 Frequency graph presenting total monthly income.....	132
Figure 4:12 Frequency graph depicting marital status	132
Figure 4:13 Frequency graph depicting number of dependents	133
Figure 4:14 Measurement model diagram and estimates.....	153
Figure 4:15 Structural equation diagram and estimates	159

CHAPTER ONE : INTRODUCTION AND OVERVIEW OF THE STUDY

1.1.Introduction

Currently, banking the unbanked have attracted the attention of banks, community-based organisations and policymakers (Grinstein-Weiss, Yeo, Despard, Casalotti & Zhan, 2010). As a result, banking institutions adopt different marketing strategies to bring them into the formal banking system, including outreach programmes, financial education, incentives for saving and a connection to mainstream financial institutions (Smith, 2014; Wale, Geta & Haji, 2013; Grinstein-Weiss *et al.*, 2010). This study seeks to propose marketing strategies best suited to banking the unbanked population, with reference to the banking sector in Ethiopia. In order to achieve this, different service marketing strategies are reviewed, current marketing strategies employed by the banks are examined and the determinants of the unbanked people's intention to use banking services in Ethiopia are investigated.

This chapter focuses on introducing the background of the study, the problem statement and discusses the significance of the study with a particular emphasis on the Ethiopian banking sector. The aim and specific objectives of the study are presented and the research questions emanated from the problem statement are stated. This assisted in designing the research method that helped to achieve the study objectives and to answer the research questions.

1.2.Background of the study

The banking business plays a key role in enhancing the economic growth of a country by directing the financial resources from surplus units to more productive areas (Eshete, Tesome & Abebe, 2013). The banks have a vital role in enhancing development, as the distributors of funds from savers to borrowers, and also facilitate the entry to entrepreneurial activities by making capital accessible to the market (Cheng, 2006). They also offer required financial services to individuals and businesses, which include the

collection, custodianship, safeguarding of savings made by depositors and the delivery of disbursement services (Saritha, 2011).

Demirgüç–Kunt, Klapper & Singer (2015) states that having bank accounts are important to the daily economic life in developed countries, but in developing countries, it is still far from universal, as only 54 percent of adults holding a bank account in developing countries. Instead of using banks, people prefer to keep their money at home, which may be unproductive, risky or inconvenient, owing to the fact that many donors and governments believe that moving people into the formal financial mainstream benefit both the individuals and the country. Currently, institutions like the International Monetary Fund (IMF), World Bank, United Nations and Alliance for Financial Inclusion set goals for the country and institutions to enhance access to financial services. However, still, a significant proportion of people are found unbanked.

Modern banking in Ethiopia started in 1905 with the establishment of the Abyssinian Bank by the Anglo-Egyptian Bank, which the Ethiopian government purchased and renamed the Bank of Ethiopia in 1931 (Degefe, 1995). Later, the Bank of Ethiopia was reorganised and split into the National Bank of Ethiopia (NBE) (Central Bank) and the Commercial Bank of Ethiopia (CBE) respectively (Geda, 2006). From 1991 onwards, the government took actions and rearrangements to liberalise the financial sector (Shaikh, 2014) for domestic private investors through proclamation No.83/1994 and No.84/1994 (Negarit Gazeta, 1994a, 1994b). As a result, 19 (3 state-owned and 16 domestic, privately owned) banks are operating in Ethiopia currently. The basic provisions of these reforms in the Ethiopian banking services were mainly directed at increasing customer access, enhancing efficiency and promoting competition (Bezabeh & Desta, 2014). Regardless of the efforts made by the government to enhance access to banking services, the number of the unmet demands for such services is still huge (Deribie, 2013). Keatinge (2014) states that in order to achieve sustainable development and become free from dependence, an outside resource for investment, and mobilising domestic financial resources and its efficient uses are vital for Ethiopia. In the realisation of this idea, the matter of enhancing banking services to bank the unbanked population requires special attention (Wale *et*

al., 2013). This could become possible through proper marketing strategies that influence the factors, impeding the consumer to use banking services (Abubakar, 2014).

Currently, the bank service providers are challenged due to the distinguishing features of the products, the relatively unattractive nature of banking services and the customers' knowledge of the services (Akeem, 2014). These matters make the task of attracting the consumers' attention difficult. As a result, a significant number of financial resources is outside the banking sector, which in turn affects the economic growth of a country, due to the fact that the banking sectors are developing and implementing marketing strategies which help them to influence the consumers to become banked (Anand & Murugaiah, 2004). In other terms, the effective application of marketing strategies in the banking sector helps the firm to coordinate organisational resources and influence the unbanked consumer to become banked (Bose, Khan & Sarker, 2012).

According to Nwankwo (2003), marketing is a corporate thinking of how best to attract consumers to utilise the product of the organisation and simultaneously to satisfy and encourage the current ones to remain loyal. Kotler & Armstrong (2005) also describe marketing as a process of making, delivering and exchanging goods or services of value with others to provide for the wants and needs of individuals and groups. There are two major features of marketing, the acquisition of new customers and the retention and development of relationships with the existing ones, which requires effective marketing strategies (Gilbert & Choi, 2003). In order to be successful with these factors of marketing, the marketing strategies must reveal the needs and wants of the consumers in the market (Chirica, 2013).

A marketing strategy serves as an underpinning of a marketing plan which consists a specific action to effectively implement a specific marketing objective (Shameem & Gupta, 2012). Since most of the marketing strategies are concerned with making decisions on how to influence potential and actual customers, the effective implementation of these helps a marketer to influence consumers to utilise their products in the market (Mpfungu & Chigwende, 2013). Shameem and Gupta (2012)

also argue that proper implementation of marketing strategies enables the firm to envisage the future and design the required procedures and actions that influence and achieve the future. Moreover, it is believed that the components of a marketing strategy, which include the product, distribution channel, pricing and promotion, has a significant impact on attracting the consumers towards a firm's goods or service utilisation (Shem, 2009).

Oke (2012) acknowledges the essentiality of marketing strategies to create, win and keep a customer in the banking industry. Saleem and Abideen (2012) state that marketing banking services do not only include service selling but also the activities, which influence the buying behaviour of the consumers. In general, marketing strategies are a total system of business activities designed to plan, price, promote and distribute products or services to achieve the organisational objectives (Saritha, 2011). Therefore, for the banking institutions to influence the unbanked individuals and bringing them to the banking system, it is vital to design and implement proper marketing strategies. The current study also focuses on investigating and proposing marketing strategies best suited to enhance banking services for the unbanked people in Ethiopia.

In addition to the marketing strategies employed by the banking institutions, the behaviour of the consumers is vital to form their decisions of buying or not buying a product. It is observed that the buying behaviour of the consumers toward a banking service is a complex matter, as many factors have an effect on the bank's product usage (Anand & Murugaiah, 2004). Kotler and Armstrong (2012) state the following factors as the buyer's characteristics: cultural, social, personal and psychological factors. These characteristics encompass the psychological procedures that consumers go through in distinguishing their needs, finding methods to solve these needs and making purchase decisions (Abdu, 2013). According to Furaiji et al. (2012), the knowledge of consumer behaviour helps the marketer to understand how consumers think, feel and select from the alternatives and how the consumers are influenced by their environment, the family, reference groups and salespersons. Since the success of marketing strategies depends on the understanding of the

consumer's buying behaviour, it is very important for organisations to get an insight into what affects the purchasing decision-making of the consumers.

Consumers make many buying decisions on a daily basis and the buying decision is the crucial point of the marketer's exertion (Kotler & Armstrong, 2012). Marketers can study actual consumers' buying behaviour to find out what they buy, where, and how much, but knowing why consumers buy is not so easy; the answers are often locked deep in the consumer's mind (Khaniwale, 2015). An important point for the marketer to know is the factors that influence the buying behaviour of the consumers, which can be influenced by many factors (Kumar, John & Senith, 2014). Thus, the banking institutions have to become concerned with determining the consumer's behaviour that affects the banking service utilisation to be able to design and execute marketing strategies that influence the factors affecting the consumer's buying behaviour (Bose *et al.*, 2012). This is also one of the concerns of this study to determine the characteristics of the unbanked individuals in Ethiopia and to propose marketing strategies for banking institutions that may influence this behaviour.

According to Akeem (2014), Anand and Murugaiah (2004), and Shem (2009), most of the studies conducted on marketing strategies are concentrated in the area of the manufacturing industry, while there are limited studies on the service sectors, particularly on the banking sector. Furthermore, most of the studies only focused on some aspects of the marketing strategies and a few of them applied to financial institutions (Shameem & Gupta, 2012). Specifically, the studies conducted in Ethiopia related to marketing strategies have focused on determining the existing customers' expectations and requirements from their banks and their satisfaction with the services rendered by the bank. However, a few research studies have been conducted on marketing strategies to attract the unbanked population to the banking system (Rengasamy, 2013). In the light of this identified gap, this study investigates the marketing strategies which are employed in the Ethiopian banking sector to enhance the banking services for the unbanked population.

1.3. Statement of the problem

The banking sector is a driving force for economic development - access to financial services enables individuals and businesses to invest in productive capacity, thereby laying the grounds for a sustainable growth path for a country. However, the financial intermediation of the banking sector in Ethiopia is falling behind its peers. Reports from the 2015 World Bank shows that the proportion of private sector credit to Growth Domestic Product (GDP) dropped from 15.4% in 2003/2004 to 10.9% in 2013/2014 and persisted below the sub-Saharan African countries' averages. In addition, Ethiopia ranked 165 out of 189 in the ease of obtaining credit compared to the sub-Saharan African countries' average ranking of 122 and their well-performing peers, for instance, Rwanda, which ranks 4 out of 189 economies (Geiger & Moller, 2015).

Furthermore, it is observed that in Ethiopia, access to finance is a top impediment to business. The same World Bank report revealed that young and small firms seem to face more serious financial limitations. This is due to the absence of financial intermediation while the banking sector performs through mobilising savings from the community and finance entrepreneurs. Such roles require the banking sector, particularly Ethiopian banks, to design strategies to return the money that circulated out of the banking system into the formal financial mainstream.

However, the reports of the International Monetary Fund (IMF) (2016) shows that only 21.8 percent of the population (age 15+) have an account in a financial institution in Ethiopia. This figure is below the average (22.3 percent) of low-income countries. Similarly, a proportion of the firms using banks to finance their working capital and investment is only 16.4 and 12.9 percent respectively, and the figure is still lower than the averages (20.9 and 17.1 percent respectively) for low-income countries. This clearly indicates that the banking sector's development in the country is poor and many people do not have bank accounts and remain unbanked. Such conditions limit the activity of banks channelling financial resources from surplus to scarce units. Therefore, the problem of banking the unbanked become critical for

Ethiopian banks in order to mobilise financial resources and to inject it into the economy of the country.

For a long period of time, commercial banking in Ethiopia has been dominated by a single state-owned bank – the Commercial Bank of Ethiopia (CBE). Nevertheless, with the proclamation of the Monetary and Banking Reform Law in 1994, domestic privately owned banks are increasing from time to time in the country (Geda, 2006). Nowadays, the banks operating in Ethiopia have easy access to open more branches and make services accessible to their customers (Eshete, Tesome & Abebe, 2013). According to the annual report of the National Bank of Ethiopia (NBE) (2014), in the 2013/14 fiscal year, 480 new bank branch networks were opened in the country to make banking services accessible to the population and this increased the total bank branch network in the country to 2208 branches. Despite the opening of new branches, particularly by domestic privately commercial banks, their domestic financial resource mobilisation share decreased (NBE, 2014b). This may limit the banking sector's function of channelling the financial resources from the savers to the borrowers. Therefore, this would necessitate an adequate emphasis on the domestic resource mobilisation, which could be achieved through efficient and effective banking services in the country (Bezabeh & Desta, 2014).

Different researchers, Bezabeh and Desta (2014); Keatinge (2014); Deribie (2013); Rengasamy (2013) and Wale *et al.* (2013), highlight the underlying reasons for the underdevelopment of the banking services in Ethiopia, which include, among others, low access to banking services, less knowledge on banking, limited products from banking sectors, lack of efficient banking services, poor infrastructural development, lack of diversified service schemes and opportunities. Moreover, the existence of a proclamation that prohibits foreigners from investing in the sector may also be another reason. Overall, these realities, in one way or another, limit the engagement of the population in the banking systems in Ethiopia.

In order to halt this problem, studying the behaviour of the unbanked people and identifying marketing strategies that influence their behaviour is important for banking institutions in Ethiopia. Designing marketing strategies that influence

consumer behaviour helps the banking sector to bring an adequate number of consumers into the banking system and mobilise domestic resources to fulfil the financial needs of the youth and small businesses in the country. Therefore, this study aims to suggest plausible marketing strategies for the banking sector to bank the unbanked population in Ethiopia. This is achieved through answering the following research questions:

Research questions:

1. What marketing strategies are used in the Ethiopian banking sector?
2. How do the macro-environmental factors affect the bank's marketing strategies?
3. What is the level of awareness of the banking services by the unbanked individuals and what reasons contribute to being unbanked?
4. If demographic factors influence the unbanked individuals' intention to use banking services, how do the factors influence the individuals?
5. What is the impact of the consumer's characteristics (cultural, psychological, social and personal factors) on the individual's intention to use banking services?
6. What marketing strategies are best suited to bank the unbanked in Ethiopia?

1.4. Aim and objectives of the study

A. Aim of the study

Considering the problem statement discussed in the above section, the broad aim of this study is:

To determine the factors affecting unbanked individual's intention to use banking services and propose the marketing strategies that enhance the banking services for the unbanked in Ethiopia.

To achieve this aim, six specific research objectives have been identified, which guided the study of the research problem.

B. Specific research objectives

The specific research objectives are to:

1. explore the marketing strategies currently used in the Ethiopian banks and to determine its strengths and weaknesses.
2. determine the effect of macro-environmental factors on the bank's marketing strategies.
3. determine the unbanked individuals' level of awareness of banking services and reasons for being unbanked.
4. determine the influence of the unbanked individual's demographic factors on their intention to use banking services.
5. determine the impact of the consumer's characteristics (cultural, psychological, social and personal factor) on his or her intention to use banking services.
6. determine the marketing strategies best suited to bank the unbanked in Ethiopia.

1.5. Significance of the study

This study proposes the marketing strategies that may enhance banking services for the unbanked in Ethiopia by exploring the marketing strategies currently used by the banks and determining the factors that impede the unbanked individuals to use banking services. In this manner, the literature review and the results of the empirical study provide valuable insight into the Ethiopian banking sector's marketers and government agencies, seeking methods to bank the unbanked population.

The study also provides the unbanked individuals level of awareness of banking services and the reasons for being unbanked, which, in turn, offers unique interpretations to the bank practitioners about the unbanked population in the Ethiopian context. In addition, these facts will be of value to the bank's marketing managers to design and implement effective marketing strategies that will bring the unbanked to the banking system and enhance the domestic financial resource mobilisation.

Currently, banking the unbanked has become an integral part of the strategic focus of the banking sector. While the majority of the studies have focused on the existing customers, this study focuses on the unbanked individuals. Therefore, it will add value to the literature and will serve as a reference for other interested researchers in the area.

Moreover, the significance of this study also rests on the proposed model of the determinants of the intention to use banking services, which was tested using factor analysis and was accomplished through structural equation modelling. The results of the model will benefit the practitioners in the Ethiopian banking sector to understand which factors significantly determine the unbanked people's intention to use banking services. In addition, the result contributes to the existing theory by producing an empirical result of the model. Overall, this study also proposes practical solutions to the identified problems related to bringing the unbanked people to the banking system, which will be beneficial to the management of the Ethiopian banks, as well as banks in a similar situation in other countries.

1.6. Scope and limitations of the study

The scope of this study is limited to exploring the marketing strategies and identifying the determinants of the consumer's buying behaviour in the Ethiopian banking sector. Nowadays, the common version of the marketing mix, that relates to the 4Ps (product, price, promotion and place), has gradually extended with the result that varied marketing mix strategies have been put forward for the different marketing settings (Önce, 2000). It is argued that due to the fact that the characteristics of services are different from goods, the old 4Ps of the marketing mix model fall short for service marketing (Alao, Diyaolu & Afuape, 2014; Kumar, 2013; Akroush, 2011; Anand & Murugaiah, 2004; Booms & Bitner, 1981). As a result, in this research, the marketing strategy employed by the banks in Ethiopia was analysed by adopting the 7Ps (product, place, price, promotion, people, physical evidence and processes) of the service marketing mix framework, which may have a crucial effect on the delivery performance of the banking service.

In order to analyse the macro-environmental effect on the marketing strategy practice of the banking sector in Ethiopia, this research adopted the PEST framework which can be used to scrutinise the political or legal, economic, sociocultural and technological features of the banking environment (Kiragu, 2012; Eddin & Khalaf, 2012; Kakazoukis, 2011; Coccoresse, 2004).

Moreover, this research examines the factors that influence the unbanked individuals' intention to use banking services by using the cultural, social, psychological and personal factors. Most of the researchers argue that these factors are the common factors that influence the consumer's decision of using or not using a given product or service (Khaniwale, 2015; Kotler & Armstrong, 2012; Furaiji et al. 2012; Huong, 2012).

This study focuses only on the banking sector's marketing strategies to enhance banking services for the unbanked. Other institutions, like microfinance, which offer financial services for the population, are not included in the study. The population of the study was limited to the unbanked individuals in three regions of Ethiopia and the branches of the banks operating in these selected regions. The three regions were selected because they are part of the major business hubs of the country. Therefore, the empirical results of the study are limited to the data collected from the unbanked respondents and the bank managers in the selected research area.

1.7. Research methodology

In this research, the marketing strategy employed by the banks in Ethiopia was explored to identify its strengths and weaknesses. In addition, the unbanked population's characteristics (cultural, social, personal and psychological) were investigated and the impact on their intention to use banking services was determined.

Marketing the banks' services is subject to various environmental factors, which need to be identified and analysed. Thus, this study also investigates the effect of the macro-environmental factors on the marketing strategies of the banks operating in

Ethiopia. Moreover, the study proposes the best-suited marketing strategy for the banking sector to bank the unbanked.

In order to study the above objectives, this study begins with an exploratory search of secondary data in the subject area of marketing strategies and consumer buying behaviour. The secondary data review includes books, journals and international academic conference proceedings, in addition to different published related reports. Following the theoretical exploration, an empirical investigation (primary data) is conducted to scientifically answer the established research questions. The quantitative research methodology was used to answer the research questions, with measurement in terms of nominal and interval data. The theory is deductive and causal, while the analysis was scheduled with statistics and tables, deliberating how this relates to the research objectives.

Considering the objectives of the study and discussing the research design classification, it can be specified that this research project is both exploratory and conclusive in nature, as the marketing strategies currently employed by the banks in Ethiopia were explored through secondary data and the quantitative data analysis was employed to test the relationship between the study variables. Both primary and secondary data were used in this study. The secondary data were used to review the literature and research methodology extensively in Chapters 2 and 3 respectively, as a portion of the exploration phase of the study. In addition, the secondary data were collected from the website and annual reports of the commercial banks and the National Bank of Ethiopia (NBE) to explore the current marketing strategies employed by the banks. This study also required primary information from the research participants; thus, it necessitated the implementation of the primary data collection approach to obtain first-hand information from the participants. As a result, a questionnaire was used because of time and money constraints to collect the data from the unbanked respondents and marketing managers.

Regarding the population of the study, the bank managers and the unbanked individuals were identified as an appropriate population for this study. The sampling frame included all the branches of the commercial banks operating in Ethiopia and

any persons who did not hold a bank account. Owing to the size and ethnic diversity of the country, a survey that focuses on one region will not be representative. Thus, the multistage clustering and purposive sampling technique were used to establish the data collection sites.

The data analysis method identifying the descriptive statistics, such as the frequency distribution (frequency and percentage), measure of central tendency (mean) and measure of dispersion (standard deviation) were employed and the inferential statistical techniques include *t-test*, analysis of variance (*F-test*), factor analysis and structural equation modelling. The Cronbach's Alpha was used to test the instrument's reliability. Ethical matters were given due consideration to ensure the research complied with the general research ethics and, more importantly, with the University of KwaZulu-Natal's research ethics policy.

In general, the in-depth discussion of the research methods employed in this study is found in Chapter 3, which explains the complete research methodology of the study.

1.8. Summary

This chapter delivered the overview of the study. It provided information on the background of the study, the problem statement, the study aims and objectives, the significance, scope and limitations of the study. Moreover, the overview of research methodology and structure of the thesis was presented. Currently, banking the unbanked has become an integral part of the strategic focus of the banking sector. Therefore, identifying the marketing strategies that influence the behaviour of the unbanked individual's intention to use banking services is critical for the bank managers. With this in mind, the intention of this study is to propose and recommend marketing strategies that may enhance the banking services to bank the unbanked population in Ethiopia. Review of related literature can help the development of such strategies. It is, therefore, important that the literature is reviewed in the next chapter. In addition, the next chapter provides an overview of the banking sector's development in Ethiopia.

CHAPTER TWO : LITERATURE REVIEW

2.1. Introduction

The economic growth of Ethiopia increased by 10,3 percent in 2013/14. The service sector is leading, followed by the agricultural and industrial sectors, contributing 51,7, 21,9 and 26,4 percent to the national economic growth of the country respectively (National Bank of Ethiopia (NBE), 2014). The banking business plays a key role in enhancing the economic growth by directing financial resources from surplus units to more productive areas (Eshete *et al.*, 2013). Banks have a vital role in enhancing development as the distributors of funds from savers to borrowers (Cheng, 2006). It also facilitates an entry to entrepreneurial activities by making capital accessible to the market. Moreover, banks offer the required financial services to the individuals and firms which include the collection, custodianship, safeguarding of savings made by the depositors and the delivery of disbursement services (Saritha, 2011).

Basically, the financial institutions, particularly the banking firms, are directed to mobilise financial resources (specifically domestic savings) and distributing them to the in-need investors (Geda, 2006). However, it is observed that a significant proportion of the people in the developing countries, like Ethiopia, remain unbanked; in other words, they do not make transactions from the formal banking system. Owing to this, a significant amount of money circulates outside the formal financial mainstream, which affects the economic growth of the country. In order to overcome this problem, the financial institutions adopt different marketing strategies to bring the unbanked population into the banking system by including outreach programmes, financial education, incentives for saving and connecting them to mainstream financial institutions (Smith, 2014; Wale *et al.*, 2013; Grinstein-Weiss *et al.*, 2010).

Bank service marketing is the aggregate of the functions directed at providing services to satisfy the customers' financial needs and wants more effectively and efficiently (Akeem, 2014). Marketing helps in achieving the organisational objectives of the bank. All the techniques and strategies of marketing are used to induce the people to do business with a particular bank (Kumar, 2013). The users of

banking services are the individuals or organisations that have a surplus or shortage of financial resources and belong to different levels of the economy, culture, social groups, geographical locations, different professions and businesses (Kumar, 2013 and Shem, 2009). As the needs of each group vary, the banking sector is advised to understand the needs of the various groups and subgroups and to plan appropriate marketing strategy schemes to attract and retain them. However, mostly the banks in developing countries fail to develop marketing strategies that could influence the behaviour of the unbanked; thus, a significant amount of money remains outside the banking sector (Abubakar, 2014; Anand & Murugaiah, 2004).

This chapter briefly explores the development of the banking sector in Ethiopia and an analysis of the sector was made, as well as the macro-environmental factors influencing the banking sector's marketing strategies are reviewed. Related literature in service marketing strategy is also briefly explored with emphasis on the banking sector. This helps to understand and investigate the marketing strategies that enhance the banking services for the unbanked in the Ethiopian banking sector. Moreover, a detailed review of related literature is made on the consumers' characteristics that influence their buying behaviour, focusing on banking services. This is realised through reviewing different theoretical and empirical literatures. Therefore, subsequent sections of this chapter present detailed review of each of the aforementioned topics.

2.2. Historical development of the banking sector in Ethiopia

The modern banking system in Ethiopia started in 1905 through the establishment of Abyssinian Bank under the ownership of Anglo-Egyptian Bank. Until 1931, when the Abyssinian Bank was purchased and renamed as the Bank of Ethiopia by the Ethiopian government, the financial sector was dominated by foreigners (Degefe, 1995).

Regardless of substantial British opposition, the State Bank of Ethiopia was established in 1943, which was operated as both a commercial and a central bank, until 1963 when it was disbanded to form the central bank (National Bank of Ethiopia) and the Commercial Bank of Ethiopia (Geda & Addison, 2003; Mauri,

2003; Degefe, 1995). This denotes the official segregation of the commercial banking activities from the duties of central banking (Meshesha, 2015). Additionally, domestically owned private financial institutions were established during the 1960s. The confrontation with foreigners to invest in the financial sector has been a longstanding theme in Ethiopia's banking history and it is still a challenging agenda (Mauri, 2003).

Before 1974, domestic and foreign commercial banks had been operating competitively with equal access to the markets. However, in 1974, the country changed its economic and political policies and orientations to that of the command economy. Under the Derg regime, following the overthrow of the kingdom of Haile Selassie in 1974, all the privately owned financial institutions were state-owned on 1 January 1975 (Mauri, 2003; Addison & Geda, 2003; Degefe, 1995). This regime not only made banking a state monopoly but also used its services for the advancement of communism. During this regime, the National Bank of Ethiopia (NBE) sustained its operations as a central bank. The major activities of the NBE were setting deposit and loan rates, directing the allocation of foreign exchange and financing the fiscal deficit (Mauri, 2003; NBE, 1996).

The other event that occurred in this era was a functional division created among the three public-owned banks. The Commercial Bank of Ethiopia (CBE) had to focus on short-term loans to industry and trade sector, while the Development Bank of Ethiopia (DBE) had to specialise in long-term loans for projects in agriculture. The Housing and Savings Bank, currently named the Construction and Business Bank (CBB), concentrated on financing the housing and construction sector. This specialisation logically indicates the absence of competition (Meshesha, 2015; Geda & Addison, 2003; Mauri, 2003).

Following the end of the Derg regime in 1991, the new government made different policy changes that shifted the economy of the country from a command economy to a market economy. From the time when the economic reform of 1992 was made under the new government, banks in the existing government have been re-planned to operate based on a market-oriented economy framework, but under the ownership

of the government. These reforms structured the role of the National Bank of Ethiopia as supervising the commercial banks operating in the country. In line with this, the Monetary and Banking Proclamation in 1994 established the National Bank of Ethiopia as a legal entity, separated from the government, and defined its main functions. Moreover, the Monetary and Banking Proclamation No.83/1994 and the Licensing and Supervision of Banking Business No.84/1994 offered the legal basis for private investors to invest in the banking sector. Moreover, new Ethiopian privately owned financial institutions are allowed to participate in the country's financial sector. Response to these reforms has been promising since there are currently 16 private banks operating in Ethiopia. It provided an opportunity for the society to get access to better banking services that result in the improvement of capital accumulation.

However, from the time of nationalisation onwards (or since 1974), no foreign bank was allowed to operate in Ethiopia and participation of the private sector to the ownership of the government banks was prohibited. Even though the numbers of the private banks are growing, their market shares still remain small relative to those owned by the public. The CBE's market share was 87,6 percent in 2014/2015, which reflects its national coverage and the private banks captured 13,4 percent of the banking sector's market share. However, the CBE's dominance does not alleviate the problem associated with accessibility of banking services and domestic savings.

According to the report of the National Bank of Ethiopia in 2013/2014, the number of bank branches reached 2 208, of which 1 003 belong to the Commercial Bank of Ethiopia. During this period, total capital of the banking system reached Birr 37,3 billion, of which about 44,7 percent was held by the three government-owned banks. Moreover, the geographical distribution of the bank branches was limited to the major towns and cities and almost 34 percent of the bank branches were located in the capital city, Addis Ababa (NBE, 2014a).

Even though these historical events and cyclical developments indicate that banking in Ethiopia has passed through a long historical journey, the sector has yet remained underdeveloped (Bezabeh & Desta, 2014). Broadly speaking, both credits and

deposits to the GDP ratio of Ethiopia are significantly low compared to the middle and high-income countries, suggesting the undeveloped nature of the banking sector in Ethiopia (Gashayie & Singh, 2016).

The other indicator of the underdeveloped nature of the banking sector in Ethiopia is the number of banks and bank branches in relation to the total population of the country (Gezae, 2015). According to the report of the International Monetary Fund (IMF) (2014), as of the 2013/2014 fiscal year, there are only nineteen commercial banks for the 96,9 million population of Ethiopia, suggesting that per capita commercial bank is very low – about 5,7 million people per one commercial bank. This simple measure points out that access of the population to banking services is limited. Compared to the countries like Kenya, Ghana, South Africa and India, the access to and the use of banking services in Ethiopia is low as shown in the following table:

Table 2:1 Comparison of access to and use of banking services

Key Indicators	Ghana	Kenya	India	South Africa	Ethiopia
Commercial bank branches per 1 000 km ²	3.89	2.31	33.17	3.05	1.53
ATM per 1 000 km ²	3.74	4.18	32.67	17.52	0.24
Outstanding deposits with commercial banks (% of GDP)	26.78	39.40	60.66	41.26	24.40
Deposit accounts with commercial banks per 1 000 adults	479.47	637.40	1,034.96	1,350.31	NA
Commercial bank branches per 100 000 adults	5.68	5.28	11.30	10.24	2.96

Source: IMF financial access survey (2014)

On the other hand, in 2005/2006, the ratio of the population to bank branches was about 166 745,84 in Ethiopia and has been reduced to about 43 912 by 2013/2014 due to the prompt branch expansion of the private commercial banks over the last ten years (Gashayie & Singh, 2016). Even with this improvement, the level of the population-to-branch ratio, nevertheless, is far higher than the situation in many African countries (Gezae, 2015). In general, compared to many African countries, indeed Ethiopia is a highly underbanked country.

2.3. Contribution of banks toward economic growth

The relationship between the banking sector and economic growth is a long-debated matter. The question is whether there is a connection and if there is, in what manner: Is it the banking sector's development that persuades the economic growth or does the economic growth influence the banking sector's development? Many studies (Bekana, 2016; Sarker, Ghosh & Palit, 2015; Petkovski & Kjosevski, 2014; Aurangzeb, 2012) generally conclude that the banking sector's development accelerates economic growth.

Gashayie and Singh (2016) state that the banking sector's development is well thought-out and one of the basic constituents needed for the economic growth of a country. This is due to the development of the banking sector, which determines the level of local savings directed at the productive investments in the local business (Bekana, 2016). The ability of the banking sector to make capital available for investment is a significant determinant of the economic growth and transformation (Aurangzeb, 2012).

According to Gezae (2015), a strong banking sector offers cost-efficient and reliable payment mechanisms through improving the size of the financial transactions and resource allocation. In addition, Sarker *et al.* (2015) identified the role of the banking sector as a financier of productive investments and an accelerator of economic growth.

Moreover, the massive functions it provides for, like the reduction of transaction costs, intermediation and possibility for diversification, the banking sector is linked to the economic growth of the country. The outcome of these functions leads to the overall improvement in the accumulation of capital, efficient allocation of economic resources and improvement in technological capability which are essential for economic growth (Bekana, 2016).

The banking sector also contributes to the growth of the country through mobilising savings for investment, facilitating and stimulating the inflow of foreign capital, promoting remittances, and optimising the allocation of capital between competing

matters by guaranteeing that the funds are put to its most productive use (Petkovski & Kjosevski, 2014).

A study conducted by Bekana (2016) states that the banking sector's development has a growth-stimulating effect on the Ethiopian economy. As a result, encouraging a saving culture should be pursued while facilitating the intermediation function of the financial institutions to channel savings to its productive uses through financing growth-enhancing investment projects. The study also suggests that the regulatory and supervisory framework of the banking sector should be strengthened to improve the contribution of the financial sector to economic growth and development.

However, in Ethiopia, there is an extensive use of cash outside the banking system rather than an increase in bank deposits, which affects the banking sector's contribution to the economic growth of the country. Furthermore, this affects the savings that are mobilised in an economy, which is one of the many indicators of the banking sector's development. For a developing economy like Ethiopia, this makes the national savings very low and insufficient to finance the developmental needs necessitating the financial sector's development and attraction of foreign direct investments (Gashayie & Singh, 2016).

2.4. Macro-environment of the banking sector

The business environment is an organisation or a firm's environment and should be considered while making decisions (Retnowati, 2013). It consists of both internal and external environments. The internal environment includes the firm's resources, capabilities, goals, structures and systems. The external environment consists of the elements that exist outside the boundaries of an organisation's internal environment and has the potential to impact all or part of the organisation (Daft & Armstrong, 2012).

The external environment can be further categorised into two sections: the micro-environment and the macro environment (Pîndiche & Ionita, 2013). The micro-environment involves the factors that a firm deals with on a regular basis like competitors, customers, employees, distributors and suppliers (Koumparoulis, 2013).

All of them have a direct interest in the activities of the firm as they are clearly affected by its actions. These environments interact directly with the organisation and impact its ability to achieve its objectives (Daft & Armstrong, 2012). On the other hand, the macro environment comprises all the factors outside the direct control of the organisations (Zaki, Jovanovi and Stamatovi, 2008). This environment is also known as the wider environment, over which the organisation has little or no control, containing trends, events and sectors that impact the organisation directly or indirectly (Kiragu, 2012). The macro environment factors influence a firm's choice of action, structure, direction and internal processes (Koumparoulis, 2013). Many authors have named these macro environment variables in different manners. The most common one is the PEST framework which belongs to the political or legal, economic, sociocultural and technological environments that impact the organisation currently and in the future, and form the opportunities and threats facing the organisation (Bargorett & Williams, 2014; Koumparoulis, 2013; Kotler & Armstrong, 2012). The significance of analysing these environments arises from the critical role it plays in the success of the organisations.

Eddin and Khalaf (2012) state that organisations conduct a macro-environmental analysis because it enables them to develop strategies that fit their internal resources and competencies of the opportunities that exist in the external environment. According to Worku (2010), to develop a business strategy, the first step is a thorough analysis of the macro-environment. Additionally, Dauda and Ismaila (2013) state that the macro-environmental analysis is the basis for decision-making and strategic planning and also guides the product or service development. Moreover, Kotler and Armstrong (2012) claim that the macro-environment analysis is a valuable strategic tool for understanding the business position, market growth or decline, potential and direction for operations. Even if an organisation may not be able to control any of these macro-environment influences, it would be unwise for any business to be unaware of them (Barbu & Orzan, 2012). In general, the literature associates macro-environmental analysis to the concept of strategic fit, whereby the organisations need to develop strategies that best allow them to apply their internal

resources to the current and future state of the macro-environment in order to survive and succeed.

Moreover, Eddin and Khalaf (2012) indicate that it may be useful for the organisations to start a process of analysing the macro-environment around it with a framework of PEST analysis which can be used to scrutinise the political or legal, economic, sociocultural, and technological features of this environment. Eddin and Khalaf (2012), Kiragu (2012), Kakazoukis (2011) and Coccorese (2004) recognise PEST as the most commonly used framework for macro-environmental analysis. Based on this understanding, the PEST framework is adopted in this research to examine the effect of the macro-environmental factors on the banking marketing strategies.

2.4.1. Political or legal environment

The political or legal factors are concerned with matters related to government policies and their impact on the economy and business performance (Bargorett & Williams, 2014; Barbu & Orzan, 2012; Eddin & Khalaf, 2012). This environment comprises, among others, of government stability, type of government, stability of current government policy measures, attitude towards foreign investors and investment, and economic regulation (Bargorett & Williams, 2014; Doronin, 2013). Particularly, Bezabeh and Desta (2014), and Geda and Addison (2003) identify the political or legal environment that regulates the Ethiopian banking sector, such as lending quota, bond buying, windfall tax, interest rate regulation and increased capital requirements.

Moreover, various researchers, such as Gioko (2017); Jima and Raju (2015); Bezabeh and Desta (2014); Deribie (2013); Abdu (2010); and Degefe (1995), identify the main determinants of political or legal environment as government policies, objectives, legal restrictions, laws concerning taxation, type and stability of government, levels of bureaucracy, social and employment legislation, privatisation of decisions and regulations, and deregulation trends. All these variables have an enormous influence on the way an organisation regulates its business activities, as well as the purchasing power of the consumers.

According to Jima and Raju (2015), in the underdeveloped countries, like Ethiopia, where the market system is not well developed and everything is controlled by the government, it is advisable for a banking sector to analyse and understand these political or legal environmental factors. The factors should be considered to develop proper marketing strategies, which will help them to overcome the effects of the environment on their operations and banking service expansion for the community.

In general, it is understood that the political or legal environment of the banking sector has the effect on the marketing strategies to be used in the sector. Thus, it is important for the sector to analyse the extent of the effects of each component on the marketing strategies employed and to identify the components with greater effect to consider them in their marketing strategy development process. Accordingly, this study examines the effect of the political or legal environment on the marketing strategies of the Ethiopian banking sector by adopting the aforementioned components.

2.4.2. Economic environment

Economic factors refer to the nature and direction of the economy in which the organisations operate (Pîndiche & Ionita, 2013; Retnowati, 2013). These factors include purchasing power, disposable income, interest rate, Growth Domestic Production (GDP) growth, consumption pattern, inflation, unemployment rate, taxation and foreign exchange rates (Bargorett & Williams, 2014).

Interest rate in the banking sector may affect banking institutions to set their pricing strategy and increase customer volume (Jima & Raju, 2015). The study of Shuremo (2016) addresses taxation as one of the economic factors to be considered by the banking sector – direct tax that is deducted from the earnings of everyone, such as income tax or indirect tax, affects people to consume bank services, as it influences their income.

Bekana (2016) also identifies unemployment as an economic factor that significantly affects the marketing strategies employed by the banks. It is clearly understood that if unemployment is high, then there would be less demand for banking services (e.g.

saving, loans and transfers) since unemployed people may not have any or sufficient money to deposit or spend, and vice versa. Therefore, the marketing strategies designed by the banking institutions have to consider this factor to be inclusive.

Moreover, when the economy is growing, a demand may exist for a banking service, which would not be in demand in more dejected circumstances. Likewise, the prospect to exploit a strategy effectively may depend on the demand, which exists in growth conditions and not in recession. In general, the economic factors contribute to the banking industry's selection and execution of certain marketing strategies. Thus, it can be concluded that the economic environment has an impact on the banking service's marketing strategies. Therefore, how the economic environment affects a banking business in terms of taxation, government spending, interest rates, unemployment, general demand, exchange rates and overall economic factors should be carefully assessed (Jima & Raju, 2015). Accordingly, this study analyses the extent to which economic factor elements affect the marketing strategy practices of the banking sector in Ethiopia and identify which economic environmental components influence their marketing strategies more for further consideration.

2.4.3. *Sociocultural environment*

The third factor is the sociocultural environment, which refers to the values that people hold and some broad societal trends. According to Satpathy, Behera and Digal (2015), this factor includes, among others, social values, beliefs, opinions, attitudes, lifestyles, work or leisure balance, family size and composition, social relationships, women in the workforce, and propensity to travel. These forces are vigorous and in a constant process of change as a result of individuals' efforts to fulfil the desires and needs, which are controlling and adjusting the external environmental factors (Koumparoulis, 2013).

Ethiopia has a large population with different sociocultural backgrounds, which the banking institution needs to be aware of, like the people's races, languages, educational levels, cultures, age distributions, genders, lifestyles and buying habits (Jima & Raju, 2015). Consequently, banking institutions can stimulate the services that it demands to different sociocultural backgrounds of the country, which will

increase banking service users and enable the bank to fulfil its market shares. Thus, banking institutions should be conscious of the sociocultural changes as the structure of the population by ages, regions, affluence, working and so on can have a significant effect on the demand as a whole and for particular services. In general, changes in the sociocultural factors result in the emergence of opportunities for market segmentation and differentiation and an increase in the threats to existing products. Therefore, it is significant for the banking firms to understand the new attitudes and trends of the people to be successful in the future.

2.4.4. Technological environment

The fourth macro-environment is the technological environment, which is concerned with changes in the product or service technologies and process technologies (Dauda & Ismaila, 2013). According to Brakaj and Kume (2013), technological factors include research and development activities, productivity improvement, information management, innovation, degree of technology transfer, applications of knowledge and the speed with which technology changes.

According to Bhardwaj and Kumar (2014), most of the time new technologies result in new markets and opportunities. The study of Birhanu (2014) shows that the progress in updating technology affect not only the services offered by the banks but also the processes needed to deliver the banking services. Moyo et al. (2014) also specify that the technological environment plays a significant role in the banking industry by reducing the threats directed at delivering banking services for the unbanked population. Thus, the banks should detect these new technologies all over the world and adopt them.

Technology forces are a tremendously powerful competitive and economic factor, which consists of scientific improvement and innovation (Barbu & Orzan, 2012). Moreover, shifting technology leads to creation, destruction or irreversible change, both for the individual organisations and entire industries (Jima & Raju, 2015). Rapid change in the growth of technology support system in the banking sector influences the banks' operations. Thus, nowadays, banks are being held together to build electronic networks connecting all their branches to deliver prompt service. In

general, acclimatising to technology not only makes banking services more expedient to the customers, but the banks also stand to improve a lot on account of the same. By understanding this, disregarding technology is nothing but a suicidal tendency for the banking sector (Bhardwaj & Kumar, 2014). Therefore, this study examines the effect of technological environment components of the banks' marketing strategies and recommend the component which needs more consideration in the development of such strategies in the Ethiopian banking sector.

2.5. Characteristics of unbanked households

According to studies conducted by Joseph (2014) and Djankov *et al.* (2008), most of the households in developing countries do not have savings accounts with banks. Additionally, Claessens (2006) reveals that in developing countries, only 26 percent of the households on average keep savings in formal institutions; the result is based on household surveys conducted in 20 developing countries. Moreover, the International Monetary Fund (IMF, 2016) reports that only about less than 21,8 percent of households have bank accounts in financial institutions in Ethiopia. Breitbach and Walstad (2014) called these households, who are out of formal financial mainstream, the unbanked.

Unbanked is commonly used as an umbrella term to describe the diverse groups of individuals who remain outside the banking mainstream for many reasons. According to Anderson and Huerta (2014), the term *unbanked* means that a person does not have a checking or savings account. Current literature on banking has found a relatively consistent definition of an unbanked household, which is an individual or household who do not have any formal bank accounts and operate mostly outside the banking system when making financial transactions (Breitbach & Walstad, 2014; Rhine & Greene, 2013).

Most of the studies (Lusardi, Annamaria & Mitchell, 2014; Goodstein & Rhine, 2013; Sain, Rahman & Khanam, 2013; Bruhn & Love, 2009; Hogarth, Anguelov & Lee, 2003; Barr, 2002) in the financial marketing agree that being part of an unbanked population is a problem because the individuals have no means to accumulate assets and develop financial knowledge.

Anderson and Huerta (2014) insist that wealth building requires having financial tools and a means of saving. This is a reason why an individual has to be in the financial mainstream. There are many strategies and financial innovations that could get people into the financial mainstream: lifeline banking, mobile banking, promoting financial education and increasing the number of the banks in low-income areas (Walker, 2014; Zwedu, 2014; Rhine & Greene, 2013).

Moreover, many studies (Breitbach & Walstad, 2014; Goodstein & Rhine, 2013; Bernheim, Douglas & Garrett, 2003) reveal that banking involvement mainly depends on demographic, financial knowledge and socioeconomic variables. According to Rhine and Greene (2013), the most common causes for a household being unbanked are income, wealth and financial literacy. Wambua and Datche (2013) also identified that the effect of financial literacy will become stronger as the level of banking participation moves to the unbanked.

Therefore, the following sections elaborate on the unbanked individuals' characteristics in terms of demographic factors, level of financial literacy and factors which make them unbanked. As a result, the theoretical understanding of the unbanked individual's characteristics will be developed, which can be used to empirically examine the Ethiopian case.

2.5.1. Demographic characteristics

Demographic factors influence the decisions of the individuals to use or not to use different banking services (Maitlo, Kazi, Khaskheley & Shaikh, 2015). For instance, individuals with a high level of education are expected to have sufficient knowledge and skill about banking services and can easily decide to use them; whereas, the illiterates may face difficulty to understand banking services and keep themselves out of the financial mainstream. Nasri (2011) also states that demographic factors, such as age, gender, income, occupation and education significantly influence the consumer's behaviour and intention to use banking services. According to this researcher, there is a significant impact that the demography of individuals has on their intention to adopt internet banking services. Adding to this, Djankov, Miranda,

Seira and Sharma (2008) believe that the unbanked demographic characteristics will determine their level of participation in the banking system.

Results from different studies show that demographic characteristics of the unbanked households were significantly more likely to be unmarried (Rhine & Greene, 2013; Liew, 2006; Matul, Szubert, Cohen & McGuinness, 2006; Caskey, 2002), earn a relatively low monthly income (Anderson & Huerta, 2014; Grinstein-Weiss *et al.*, 2010) and have an increased number of dependents (Inganga, Ombui, Tirimba & Njeru, 2014; Rhine & Greene, 2013; Coetzee, 2009).

Another study conducted on the behavioural intention of the adoption of banking services found that there is no significant difference between males and females as both seem to be more willing to adopt the services. On the other hand, the study identified that the educational level of the respondents has an influence on their behavioural intention to adopt. Accordingly, those respondents with higher level of education exhibit the highest rate of behavioural intention and vice versa (Alalwan, Rana, Dwivedi, Lal & Williams, 2015). Additionally, Nasri (2011) identifies the demographic factors that significantly impact consumers' behavioural intention to use banking services and specifically found that occupation and instruction are significant determinants.

In some of the studies, the effect of age and gender on intention to use different banking services is found to be insignificant (Krishanan, Teng & Khalidah, 2017; Anderson & Huerta, 2014; Breitbach & Walstad, 2014; Inganga *et al.*, 2014; and Barr, 2002); whereas, some researchers found a significant effect particularly on the intention to use banking services based on technology, like mobile and internet banking (Abdinoor & Mbamba, 2017; Alalwan *et al.*, 2015; Li & Lai, 2011).

Other researchers studied the effects of socio-demographic variables on the consumers' use of mobile money transfer and found that educational level and employment status contribute significantly; whereas, factors like gender, age and income level do not really matter in the acceptance and utilisation of the services (Marumbwa, 2014). In support of this, Djankov *et al.* (2008) and Bernheim *et al.*

(2003) also identify that demographic variables, like the level of education and occupation, strongly determine whether a household is unbanked or not. Hogarth, Anguelov & Lee (2003) identify that the likelihood of being unbanked is also affected by certain family characteristics; for instance, larger families have a higher probability of being unbanked. This may be due to inadequate income, which may keep an individual out of the financial mainstream.

In general, it is understood that the demographic characteristics of consumers can determine their intention to use or adopt a given product or services. Thus, studying the effect of these factors will contribute to the practitioners' awareness of it and will design appropriate strategies to influence the consumers' behaviour.

2.5.2. Financial service knowledge and awareness

According to Barr (2002), the demographic factor of households is not the only significant factor causing banking participation, the awareness level of the banking services also plays a key role as a determinant in predicting whether a household is unbanked. Researchers (Lusardi *et al.*, 2014; Rhine & Greene, 2013; Rico, 2009; Bernheim *et al.*, 2003) have investigated households' overall financial knowledge and the results indicate that those with a higher awareness and knowledge were significantly less likely to be unbanked.

Similarly, Grimes, Rogers and Smith (2017) state that individuals who have a higher level of understanding about basic banking services were less likely to be unbanked. It is further concluded that an individual's understanding of the banking system is an important determinant of whether to use or not to use banking services. Garcia-Murillo and Annabi (2002) also believe that the consumers' knowledge of a product or services influences their decision to use or not. Thus, the consumer with a high level of awareness will tend to use the services more than someone who has a low awareness of the services (Tai & Liu, 2015). Additionally, Marcketti and Shelley (2009) identify that the knowledge of the users about the product or services has a significant influence on their intention to use. In general, the awareness of the individuals helps them to ascertain what banking can do for them and consider their gain from using the services, compared to other alternatives. Therefore, banking

service providers need to understand the level of awareness of the consumers about the services they provide and take measures that will enhance their level of awareness.

2.5.3. *Reasons for being unbanked*

According to Inganga et al. (2014), people remain unbanked due to several reasons and they are many and complex. Thus, without understanding them, it would be difficult to understand the barriers to being banked (Gupta & Negi, 2014).

Hogarth, Anguelov & Lee (2003) categorise the cause of being unbanked into four categories: product design, human capital, product motivation and institutional constraints. Product design includes high minimum balance required and high service fees, as well as not writing enough checks as reasons for not having an account. Human capital is defined as “poor credit” or “can’t manage account”. Product motivation consists of the reasons like “lack of money” and “no need for a checking account”. The last category is institutional constraints, which include reasons like “don’t like dealing with banks” and “no convenient hours or location”.

Moreover, Anderson and Huerta (2014) believe that language barriers or cultural differences may also cause people to remain unbanked. The studies of Djankov *et al.* (2008) also reveal that the employment status of the individual is a strong predictor of whether individuals are banked or unbanked. Accordingly, the individuals who are “unemployed – looking for a job” are the least likely to have a bank account.

According to the study of Bloomberg and Mintz (2008), lack of sufficient income, costs related to using a bank account, required documents, convenient location and business hours were the main barriers, which make individuals unbanked. Additionally, Marumbwa (2014) identifies that lower levels of education and lack of access to proper information channels may lead households to lower participation in the financial mainstream. Another researcher, Caskey (2002), indicates that being in the marginalised group and work in the informal sector are the causes of being unbanked. Thus, banking firms should understand these reasons which make individuals unbanked in order to design proper marketing strategies to solve the

reasons and bring the unbanked consumers to the banking system and mobilise domestic resources.

2.6. Service marketing strategy

Marketing is directed at acquiring new customers and retaining existing customers (Kotler & Armstrong, 2012). Saritha (2011) describes marketing as a total system of business activities designed to plan, price, promote and distribute products wanted by the target markets to achieve organisational objectives. For marketers to persuade consumers to buy something they are not aware of is tremendously expensive and seldom successful. Thus, marketers should understand the consumers' behaviour and use appropriate marketing strategies to attract them towards their product (Akeem, 2014).

Aliata and Aila (2012) state that a successful marketing mix must reflect the needs and wants of the consumers in the target market. Furthermore, Cheng (2006) specifies that the use of appropriate marketing strategies in the market leads the organisation to achieve its competitive advantage and also contributes positively to the organisation's performance. Akroush (2011) also indicates that fully-integrated marketing mix strategies are the main constituents of an effective marketing strategy for today's business. According to Saritha (2011), to develop and execute these marketing strategies, the firm has to take into consideration numerous factors, like the firm's resources, competitive size and position in the market, competitors' marketing strategies, objectives and policies, buying behaviour, target markets, product life cycle stage and the macro-environment of the firm.

The financial service sector stimulates and sustains the economic growth of a nation by playing the role of intermediary between the savers and seekers of money (Shameem & Gupta, 2012). This would be achieved through developing and implementing proper marketing strategies. The unique characteristics of the services they market challenge the financial service marketers (Anand & Murugaiah, 2004). For instance, it is known that the services offered by financial institutions cannot be communicated visually in advertisements as easily as other goods. Additionally, the task of fascinating the consumers' attention and exciting their desires is a difficult

one due to the unexciting nature of the financial services (Saritha, 2011). The inevitability of these characteristics of the financial services demands a uniquely scientific approach to developing and executing successful marketing strategies (Kumar, 2013). Moreover, marketing of financial services is significantly influenced by the quality of services and interpersonal relationships between the customers and the service-providing organisation (Anand & Murugaiah, 2004).

The banking sector is basically a financial service organisation, which offers several types of financial services to the community (Bezabeh & Desta, 2014). The customers or users of these services are individuals and organisations that have surplus or shortage of financial resources and those who need various types of financial services delivered by the banking sector (Shem, 2009). According to Kumar (2013), these communities, which the banking sector serve, belong to different levels of the economy, culture, social group, geographical locations, different professions and businesses. Indeed, the need of each group is different from the other groups.

Therefore, it is necessary for the banking sector to understand the needs of the different groups and subgroups and design appropriate marketing strategy schemes to attract and retain them. However, Abubakar (2014), and Anand and Murugaiah (2004) state that the banks fail to give much emphasis on marketing research and new product development that could attract the unbanked, thus resulting into a significant amount of money remaining outside the banking sector.

Bank service marketing is the aggregate of the functions directed at providing services to satisfy the customers' financial (and other related) needs and wants more effectively and efficiently (Akeem, 2014). Marketing helps in achieving the organisational objectives of the bank. All the techniques and strategies of marketing are used to ultimately induce the people to do business with a particular bank (Kumar, 2013). According to Kotler and Armstrong (2012), the twofold goal of marketing is to attract new customers by promising superior values and keep and grow the current customers by delivering satisfaction. Thus, sound marketing strategies are critical to the success of every organisation.

Typically, marketers have used the 4Ps of marketing mix as a strategy to attract new customers and satisfy the needs and wants of existing customers. Nowadays, the common version of the marketing mix, which relates to the 4Ps (product, price, promotion and place), has gradually extended with the result that varied marketing mix strategies have been put forward for different marketing settings (Önce, 2000). Accordingly, a number of researchers (Alao *et al.*, 2014; Kumar, 2013; Akroush, 2011; Anand & Murugaiah, 2004; Booms & Bitner, 1981) argue that due to the fact that the characteristics of services are different from goods, the old 4Ps of the marketing mix model fall short of service marketing. The work of Booms and Bitner (1981) elongates the 4Ps of the marketing mix to 7Ps for services by adding three components to the traditional model, namely, people, processes and physical evidence. Harvey *et al.* (1996) contend that the traditional 4Ps of the marketing mix can be prolonged by adding an additional 5Ps, namely, politics, planning, probability, public and performance.

Moreover, Lovelock and Yip (1996) added personal, physical assets and procedures to the traditional marketing mix and formed their own version of the 7Ps, which resulted in a new arena of management theory and practice in service marketing separate from the marketing of tangible goods. Kotler (1999) has also proposed a further 2Ps in addition to the traditional marketing mix elements, namely politics and public opinion, which results in 6Ps.

Judd (2003) proposes that the personnel of an organisation can form an element of the marketing mix, namely "people-power", as the recognition of the worker's role in helping an organisation distinguish itself from others in order to gain a competitive advantage. Consequently, it is suggested that the traditional marketing mix is expanded to contain a fifth P (people power). In general, it was found that no agreement exists among the researchers of marketing on a single marketing mix model for goods or services. However, the synergetic coordination of important marketing mix elements is held to be vital for the development of strategies to achieve an organisation's objectives.

According to Anand and Murugaiah (2004), banks can base their marketing strategies on various parameters, which are broadly categorised in terms of the 7Ps of marketing, like product, place, price, promotion, people, physical evidence and processes. Accordingly, in this research, the marketing strategy employed by the banks in Ethiopia was analysed by adopting the 7Ps of the service marketing mix framework, which may have a crucial effect on bank performance (Lovelock, 2001; Collier, 1991; Cowell, 1984; Booms & Bitner, 1981).

In general, the following sections briefly explore the literature on the service marketing mix strategy with an emphasis on the banking sector.

2.6.1. Product or service strategy

One of the core components of a marketing strategy is the service concept, which must be derived from the needs and wants of a specified target group of customers (Ahmad, Al-Qarni, Alsharqi, Qalai & Kadi, 2013).

Lena and Monika (2011) define a product as the sum of all the physical and psychological pleasures that a buyer gets because of the obtaining and consuming process. It is the sum of goods and services that a business provides to the market (Kaura, 2013). Kotler and Armstrong (2012) define a product as anything tangible or intangible presented to a market for consumption with the aim of meeting the customers' needs and wants. Ohei *et al.* (2015) describe a product as comprising of physical objects, services, persons, events, organisations, places, ideas, or combinations of these entities.

In the banking sector, a product is any service delivered by the bank, irrespective of whether it is accessible for a payment or for free (Pour, Nazari & Emami, 2013; Lena & Monika, 2011). This may include a savings account, deposit scheme, consultancy scheme, credit, cash transactions, overdraft loan and commercial loan (Ketabi, 2012).

Product strategy is the first component of the marketing mix constituents (Kotler & Armstrong, 2012). It can be précised as the final result containing benefits being gained by a consumer at the time of buying a service from a business (Pour *et al.*,

2013). The service product is the vital constituent of any marketing mix strategy (Ahmad, 2007). If the service or product falls short to meet the buyers' needs, the other elements of the marketing mix cannot enable the business to attract and maintain customers (Zahid, 2008). The marketers' decisions concerning services or products involve matters of variety, quality, brand, innovation and services (Kotler & Armstrong, 2012).

Variety represents the decisions about the range of services which a business delivers to its customers (Lena & Monika, 2011). This includes both the width and depth of the service (Mohammad, 2015). Banking service institutions typically offer a wide range of banking service products to a number of customer groups to satisfy a range of customer needs and wants. For example, the services in banks include different accounts for the customers to use, like savings accounts, current accounts, saving for children, other services, such as investment advice, loans and agencies. (Ketabi, 2012; Lena & Monika, 2011; Zahid, 2008). The service range decision of a bank depends not only on the strategy and objectives of a bank but governmental politics can also have an impact (Lena & Monika, 2011). Kumar (2013) gives an example that when the central bank releases treasury securities in order to ease budget deficit, the commercial banks reduce the scope of their credit activities.

Quality refers to something that “starts with customer needs, goes beyond customer satisfaction and ends with customer retention” (Kotler & Armstrong, 2012). Quality is a distinctive attribute or characteristic of a service or product which decides about its ability to meet expected needs of the consumer (Lena & Monika, 2011). Since most competitors in a banking sector offer similar services, banking service quality becomes the centre for customer attraction and competitive advantage (Zahid, 2008).

Service brand is a name, term, sign, symbol or design, or a combination of these that differentiate a company's product from its competitors (Kotler & Armstrong, 2012). Nowadays, brands play a vital role in marketing strategy. Akeem (2014) indicates that brands are sources of differentiation and valuable assets for a company. One can consider that brands may add value to the producer as it is a sign of quality, legal protection and a source of financial return (Ahmad *et al.*, 2013), and also, to trade

and customers through facilitating wider distribution, lower slotting allowances, more shelf facings, identification and risk reducer (Yasanallah & Vahid, 2012; Saritha, 2011). Thus, effectively branding its services enable the firm to easily identify it from its competitors and create an image in the mind of the customers. Ahmad *et al.* (2013) identify five steps for achieving effective branding services: i) building a brand proposition, ii) overcoming internal barriers, iii) measuring delivery against the proposition, iv) improving continually, and v) expanding. For a consumer, a brand ascertains the source of the product; in turn, it assigns legal obligation to the producer (Kotler & Armstrong, 2012). Moreover, brands reduce the searching costs of consumers, perceived risk and signal the quality of the services (Chinakidzwa, 2014; Kumar, 2013; Saleem & Abideen, 2012; Brunner, 1989). Therefore, a brand turns out to be a source of advantage to the consumer, in terms of both symbolic and economic value.

Service innovation: Currently, the internationalisation of service firms has made competition among firms tremendously tough. These conditions put service innovation as the core element of the firm's competitiveness to cope with a changing environment and the consumers' needs require new offerings (Hanssens, Pauwels, Srinivasan, Vanhuele & Yildirim, 2014; Cheng, 2006). Accordingly, several research studies have determined that service innovation is a key factor for the service industry to attract, satisfy and retain consumers and achieve competitive advantage (Mohammad, 2015; Ahmad *et al.*, 2013; Bose *et al.*, 2012; Ketabi, 2012; Lena & Monika, 2011; Harvey *et al.*, 1996).

Ateba *et al.* (2015) argue that innovation of new services is thought to be one of the critical aspects of service strategy, which requires the innovation process to be planned, analysed and controlled carefully from idea generation to the evaluation stage. According to Kaura (2013), innovation in services can be associated with changes in the service concept, customer interface, characteristics of the service, delivery system and technological options.

Service innovation increases the overall customer satisfaction and satisfied customers provide referrals to others who are not currently using such services (Lena &

Monika, 2011). Moreover, building a status for being innovative may help a company attract new consumers, as innovation centres the company's services on the needs and wants of the customers (Zahid, 2008). In general, the development of a new service can enable the company to understand a particular market requirement better and make it easier to notice further opportunities (Ahmad, 2007).

Services are actions that extend the real product through distribution, advice, installation, training in product use and technical information (Kotler & Armstrong, 2012). With regard to banking, all the activities that are related to advisory and consultation services from which the buyers can take advantage when purchasing a bank service are included here.

A service or product contains three components: core product, actual product and augmented product (Kotler & Armstrong, 2012). According to Kotler and Armstrong (2012), the core product is the main value that a consumer receives. In banking services, it can be offering loans to clients, delivering saving services, money transfer services, facilitating business transactions, and speeding up and improving current financing decisions taken by the customers (Ahmad et al., 2013; Kaura, 2013; Lena & Monika, 2011). The actual product consists of packaging, brand name, quality, styling and features (Kotler & Armstrong, 2012). In relation to banking services, it covers the type of loan, interest rate, its amount, security and processes for submission of application (Zahid, 2008). The augmented product can involve the installation, warranty, after-sales service, delivery and credits (Kotler & Armstrong, 2012). With respect to banking, it includes the quality and efficiency of the service, accessibility of customer service, the bank's image and the quality of information obtained in the bank (Pour *et al.*, 2013). In general, Ketabi (2012) asserts that the service strategy is crucial in attracting new customers and persuading them to try a firms' services.

2.6.2. Pricing strategy

Price is the total value that buyers exchange for using a product or service (Kotler & Armstrong, 2012). It is one of the methods through which dealers communicate with the consumers. Price is perceived as revenue-oriented since it is the only marketing

mix constituent that produces revenue (Muinde, 2009). This makes pricing an essential task of the marketing mix. The pricing decision can influence customers' willingness to consume or buy a certain product or service; thus, a company considers attracting more customers by reducing the prices of their products or services (Kalaimani, 2013). It is obvious that this way of acting can influence the business in the long term, as the customers will expect the same price level in the future (Lena & Monika, 2011). As a result, it may cause dissatisfaction on the buyer's side and subsequently may lead to a fall in demand (Pour *et al.*, 2013). Therefore, the pricing strategy should be fitting and integrated with the rest of the marketing mix strategies into the company to achieve the company's objectives (Mohammad, 2015).

In making pricing decisions, banking institutions should consider both internal and external factors (Kumar, 2013). In respect of the internal factors, the costs relating to producing and delivering the services and marketing strategy objectives can be mentioned (Kotler & Armstrong, 2012). On the other hand, the external factors include competition, the consumers' perception of the value of the service, the degree of customer loyalty, nature of the market and demand, the level of inflation, market interest rate, business cycle stage and legal regulations of the central bank's monetary policy (Ateba *et al.*, 2015; Kotler & Armstrong, 2012; Shameem & Gupta, 2012; Saritha, 2011; Mylonakis, 2008; Zahid, 2008). These have a significant impact on the banks' pricing decision.

Price in banking contains a service fee, interest rates and different commissions (Lena & Monika, 2011). In the banking sector, a marketer needs to reckon the service's settings like loan terms, costs of security, methods of calculating interest, conditions for early repayment of loans or penalties for resignation from the services, as these conditions are important for the consumers to decide to buy or not to buy the product (Ketabi, 2012). The price of services in banking is of great significance for the customers (Kaura, 2013). Regardless of the role of price in generating revenues for the company, it is also a key in attracting customers, creating value and building customer relationships (Kotler & Armstrong, 2012). Customers use the prices of a product as one of the most significant measurements when making a decision on

choosing a bank (Lena & Monika, 2011). Thus, it is important to consider that prices of services are accepted by consumers at the specified level. Prices determined at a much higher or much lower level may discourage the consumers (Lena & Monika, 2011; Zahid, 2008). Furthermore, pricing strategies significantly influence the volume of sales, demand, market sector penetration, profit, consumer conception or services and competitive evaluation of its attractiveness (Muinde, 2009). If it is managed poorly in the marketing mix, it may result in customer dissatisfaction, discourage new consumers to use the services and product failure (Ateba *et al.*, 2015).

2.6.3. Distribution or place strategy

Distribution or place strategy basically deals with the accessibility and availability of products and services (Kotler & Armstrong, 2012). It covers all the distributional activities of a company (Kalaimani, 2013). According to Lena and Monika (2011), place in the marketing mix means the place and form of offering products or services to the buyers. It covers the actions that a firm commences to make the product accessible to the target market. Kotler and Armstrong (2012) point out that distribution strategy includes the distribution channel, outlet locations, distribution coverage and location.

Distribution strategy is an important marketing mix strategy for services in the organisations due to the inseparable nature of services. Services in a suitable and desired location determine the organisation's ability to attract and retain consumers (Ketabi, 2012; Muinde, 2009). Banking institutions, whose products are mainly services, must deal with two distribution strategy decisions, namely the means of physical distribution and distribution channels (Lena & Monika, 2011). The distribution channels include people and organisations by which services are delivered to the customers (Ateba *et al.*, 2015). Mohammad (2015) and Kumar (2013) identify three distributional channels in the banking sector: (a) traditional distribution, which is the offering of services at the bank's headquarters and its branches, (b) mobile distribution, which takes place while the employees of the bank visit the consumers' mobile points of sales, and (c) electronic distribution, which is

offering the banking services by adopting different technologies, for example, internet banking, telephone banking, cash machines, ATMs and so forth.

Before making decisions about the type of distribution channel to use, firms have to identify the role of distribution within the marketing mix, since a chosen channel eventually affects all the other marketing decisions (Kotler & Armstrong, 2012; Muinde, 2009). According to Maharishi and Bhardwaj (2014); Kalaimani (2013); Ketabi (2012) and Lena and Monika (2011), the product, customer segment, competitors' system of distribution, nature of the product and its price, and human and financial resources of the bank predominantly affect the choice of the distribution channel.

The means of physical distribution are the tools and abilities used to decrease the physical distance between the firm and its clients (Lena & Monika, 2011). This includes primarily the firm's branches and their locations (Kotler & Armstrong, 2012). In the banking business, distribution decision is attributable to the high cost of maintaining bank branches (Zahid, 2008). These costs are primarily related to the large number of personnel required, safe security systems and advanced computer systems (Lena & Monika, 2011). Thus, to reduce the cost of opening branches and creating access to banking products, banking service needs the use of computer channels like cash machines, internet banking, phone banking and home banking (Muinde, 2009).

Many studies (Mohammad, 2015; Kalaimani, 2013; Kumar, 2013; Ketabi, 2012; Lena & Monika, 2011) have shown that distribution strategies like Automated Teller Machines (ATMs), internet banking, mobile banking and bank branches affect the task of bringing new consumers to the bank. Consequently, it is recommended that the elements of distribution or place strategies are highly important to attract and retain consumers (Pour *et al.*, 2013). Furthermore, it is argued that if a business increases the quantity of distribution channels, a positive effect on customer attraction can be expected (Lena & Monika, 2011).

Therefore, the management of a bank should emphasise making their services accessible to the population by adopting effective and efficient distribution channels (Mohammad, 2015).

2.6.4. Promotion strategy

Promotion strategy is one of the key elements of the marketing mix strategies that an organisation can use to communicate the product or service to its target audience (Grankvist, Kollberg, & Persson, 2004). This strategy comprises of sales promotions, advertising, personal selling, public relations and direct marketing (Kotler & Armstrong, 2012).

The bank's officials must first scan the needs of consumers in the environment it serves and select the communication tools that equip the environment (Lena & Monika, 2011). Most of the authors (Mohammad, 2015; Kalaimani, 2013; Kaura, 2013; Lena & Monika, 2011; Grankvist *et al.*, 2004) agree that there is no single promotional tool which enables the firm to attain its promotional strategy objectives; thus, most service companies use more than one promotional tools. The reason for this is that each of the promotional tools has its own advantages and disadvantages; thus, most service organisations try to use more than one promotional tools in order to exploit the advantages and reduce the disadvantages of each (Lena & Monika, 2011).

Advertising is any paid form of non-personal communication directed towards target audiences and transmitted through various mass media in order to promote a product, service or an idea (Grankvist *et al.*, 2004). These media forms include radio, television, newspapers, magazines, outdoor displays, direct mail, internet and mobile devices (Kumar, 2013). The primary purpose of advertising is to create awareness of the bank and advertise the various services it is offering (Muinde, 2009).

Ketabi (2012) indicates that in the process of advertising, banking institutions have to know whom to target and how to advertise since they intend to serve a mass population. Moreover, advertising has to be well-suited in tone and presentation with

the image the bank has created through its institutional advertising (Grankvist *et al.*, 2004).

Grankvist *et al.* (2004) identifies two forms of advertising channels suitable for financial advertising: above-the-line and under-the-line advertising. Above-the-line advertising includes the use of various channels of communication, like television, radio, posters, magazines and newspapers, whereas, the under-the-line advertising uses the invisible advertising of the bank's services, containing leaflets, pamphlets, explanatory guides and manuals that can be used to support the sale of a specific service. Even though the under-the-line advertising is easy and cheap to produce, it does not attract new customers and its effectiveness is dependent on personal sales (Muinde, 2009).

In general, it is believed that if a company will increase the level of advertising, it will increase awareness of the consumer about the services and, in turn, increase sales (Lena & Monika, 2011). Therefore, an investment in advertising is recommended to create awareness and attract new consumers (Grankvist *et al.*, 2004).

Sales promotion is, according to Kotler and Armstrong (2012), short-term incentives to enhance the purchase of a product or service and it contains activities that add value to the product or service. The motives for employing sales promotions in the marketing mix are the high costs of advertising and it is simple to target customers by sales promotions (Lena & Monika, 2011). Grankvist *et al.* (2004) argues that special offers, coupons and other forms of price manoeuvres are the dominant methods of sales promotions.

Sales promotion within financial services is rarely used as an independent form of promotion. Instead, it appears to be most effectively used in combination with advertising, public relations and personal selling (Ketabi, 2012). The primary purposes of sales promotions in the financial services are to encourage and attract new customers, to increase the level of deposit accounts, thereby increasing the bank's share of savings, to increase market shares in selected market segments and to

lower the cost of acquiring new customers (Grankvist *et al.*, 2004). Moreover, in contrast to advertisement, sales promotion does not only provide information about the product, but it also emphasises that the consumer should buy the product now (Pour *et al.*, 2013).

Personal selling is a personal presentation done by the organisation's sales workers with the purpose of informing, persuading or reminding, or sometimes serving, customers to take proper actions (Kotler & Armstrong 2012). Personal selling is a two-way communication tool between a representative of an organisation and an individual or a group (Grankvist *et al.*, 2004). This communication between the sales force and the consumer is directed at an immediate sale of a product or service or to increase the interest in the product enough to purchase it in the near future (Lena & Monika, 2011). Furthermore, through personal communication with the consumers, the firm can regain the interest of the consumers, which was lost due to lack of awareness or access (Kalaimani, 2013).

Muinde (2009) points out that long-term personal communication with consumers is an important factor for the banks to attract those who are not yet using banking services. In addition, Grankvist *et al.* (2004) states that the firm can build a good relationship with the consumers by building proactive personal selling. Thus, it is suggested that banks should use personal selling as a tool to attract those who did not use banking services (Ketabi, 2012). Moreover, Lena and Monika (2011) state that banks should consider personal selling as a problem-solving process by which the sales workers communicate and engage with the consumers and find a solution to the problems of the consumers, rather than only influencing them to buy the services. These can be performed either face-to-face or through technological aids.

Direct marketing is an interactive system of marketing by creating contacts with targeted individual customers to gain an instant response and to promote long-lasting customers (Kotler & Armstrong, 2012). It is functioning within an interactive environment and concerned with building relationships and conducting conversations with the customer (Pour *et al.*, 2013). Moreover, it is based on a mutual exchange of information between the firm and the customer. As a result, the firm obtains helpful

feedback by which it improves the services and creates and maintains the relationships with the customers (Grankvist *et al.*, 2004).

Lena and Monika (2011) indicate that direct marketing is presumed to be efficient, low-cost and a quick method to reach the market. Owing to advancement in technology, the financial sector has elongated its “face-to-face” selling to direct marketing of services in the form of mail, phone or computer transactions (Grankvist *et al.*, 2004). According to Muinde (2009), computer knowledge and availability of different forms of technology increase internet banking users. Through internet banking, consumers can find out what interests them and it also makes possible for the bank to follow individual customer usage (Zahid, 2008). Therefore, internet technology can be used for different forms of direct marketing.

Public relations entail the task of building and maintaining relationships between the firm and different communities (Kotler & Armstrong, 2012). The purpose of these is to build up a good company image, handle or head off opposing rumours, events and stories, create a mutual understanding and create a positively esteemed identity of the firm through stakeholders’ perception (Kalaimani, 2013; Lena & Monika, 2011; Muinde, 2009; Grankvist *et al.*, 2004). Furthermore, Kotler and Armstrong (2012) indicate that public relations can present the firm as a trustworthy producer and can help to create positive and good relations with the environment, thereby escalating confidence in the firm, which indirectly increases sales. Grankvist *et al.* (2004) argues that this element of promotion strategy covers activities, such as charitable involvement, sponsorship, community initiatives, media relation, attending trade exhibitions and so forth.

Muinde (2009) states that promotions in the banking sector take place at two stages: The first is at the head office stage where the major advertising budget and how it is spent in harmony with the corporate and marketing objectives is decided. Furthermore, public relation activities are also typically controlled at this stage. The second stage is promotional activity undertaken at the branch level. At this level, managers are accountable for supporting their marketing objectives by using branch displays, direct mailings, personal selling and any other kinds of promotional

activities. In order to be successful, there must be coordination and communication between the head office and branch promotions (Grankvist *et al.*, 2004).

In addition, Lena and Monika (2011) divided bank's promotional activities into two categories, based on their purposes. The first is promotion undertaken to promote banking services and create awareness of the presence of the bank in the market and through this, induce consumers to purchase its products or services. For this purpose, mostly advertising and personal selling are used. The second category of promotion in banking is that undertaken to create a positive image of the bank. In order to achieve this objective, mainly public relation promotional strategies are used.

In general, the purpose of a promotional strategy in the banking sector is to help potential and existing consumers to transit from a state of relative unawareness of the bank's products to a state of actively using them (Muinde, 2009). It also helps the bank to create widespread awareness about the services it offers and to enhance the image of the firm (Grankvist *et al.*, 2004).

2.6.5. Physical evidence strategy

Physical evidence strategy is the extended element of marketing mix, which refers to the appearance and physical setting of the service experience (Booms & Bitner, 1981). This component of the marketing mix focuses on the "tangible" parts of the service experience (Kalaimani, 2013).

Several service researchers (Mohammad, 2015; Kalaimani, 2013; Kotler & Armstrong, 2012; Shameem & Gupta, 2012; Önce, 2000; Booms & Bitner, 1981) have distinguished the significance of the physical surroundings of services. Mohammad (2015) states that physical surroundings can have a significant effect on the perception that consumers form about the overall service quality. Kotler (2004) acknowledges that one of the important characteristics of the entire product is the place where it is consumed. Sometimes, the physical surrounding is more important than the product itself in making purchasing decisions. Muinde (2009) indicates that the physical setting of the service increases customer satisfaction and that within this setting, the customers can be exposed to various stimuli, which potentially affect

how they act, buy and the level of satisfaction they derive from the service experience. Ahmad (2007) argues that it is important for service marketers to focus on providing tangible evidence for intangible services, as the customers buy promises from service organisations. Booms and Bitner (1981) point out that customers make conclusions about the quality of services on the basis of tangibles, like buildings, physical layout, parking area, furnishings, colour, noise level and air conditioning system that surround the service surroundings. Kumar (2013) recognises the key role of the physical environment of the services and identifies that the physical setting of a service can either help or deter the company's capability to attain its objectives in service delivery. Moreover, it can affect the behaviour of both the consumers and the employees in the course of service delivery.

Furthermore, Saritha (2011) strengthens the argument that tangible and physical surroundings of the service setting can have a significant effect on the consumers' emotional reactions and their behavioural intentions. Therefore, the implication for the management is that they should create a more encouraging environment for the banking services, such as the ambience, parking space, background music and air conditioning, comfort of the setting and physical layout of a service facility (Booms & Bitner, 1981).

As far as these elements offer encouragement, they can be included in the company's marketing communication to help ease the customers' worry about being committed to the purchase (Muinde, 2009). Banking institutions should design these matters with great care since they will play a key role in influencing the consumers' perceptions of the firm and services. Moreover, the banks have influential punchlines (company statement portray the philosophy and attitude of the bank) to attract customers. In general, all physical evidence of the service must be remodelled to be consistent with the "personality" that the company needs to project in the marketplace and to attract consumers (Kalaimani, 2013).

2.6.6. Service delivery process strategy

The service delivery process is one of the critical components of the extended marketing mix strategy in services. The reason is that the process can affect the

initial decision of the customers to buy a service and influence the level of customer satisfaction (Booms & Bitner, 1981).

Kotler and Armstrong (2012) argue that as services are people- and process-based, all the service companies have distinctive distribution systems. Kalaimani (2013) argues that a good service design is key to market growth and success for the service firms. In a service company, the customers are involved in service delivery, which means the 'process' is important for customer satisfaction. For example, if a customer does not have enough time, that customer will seek a bank that offers effortless and time-saving banking services (Ketabi, 2012).

According to Kaura (2013), technology has a significant effect on the growth of service delivery possibilities. Currently, banks have espoused the latest technological tools to provide their services, which has resulted in creating value-added services, reducing costs, easing their employees' work and finally, offering self-service opportunities for the customers (Ahmad *et al.*, 2013; Kaura, 2013; Pour *et al.*, 2013; Lena & Monika, 2011).

According to Bose *et al.* (2012), due to its timeliness in responding to the consumers, improvement of service delivery process has become the central point of the service quality revolution. Kumar (2013) also reveals that by improving the quality of the processes, the overall quality of services can be made better. Moreover, Kaura (2013) argues that 'ease of doing business' is the consumers' basic motive for choosing a financial firm.

According to Ahmad (2007), the service delivery process includes a) flow of activities, which encourages major activities of the bank to follow certain rules and principles, b) standardisation, where the banks have standardised procedures to process typical transactions (this saves a lot of time in individual transactions), c) customization, which refers to speciality services at each counter to deal with particular customer needs, to enable customers to select the available alternatives, d) number of steps, which are commonly specified and a specific pattern is followed to reduce the time taken, and e) simplicity, which in a banking firm separates different

functions. For example, separate counters with clear indications, which makes the procedure not only simpler but also less time-consuming. Therefore, the service companies need to recognise the significance of these components of the service delivery process and management, and control them.

Information technology helps the banking firm to improve the service process and customer service as it is suitable to access and use (Booms & Bitner, 1981). Technology-based services offer constant, reliable and quality service (Shem, 2009).

2.6.7. Personnel strategy

Personnel play a key role in service offering organisations, particularly during the service delivery process, as participants interact with customers (Muinde, 2009). Kalaimani (2013) argues that the management, employees and consumers add significant value to the service offering. Accordingly, Booms and Bitner (1981) identify all the people involved in the consumption of services as being an essential part of the prolonged marketing mix. In a banking firm, it is the staff members of a bank which represent the institution to its customers (Brunner, 1989).

Service delivery companies have long stressed the importance of consumer contact personnel as critical constituents in providing a high-quality service and achieving overall customer satisfaction (Hadiasgari, 2015; Bose *et al.*, 2012; Judd, 2003). Gronroos (2000) states that the interaction between the two parties is an essential and central notion in service marketing and management. Employees' level of training, desire in offering the service, interactive behaviour and appearance matters a lot in customer satisfaction (Mohammad, 2015).

In the banking industry, customers rely on employees of the bank for advice, complaints and direction towards some of the banks' services and channels of distribution; thus, the interaction quality of the employees and customers is an important factor (Lena & Monika, 2011). In a service company, both employees and customers participate in the delivery of service; participation of both is unavoidable (Kaura, 2013). Pour *et al.* (2013) recognise that both customers and employees are responsible for effective service delivery.

According to Grankvist *et al.* (2004), effective service providers can attract consumers for banking service utilisation through human elements, particularly face-to-face communication with the consumer. Booms and Bitner (1981) argue that employees' behaviour plays a significant role in attracting consumers to use their products or services. Explicitly hospitable consumers with smiling faces, politeness, friendliness and understanding their problems have a remarkable effect on the customer's perception of the product or service (Kaura, 2013). The customers expect to receive concentrated attention from the personnel involved and presume them to be attentive, competent and professional (Ahmad, 2007).

Moreover, Kalaimani (2013) argues that a service is a performance and it is typically difficult to distinguish performance from the people; thus, a service firm can be only as good as its people. Therefore, an employee plays a dominant role in the marketing operations of service rendering firms, like banking institutions (Bose *et al.*, 2012).

2.7. Consumer behaviour

According to Kotler and Armstrong (2012), consumer behaviour refers to the buying behaviour of the final consumers, who buy goods and services for their own consumption in the consumer market. It consists of the psychological procedures that consumers go through in distinguishing their needs, finding methods to solve these needs and making purchase decisions (Abdu, 2013). Shafi and Madhavaiah (2014) also describe consumer behaviour as the process of individuals evaluating and making decisions to purchase or dispose of products to meet their needs. Moreover, it is identified that the focus of consumer behaviour is on how consumers make decisions to spend their time, money and efforts to consume a certain product or service (Bagga & Bhatt, 2013).

The knowledge of consumer behaviour helps the marketer to understand how consumers think, feel and select from the alternatives and how they are influenced by the surrounding environments, like their families, reference groups and salespersons (Furaiji *et al.*, 2012). Durmaz (2014) also states that the behaviour of consumers enables the firm to determine who the customers are, what they want, and how they use and react to the product. It is further argued that studying consumer behaviour is very important for organisations, as it enables them to develop effective marketing

strategies by getting an insight about what affects the purchasing decision of the consumers (Khaniwale, 2015). Adding to this, Jisana (2014) states that understanding the consumer behaviour is important for managers to attain the companies' commercial success.

Consumers make many buying decisions on a daily basis and these decisions are the crucial points of the marketer's exertion (Kotler & Armstrong, 2012). The marketers can study actual consumer buying to find out what they buy, where and how much but understanding why the consumers buy is not so easy, as the answers are often locked deep within the consumer's mind (Khaniwale, 2015). Particularly, for the banking sector, studying consumer behaviour is important to understanding who consumes their services, which will, in turn, allow them to know how these factors may impact their service utilisation behaviour (Suresh & Singh, 2017). An important point for a marketer is to properly understand the factors that influence the buying behaviour of the consumers (Kumar *et al.*, 2014) and develop marketing strategies that influence this behaviour (Lewis *et al.*, 2008). This will be important for the banking sector with large numbers of consumers who remain unbanked. Knowing the factors that influence their behaviour of not using banking services enable the bankers to design strategies that avoid or minimise the impact of these factors on their buying behaviour.

There are several predetermined factors that influence the consumers' financial service buying behaviour (Zins & Weill, 2016). According to many researchers (Magotra, Sharma & Kumar, 2017; Suresh & Singh, 2017; Vidyakala, Devi & Rani, 2015; Zain, Lewangka & Fattah, 2014), the buying behaviour of the financial services have been influenced by the individuals' attitudes towards banking services, motivation, consumer acceptance of new services, social support and influences, and demographic characteristics.

In addition, Blackwell, Miniard and Engel (2006) identify two major factors influencing the consumer buying behaviour, namely individual and environmental factors. Individual factors are the consumer demographics, perception, consumer knowledge, motivation, learning, personality, attitudes, beliefs and lifestyles,

whereas environmental factors consist of the elements outside individual characteristics, like consumer culture, social class, family and reference group. Accordingly, these factors are the major determinants of the consumer's decision-making to use or not to use goods or services (Sata, 2013).

Moreover, Kotler and Armstrong (2012) argue that the vital question for marketers is how the consumers respond to various marketing strategies of the firm. This question leads to the stimulus-response model of buyer behaviour, which indicates that the marketing strategies and other stimuli enter the consumer's "black box" and produce certain responses. According to Rani (2014), the buyer's black box contains the factors that influence the consumer's purchasing decisions and buying behaviour. Many authors (Durmaz, 2014b; Kumar *et al.*, 2014; Rani, 2014; Bagga & Bhatt, 2013; Kotler & Armstrong, 2012; Durga, 2010) categorise these factors, which influence the consumer's buying behaviour, into four groups: cultural factors, social factors, psychological factors and personal factors. Thus, for a marketer, the first step in studying buyer behaviour is to focus on these factors that determine the buyer's characteristics in the black box model (Kotler & Armstrong, 2012). Adding to this, Lewis *et al.* (2008) believe, even though the marketers cannot control many of these factors directly, understanding their impact is important in order to develop suitable marketing mix strategies to appeal to the target market. Therefore, the following sections briefly explore these factors that influence the buying behaviour of the consumers with the emphasis on banking services.

2.8. Determinants of consumer behaviour

Consumer behaviour has always been of great interest to marketers because it helps them to understand how consumers are influenced by their environment, family, reference groups, salespersons and so on (Durga, 2010). According to Durmaz (2014), consumers behave in a given way due to several factors that influence them. These factors affect the decision of the consumers about what to buy, why to buy, where to buy, how to buy, when to buy, and the decision of to buy or not to buy (Guo, 2011). Kotler and Armstrong (2012) argue that these factors knowingly or unknowingly influence a consumer's purchasing decisions and buying behaviour.

According to Khaniwale (2015), Rani, (2014); and Kotler and Armstrong, (2012), the consumer’s buying behaviour and the resulting purchase decision are strongly influenced by the cultural, social, personal and psychological characteristics. These factors cause consumers to develop product and brand preferences (Sethi & Chawla, 2014). Moreover, different researchers categorise these factors in several ways as summarised in the following table.

Table 2:2 Summary of factors affecting consumer buying behaviour

Researcher	Factors
Zikmond and Amico (1993)	social, individual and environmental factors
Keegan (1995)	social, cultural, economic and geographic factors
Stanton (1997)	social, physical and attitudinal factors
Cohen (1991)	marketing mix and physical factors
Dibb and Etal (1991)	personal, social and physical factors
Lancaster and Reynold (1998)	physical, social and cultural factors
Setlow (1996)	personal, marketing mix and environmental factors
Kotler and Armstrong (2012)	psychological, social, cultural and personal factors

Source: Compiled from Furaiji *et al.* (2012)

Furthermore, Furaiji *et al.* (2012) argue that the most common factors influencing the consumer’s behaviour are cultural, social, physical, personal and marketing mix factors. Similarly, Khaniwale (2015), and Kotler and Armstrong, (2012) argue that the factors that strongly determine the consumers’ buying behaviour are cultural, social, psychological and personal factors. Therefore, considering this, the factors that influence the unbanked individuals’ intention to use banking services will be examined by using the cultural, social, psychological and personal factors, which many researchers believe influence the consumer’s decision of using or not using a given product or services (Khaniwale, 2015; Kotler & Armstrong, 2012; Furaiji *et al.*, 2012; Huong, 2012).

2.8.1. Cultural factors

Kotler and Armstrong (2012) argue that the cultural factors have a broad and deep influence on the consumer buying behaviour. Culture represents the mix of norms, convictions, financial and moral values, attitudes and conducts of people, which the members of the society share and which highly determine their behaviour, including their purchase and consumption behaviour (Khaniwale, 2015). The assessment of

cultural factors has two key indications for marketing: It determines the most basic values that influence the consumer buying behaviour patterns and it can be used to extract the subcultures that characterise substantial market segments (Jisana, 2014). Owing to its impact on the consumer buying behaviour, marketers need to understand the role of cultural factors, which include the buyer's culture, subculture and social class (Khaniwale, 2015; Durmaz, 2014b; Kotler & Armstrong, 2012).

The study conducted by Chepkangor, Rotich and Omware (2015) on the effect of sociocultural factors on consumers' choice of commercial banks indicates that the respondents' culture has a low effect on their choice of commercial banks. Similarly, Zain, Lewangka and Fattah (2014) found that religious values, one of the cultural factors, have no significant influence on the customers' decisions to use banking services, particularly, the adoption of Islamic banking. Moreover, the study of Furaiji *et al.* (2012) on the factors that influence the consumers' behaviour of purchasing electric appliances identified that the relationship between cultural factors and behavioural intention was insignificant.

On the other hand, Durmaz (2014) found that faith, tradition and culture are certainly the most significant criteria in making decisions on buying goods and services. In support of this, Bashir, Zeeshan, Sabbar, Hussain and Sarki (2013) agree that the constructs of cultural values and lifestyles had a significant impact on the buying behaviour of the consumers. Moreover, Sethi and Chawla (2014) also concluded that cultural factors have a great influence on the buying behaviour of the users in rural, semi-urban and urban areas.

Keeping these two views in mind, this study attempts to determine the effect of cultural factors on the behavioural intention of the unbanked to use banking services in Ethiopia. This will help the marketers of banking services in the country to understand the level of influence of cultural factors on the unbanked people's behavioural intention. As a result, proper marketing strategies will be designed and implemented to fit the culture of these people and attract them to the banking system.

2.8.2. *Social factors*

Owing to their special skills, knowledge, personality or other characteristics, people exert influence on others (Kotler & Armstrong, 2012). According to Chepkangor *et al.* (2015); Zain *et al.* (2014); and Lawan and Zanna (2013), the firms that deliver products or services are subject to strong group influence, which must be ascertained by marketers, called social factors. Social factors are one of the determinants of the buying behaviour of consumers (Chepkangor *et al.*, 2015). Kotler and Armstrong (2012) also argue that social factors are one of the factors that significantly influence the behaviour of consumers. Additionally, Khaniwale (2015) states that social factors describe the external influences of the variables on the purchase decisions of the consumers, either directly or indirectly.

The importance attached to friends, education, family, social status, the type of groups to which one belongs and other status symbols are indeed all very relevant to one's buying behaviour (Zain *et al.*, 2014). Therefore, studying the social factors will advance the marketing success of the firms (Petra, 2012).

According to Duy (2012), Maditinos, Chatzoudes and Sarigiannidis (2013), and Zain *et al.* (2014), the three social factors that may influence a consumer's buying behaviour are reference groups, family roles and status. The buyer's reference group consists of family members, friends, professional associations, social organisations and trade (Khaniwale, 2015). According to Kotler and Armstrong (2012); the reference group affects the purchasing behaviour of the individuals in three ways. First, the individual will face new lifestyles and behaviours; second, the ideas and imaginations that affect the individual's interests will be adapted to the reference group; and third, the created compulsive conditions may have an influence on the product's purchase or utilisation. In general, reference groups expose people to behaviour and lifestyle, influence self-concept development, contribute to the formation of values and attitudes, and generate pressure for conformity to group norms.

The family is the most important consumer buying organisation in the society; thus, family members can strongly influence the buyer's behaviour (Chepkangor *et al.*,

2015). The marketers are very interested in how family members interact and influence one another when making purchase choices for the household (Vidyakala *et al.*, 2015). Different individuals in the family may take on different social roles and perform different behaviours during decision-making and consumption. According to Peter and Olson (2005), for a marketer to fully understand a family's decision-making process, the marketers need to identify which family members take on which roles. The most common decision-making roles in the family are identified as, 1) influencers, who provide information to other family members about a product or service, 2) gatekeepers, who control the flow of information into the family, 3) deciders, who have the power to determine whether to buy a product or services, 4) buyers, who actually purchase the product or service, 5) users, who consume or use the product or service, and 6) disposers, who dispose of a product or discontinue the use of a service (Sethi & Chawla, 2014; Zain *et al.*, 2014; Kotler & Armstrong, 2012; Peter & Olson, 2005). Therefore, the marketers must determine the dynamics of the family's decision-making, for example, which family members are involved, what roles they play and who has the major influence. This analysis will help them develop effective marketing strategies targeted at the appropriate person.

Besides the reference group and family, an individual's role and status in the groups, family, clubs and organisation affect his or her buying behaviour (Abdu, 2013). The role contains the activities individuals are likely to perform according to the person around them. Each role carries a status reflecting the general esteem given to it by the society (Chepkangor *et al.*, 2015). When a person accepts a role, the normative pressures have effects on the person to act in a special way (Kotler & Armstrong, 2012). As a result, people choose products or services appropriate to their social roles and status in the community (Mirzaei & Ruzdar, 2013).

Various researchers empirically verified that these social factors have a significant influence on the buying behaviour of consumers (Lajuni *et al.*, 2017; Golsefid & Kiakalayeh, 2016; Mortimer, Neale, Fazal & Dunphy, 2015; Yu, 2012). Particularly, the adoption of banking services is subject to social pressure (Lajuni *et al.*, 2017). Adding to this, Lajuni *et al.* (2017) argue that social influence have an explanatory

and predictive capacity to affect the customers' intention to use banking services; thus, it cannot be overlooked.

Phonthanukitithaworn, Sellitto and Fong (2015) conclude that the influence of social factors, like parents, friends and colleagues, are critical determinants of the users' decision-making processes in adopting banking services. Similarly, Yu (2012) produce empirical evidence on the effect of social influence on intention to use banking services and found that it is the most powerful factor in determining the consumers' intention. This result is consistent with the finding of Rilling (2015), who studied the adoption of mobile banking among young consumers in Germany and found that social influence significantly affects the attitude of the individual towards the usage of banking services, which, in turn, determines their behavioural intention.

Moreover, a cross-cultural study, conducted by Mortimer *et al.* (2015) on the factors affecting the adoption of banking services, found a significant impact of social influence on the intention to use banking services in Australia. On the other hand, this study did not find the social influence (SI) significantly impacting the consumers' intention to use (ITU) banking services in Thailand. In support of this, Ali and Athambawa (2008), who studied consumer intention to use Islamic banking services, concluded that the effect of social influence on the consumers' behavioural intention to use Islamic banking services is insignificant.

In general, more literature has suggested that social factors may act as a determinant of the consumers' intention to use banking services (Lajuni *et al.*, 2017; Mortimer *et al.*, 2015; Akanbi, Ayodele & Adedipe, 2014; Sethi & Chawla, 2014; Solomon, Shamsuddin & Wahab, 2013). However, a few studies have been conducted to investigate the social factor influence on the unbanked individual's intention to use banking services. Therefore, this study considers that the support and influence of peers, family and social groups affect unbanked people's intention to use in Ethiopia.

2.8.3. *Personal factors*

This factor consists of the buyer's characteristics, such as age and life stage, economic situation, occupation, lifestyle and self-concept (Rani, 2014; Abdu, 2013; Gajjar, 2013; Nagarkoti, 2009).

According to Rani (2014), the consumer's age and life stage have a significant impact on their buying behavioural intention. The consumer's values, lifestyle, activities, habits and hobbies change throughout his or her life and as a result, they do not consume the same products or services. The buying pattern of people of goods and services change with the change in their ages and life stages. Buying food, clothes, recreation and other services are age-related that change over time and is also shaped by the family's life stage (Kotler & Armstrong, 2012). Parumasur and Roberts-Lombard (2012) identify three major reasons for studying the impact of age and life stage on the consumer's buying behaviour: (1) the things that a person needs or wants change as their age and life stage change, (2) age helps the marketer to calculate the lifetime value of a customer, (3) changes in the age and life stage of a population correlate with significant shifts in values and demand. Thus, the marketers must be clear about the age and life stage of the population since it influences their marketing decisions.

A person's occupation also affects the individual's intention to buy a given product or service (Kotler & Armstrong, 2012). An individual normally buys goods or services that suit his or her occupation and the nature of the job of an individual has a direct influence on their buying behaviour of products (Nagarkoti, 2009). Moreover, Abdu (2013) states that the occupation of a consumer determines their buying behaviour by the style of their working environment. As a result, occupation is found to be one of the important personal characteristics for a marketer, as it affects the behaviour to use a product or service in a certain manner.

Similarly, the economic situation of consumers determine their intention to buy, as the buying tendency of a buyer is always directly related to their economic situation or income (Abdu, 2013; Kotler & Armstrong, 2012; Nagarkoti, 2009). According to Miremedi and Faghani (2012), what an individual buys depict the economic situation

of that particular person. Petra (2012) argues that the economic level of a consumer will determine their choice of using banking services; for example, a household with higher level of income will have more money to deposit in the bank savings account, whereas individuals with a lower income may face shortages since their income does not allow them to cover their basic expenses and to save. Owing to this, most marketers are interested in understanding the economic situation of consumers and develop marketing strategies by targeting the consumer's economic condition.

Moreover, the consumer's lifestyle and self-concept, which expresses his or her psychographics, also affects his or her behavioural intention to consume a certain product or service (Kumar *et al.*, 2014). This includes the consumers' activities (work, hobbies, shopping, sports, social events), interests (food, fashion, family, recreation), and opinions (about themselves, social matters, business, products) (Kotler & Armstrong, 2012). According to Nagarkoti (2009), every person's life has a style of some kind and he/she wishes to develop it, sustain it, show it and make it a coherent and visible thing that other people can recognize. Rani (2014) argues that consumers purchase the products or services that reflect and boost their lifestyles. Likewise, the consumers' self-concept also affects their buying behaviour of a product or service in a particular product category and may affect the brand choice and the place to buy it at the same time (Abdu, 2013). Self-concept has three different components, namely self-image, self-esteem and ideal-self, which always affect the buying behaviour of the consumers (Nagarkoti, 2009).

According to Peter and Olson (2005), individuals buy the products or services that they trust to have symbolic images, similar and complementary to their self-image in order to reinforce or strengthen their status in the society. As a result, lifestyle and self-concept have an influence in shaping the buying behaviour of consumers and marketers need to understand them and design appropriate marketing strategies that meet consumers' personalities.

Generally, this personal factor of consumers, directly or indirectly, has a significant influence in determining their decision of using or not using a given product or service. Different researchers empirically test the effect of personal factors on buyer

behavioural intention. Abdu (2013) identifies that there is a relationship between the consumers' intention to buy and personal factors, but the effect is not significant. Furaiji, Łatuszyńska and Wawrzyniak (2012) also studied factors influencing consumers' behaviour in the purchase of electrical appliances and found an insignificant relationship between personal factors and consumer behaviour.

On the other hand, Alsamydai, Yassen, Alnaimi, Dajani and Al-Qirem (2014) identify that the effect of personal factors on the consumers' intention to use mobile banking services is significant. Supporting this, Alsamydai, Yousif and Khasawneh (2012) found that personal factors, like personal needs, trust and experiences have a positive significant impact on the customers' continuity to deal with e-banking services, which is also similar to former studies conducted by Al-Majali (2011), and Yee and Faziharudean (2010) on factors affecting the consumers' use of internet banking services and concluded that personal factors significantly influence the behaviour. Moreover, Omotayo and Adebayo (2015), who studied the factors that influence students' intention to adopt internet banking services, also ascertain that personal factors significantly influenced intention of the students to adopt internet banking services.

Overall, many authors conclude that personal factors have a significant influence on the intention to adopt banking services (Mamman, Ogunbado & Abu-bakr, 2016; Chansaenroj & Techakittiroj, 2015; Khaniwale, 2015; Rani, 2014). Therefore, considering the impact of personal factors and the limited studies that focus on the unbanked individual's intention, this study empirically investigates the influence of personal factors on the unbanked individual's intention to use banking services in Ethiopia.

2.8.4. Psychological factors

In order to effectively attract and market their products or services and increase their sales, businesses need to understand how to leverage the different factors that influence the consumer's buying behaviour (Durmaz, 2014a). Psychological factors are among the factors that influence an individual's buying behaviour (Rani, 2014). According to Khaniwale (2015), the value of a product or service for any consumer

depends on how they perceive it, what attitude they have towards it, what they believe about it and what motivates their purchase. In addition, Jisana (2014) also argues that marketers should understand these psychological factors while analysing the process of the consumers' buying decisions because it helps them to explain the why of consumer behaviour.

Many researchers (Khaniwale, 2015; Jisana, 2014; Durmaz, 2014a; Gajjar, 2013; Kotler & Armstrong, 2012; Guo, 2011) classify consumers' psychological factors into four categories: motivation, perception, learning, and beliefs and attitude. Motivation is an activated internal need state leading to goal-directed behaviour to satisfy that need (Durmaz, 2014a). It is defined as relatively enduring, strong, and persistent internal stimuli that arouse and direct behaviour towards certain goals (Durmaz, 2014a; Kotler & Armstrong, 2012; Peter & Olson, 2005). There are numerous reasons behind an individual's decision of purchasing anything. The individual may have a number of justified reasons on the basis of which the buying decision is made; such reasons may be stated as motives (Khaniwale, 2015). According to Kotler and Armstrong (2012), the consumers' buying process starts with the recognition of need, which indicates something useful they lack. Buyers can be motivated to buy products or services for style, convenience, self-pride, prestige or being at par with others (Durmaz, 2014a). Once marketers know what creates motivation, they may be able to develop marketing strategies to influence the consumers' motivation to think about, be involved with, and/or process the information about their product or services (Khaniwale, 2015).

The consumers' process of selecting, organising, and interpreting perception into a meaningful whole is also important in determining their behaving decision (Gajjar, 2013). Perception is highly subjective and, therefore, easily distorted (Hanna & Wozniak, 2001). According to Khaniwale (2015), perception is the process by which an individual identifies, analyses, and concludes the inner and outer information for its exploitation. Accordingly, individuals exposed to exactly the same marketing communication may have different perceptions of the same product. Similarly, Jisana (2014) states that consumers with the same needs might not purchase similar products due to a difference in perception.

Kotler and Armstrong, (2012); Parumasur and Roberts-Lombard, (2012); and Hanna and Wozniak, (2001) categorise the perceptual process into three different categories, which are selective attention, selective distortion and selective retention. In selective attention, persons pay attention to information that is useful to them or their immediate family members. However, in selective distortion, consumers tend to perceive information in a way which would be in line with their existing thoughts and beliefs. Similarly, in the case of selective retention, consumers remember information which would be useful to them; the rest they will forget in due course. Kumar *et al.* (2014) argue that the marketplace's perception of a brand or industry is extremely important, which is why big brands work so hard to ensure that the general perception surrounding them, and their industry, is as positive as possible.

Changes in a person's behaviour arising from experience, called learning, also influence their buying decision (Kotler & Armstrong, 2012). The consumers learn from their past experiences, current observations and interaction with others. They use their learning while making any buying decisions (Vidyakala *et al.*, 2015). For marketers, the learning theory has many implications to design marketing strategies and tactics which influence the consumers' behaviour (Peter & Olson, 2005). The practical importance of learning theory of marketers is that they can build a demand for a product by associating it with strong drives, using motivating cues, and to use the same drives as competitors and providing similar cues because buyers are more likely to transfer loyalty to similar brands than to dissimilar ones (Durmaz, 2014a).

Consumer beliefs and attitudes also contribute to the buyer's behaviour of buying a certain product or service. As a result, marketers are interested in the beliefs and attitudes that people formulate about specific products and services since these beliefs and attitudes make up product and brand images that affect their buying behaviour (Durmaz, 2014a). Buyers tend to form certain beliefs and attitudes towards products or services and these beliefs and attitudes form the brand image of the product or service and thus influence the last decision of the buyer (Khaniwale, 2015). Owing to this, marketers are attentive to the beliefs and attitudes the individuals have about the product or service (Jisana, 2014).

In general, the psychological factors of the buyer directly or indirectly influence their buying behaviour. As a result, the marketers are concerned with these factors and attempt to influence these characteristics of the consumers through aggressive marketing campaigns.

Several research studies have been conducted on the consumers' psychological factors affecting the adoption of banking services and concluded that they include consumers' perception regarding security, accuracy, user involvement, friendliness and convenience (Suresh & Singh, 2017; Mamman *et al.*, 2016; Junadi & Sfenrianto, 2015; Beckett & Howcroft, 2000). According to various studies, the consumers' perceived usefulness and perceived ease of use constitute other psychological factors that significantly influence their decisions of using or not using banking services (Akanbi *et al.*, 2014; Mazhar *et al.*, 2014; Maditinos *et al.*, 2013).

Perceived usefulness is the degree to which an individual believes that using a banking service would improve his or her livelihood (Phonthanukitithaworn *et al.*, 2015; Alsamydai *et al.*, 2014). Usually, perceived usefulness is determined by the services offered by the banking institutions, like deposits, loans, money transfers, payment of bills, investment advice and so forth (Magotra *et al.*, 2017). Many researchers have ascertained the significant influence of perceived usefulness on individuals' behavioural intention (Zendehdel & Paim, 2015; Daniel, 2013; Alsamydai, Yousif & Khasawneh, 2012). Jeong and Yoon (2013) empirically investigated the consumers' acceptance of mobile banking services and found perceived usefulness as the most significant factor that positively influences the consumers' intention to use. Mortimer, Neale, Fazal e Hasan and Dunphy (2015) also conclude that the consumers' perceived usefulness would have a positive effect on intention to use banking services. This is due to the fact that the consumers should first perceive using banking services as useful that they can accept and use the banking system for their transactions. Similarly, Akanbi *et al.* (2014) ascertain that the relationship between the consumers' perceived usefulness of banking services and the intention to use was significant.

By contrast, Leiva, Climent and Cabanillas (2017) found no empirical evidence to validate the significant effect of perceived usefulness on intention and as a result, failing to show the importance of the consumers' perceived usefulness on the intention to use banking services. However, they found empirical evidence on the effect of the usefulness on the consumers' attitude and belief and concluded that perceived usefulness is more relevant to determine the consumers' attitude and belief than the intention to use banking services.

The other psychological factors affecting the consumers' behaviour to use a product or service is their perception of ease of use, which refers to the extent to which a consumer believes that using a product or service would be free of effort (Alsamydai *et al.*, 2014). Various studies identify that this perceived ease of use has a significant impact on the consumers' intention to use banking services (Junadi & Sfenrianto, 2015; Zendejdel & Paim, 2015; Alsamydai *et al.*, 2014; Daniel, 2013). A banking service which is perceived to be easier to use will more likely be adopted by the consumer (Suresh & Singh, 2017). Jeong and Yoon (2013) empirically investigated the effect of perceived ease of use on the consumers' intention and found it has a significant effect. This result suggests that individuals look for simpler, easier and faster banking transactions. Similarly, the study was conducted to examine the factors affecting the consumers' intention to use internet banking and revealed that perceived ease of use significantly predicted the intention to use internet banking (Akanbi *et al.*, 2014). Moreover, Golsefid and Kiakalayeh (2016) identify that perceived ease of use has been a key factor in the adoption of banking services. Particularly, in the acceptance of banking through electronic devices, customers must become aware of how easy it is to use, the time that could be saved and the place where transactions can be conducted.

2.9.Theoretical framework

Buyer's behaviour plays a significant role for the sellers, particularly in the area of service sector (Saleem & Abideen 2012). It is one of the key factors in consumer decision making about to use or not to use a given product. Thus marketers always pay attention to issues related to factors directly affecting buyer's behaviour (Jain &

Malhotra, 2012; Kotler & Armstrong, 2005). Buyer's intention to use has been recognized as an important issue in the situation of financial services marketing (Lee 2011). According to Raleting & Nel (2011), intention to use a given product or services can be influenced by several factors beyond product features. Kotler & Armstrong (2012) named these factors in his model of buyer behaviour as buyer's characteristics, which consists cultural, social, personal and psychological factors. All of these factors can influence consumer buying behaviour of a specific products or services.

According to Tonder (2003), buyer's passes through a sequence of process before using a product or services of a firm. All individuals have their own knowledge, values and experiences that generate beliefs about the use of a company services (Ajzen 1991). These beliefs may lead them to examine the positive and the negative features of the product or services and reach at a personal attitude toward the product or services (Saleem & Abideen 2012). In addition, buyer's also understand that their performance does not come without impact from others (Mirabi *et al.* 2015). Accordingly, they have a social pressure to behave in a certain way (Kotler & Armstrong, 2012; Ajzen, 1991). Moreover, capabilities and facilities can also influence buyer's behaviour (Lindholm 2008). Consumer's may have positive attitude about using a bank services and no cultural factors interfere but they may lack skill and access to utilize the bank services (Kakazoukis 2011). Furthermore, buyer's behaviour to use product or services of a company might be affected by demographic features of the buyers like income, age, gender, education etc. (Al-Qasa et al. 2013).

Anand & Murugaiah (2004); Bose, Khan, & Sarker (2012); Kotler & Armstrong (2012) and Oke (2012) stated these behaviour of buyer's to use a product or service may be changed by introducing proper marketing strategies; which influence buyer's characteristics and finally behaviour to use. Thus, marketing strategy is believed to enhance consumers' reactions to goods/services delivered by a company (Kotler & Armstrong 2012). Mylonakis (2008) stated that marketing strategies enables the firm to enhance the buyer's responses to a company and its products, particularly this occurred when firms develop and implement effective pricing, product, promotion

and distribution strategies. In addition, Kumar (2013) stated all components of marketing strategies: product, price, promotion, and place, are equally important to influence the buyer's behaviour to use certain product. Due to this marketing specialists use various strategies to fascinate buyers. In general, marketing strategies employed by the firm will influence the buyer's characteristics (cultural, personal, social and psychological), which in turn affect buyer's behaviour to use or not to use a product. The figure 1 below shows the conceptual relationship among the study variables.

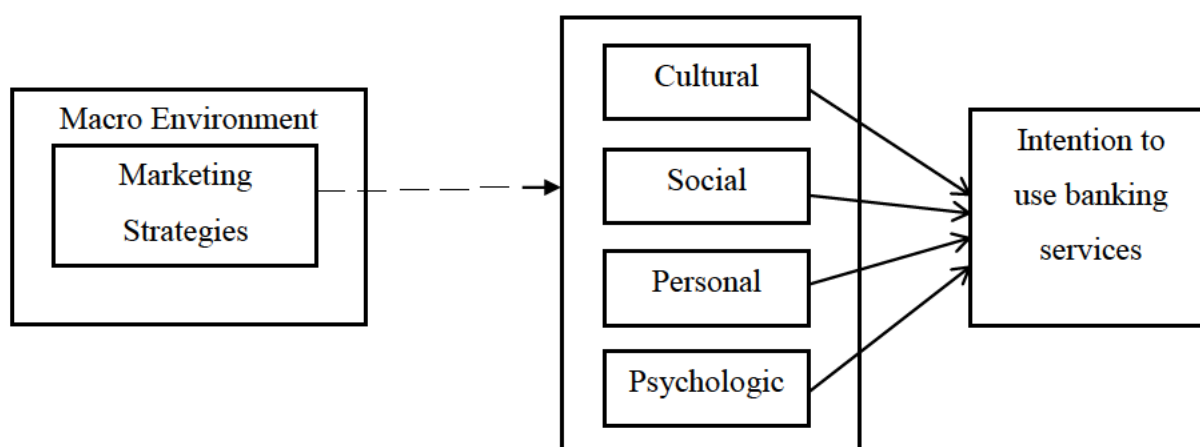


Figure 2:1 Conceptual framework adapted from Kotler & Armstrong (2012)

2.10. Summary

This chapter discusses the banking sector's development in Ethiopia, the marketing strategies of the financial services and the consumers' behaviour. It briefly reviewed the marketing mix strategy framework, concepts and its relationship with consumer behaviour. The chapter also discussed the macro-environmental factors affecting marketing strategy practice in the banking sector. Moreover, determinants of consumers' buying behaviour have been explored in detail, with emphasis on the banking sector.

The buyer's behaviour plays a significant role for the sellers, particularly in the area of the service sector (Saleem & Abideen, 2012). It is one of the key factors in a consumer's decision-making about to use or not to use a given product. Thus, marketers always pay attention to matters relating to factors directly affecting buyer's behaviour (Jain & Malhotra, 2012; Kotler & Armstrong, 2005). The buyer's

intention to use has been recognised as an important matter in the situation of financial service marketing (Lee, 2011). According to Raleting and Nel (2011), the intention to use a given product or service can be influenced by several factors beyond product features. Kotler and Armstrong (2012) named these factors in his model of buyer behaviour as buyer's characteristics, which consists of cultural, social, personal and psychological factors.

According to Tonder (2003), the buyer passes through a sequence of processes before using a product or service of a firm. All individuals have their own knowledge, values and experiences that generate beliefs about the use of a company's services (Ajzen, 1991). These beliefs may lead them to examine the positive and the negative features of the product or service and reach a personal attitude towards the product or service (Saleem & Abideen, 2012). In addition, the buyers also understand that their performance does not come without some impact on others (Mirabi, Akbariyeh & Tahmasebifard, 2015). Accordingly, they have a social pressure to behave in a certain way (Kotler & Armstrong, 2012; Ajzen, 1991). Moreover, capabilities and facilities can also influence the buyers' behaviour (Lindholm, 2008). Consumers may have a positive attitude towards a banking service and no cultural factors interfere, but they may lack skill and access to use of the banking service (Kakazoukis, 2011). Furthermore, the buyers' behaviour to use a product or service of a company might be affected by the demographic features of the buyers, like income, age, gender and education (Al-Qasa, Isa & Othman, 2013).

Bose, Khan and Sarker (2012); Kotler and Armstrong (2012); Oke (2012); and Anand and Murugaiah (2004) state that the behaviour of buyers to use a product or service may be changed by introducing proper marketing strategies, which may influence the buyers' characteristics and finally their behaviour to use. Thus, marketing strategy is believed to enhance consumers' reactions to goods or services delivered by a company (Kotler & Armstrong, 2012). Mylonakis (2008) states that marketing strategies enable the firm to enhance the buyers' responses to a company and its products, particularly when firms develop and implement effective pricing, products, promotions and distribution strategies. In addition, Kumar (2013) states all the components of marketing strategies, namely product, price, promotion and place

are equally important to influence the buyers' behaviour to use certain products. Owing to these marketing strategies, the specialists attempt to properly design and use various marketing mix strategies to fascinate the buyers. In general, the consumers' behaviour is influenced by characteristics, like cultural, personal, social and psychological factors. Therefore, marketers develop marketing strategies to influence the characteristics of the buyers and motivate them to use their products or services.

The next chapter explores and establishes the research methodology employed in this study.

CHAPTER THREE : RESEARCH METHODOLOGY

3.1. Introduction

Research methodology is considered as a means of scientifically solving the research problem (Page & Meyer, 2000). It includes the procedures that are generally implemented by a researcher in studying his research objectives along with the reason behind them (Kothari, 2004). It is understood that the methodology is the sequence of steps underlying the design and execution of a research project, which includes the layout of the research objectives, research design and its implementation (Saunders *et al.*, 2000). The aim of this chapter is to provide an understanding of the research methods employed to conduct the study.

Kothari (2004) suggests that a researcher should identify the intended research process to accomplish his or her study, which is recognised as a series of actions or steps necessary to conduct a research study effectively. Accordingly, in this study, initially the research problem is formulated and established for the research questions and purposes. Next, an exploratory and conclusive research design is examined to decide on its applicability to the research study, following the methodology that was employed. The data sources and collection method are determined using qualitative and quantitative approach. The sampling method for the study includes simple random sampling and a multistage cluster sampling technique to select representatives of the population. By using a nominal and interval scale, a questionnaire is developed to ascertain acceptable descriptive and inferential statistics. Constructs in the questionnaire are discussed, followed by questionnaire editing, coding, and analysing the reliability and validity.

The data analysis method identifying the descriptive statistics are as follows: frequency distribution (frequency and percentage), measure of central tendencies (mean) and measure of dispersion (standard deviation) are employed coupled with inferential statistical techniques including *t-test*, analysis of variance (*F-test*), factor analysis and structural equation modelling. Cronbach's Alpha is used to test instrument reliability. Finally, this chapter presents a discussion of the different ethical issues that were considered to ensure that the research complied with the

general research ethics and more importantly with the University of KwaZulu-Natal's research ethics policy.

3.2. Research process

Even if different authors (Blankenship, 2010; Cooper & Schindler, 2006; Kothari, 2004; Churchill, 1996; Dillon *et al.*, 1993) propose different formats of the research process, it is up to the researcher to decide the basic steps to be followed. For this study, the research process identified by Dillon *et al.* (1993) was adopted to head and discuss the research methodology chapter. Figure 3.1 presents a summary of the steps followed by the research process in this study.

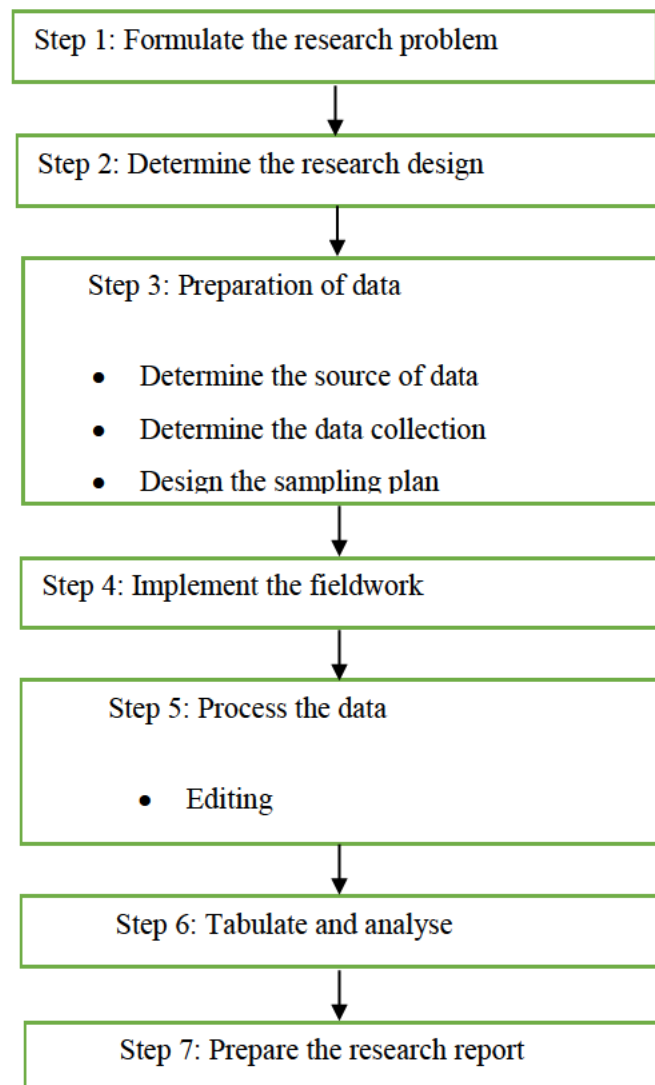


Figure 3:1 The research process
Source: Adapted from Dillon et al. (1993)

3.3. Problem formulation

Kothari (2004) indicates that formulating problem is the most important step in the research process where the researcher singles out the problem he or she wants to study; in other words, deciding on the general area of interest or aspect about which the researcher would like to inquire. Malhotra et al. (2001) also identify this stage of the research process as one of the most difficult and least discussed steps. Moreover, Cooper and Schindler (2006) state that the inadequate definition and formulation of a research problem is a leading cause of the failure of research projects.

The background discussion in Chapter 1 of this study is the basis for the research problem statement, which clarifies that achieving sustainable development and become free from dependence on outside resources for investments, and mobilising domestic financial resources and ensure its efficient use, is vital for Ethiopia. According to the International Monetary Fund (IMF) (2016), currently, less than 21,8% households have bank accounts in financial institutions in Ethiopia. This clearly indicates that many people do not have bank accounts and remain unbanked in the country, which limits the activity of the banks channelling financial resources from surplus to scarce units. Furthermore, it is observed that in Ethiopia access to finance is a top barrier for business. Thus, this requires that the banking sector in Ethiopia works hard to bring the population, who are unbanked, to the banking system to mobilise the resources and inject them into the economy of the country.

The background discussion in Chapter 1 also introduces the realisation of mobilising the domestic financial resources which require enhancing the banking services to bank the unbanked population. These aspects could become possible through proper marketing strategies that influence the factors impeding the consumers to use the banking services. Thus, marketing strategies in the banking sector play an important role to attract the consumers and to access its services. Therefore, the banking firms need to design and implement proper marketing strategies that could enable them to influence the consumers' behaviour and attract them to the banking system.

Most of the studies conducted in Ethiopia have focused on determining the existing customers' expectations and requirements from their banks and their satisfaction

with the banks' services. However, the marketing strategies employed by the commercial banks in Ethiopia to increase accessibility to the banking services and banking the unbanked have not been adequately researched (Rengasamy, 2013). It is, therefore, necessary to explore the marketing strategies currently employed by the commercial banks and investigate the factors that affect the unbanked individual's intention to use the banking services in order to propose marketing strategies that may enhance the banking services for the unbanked in Ethiopia.

3.4.Hypothesis to be tested

Malhotra *et al.* (2001) stated a hypothesis is a testable hypothetical statement explaining the relations between all the features of a theory. Testing of hypothesis uses statistical techniques to backing expectations arising from theory. It is performed at a statistically significant level, in which the hypothesis are either rejected or accepted. Therefore, based on the theoretical reviews made in the chapter 2 the hypothesis that supplement the research objective 5 of this research study are specified as follows:

This hypothesis supports the following objective:

To determine the impact of consumer's characteristics (cultural, psychological, social and personal factor) on intention to use banking services.

H1: Unbanked individuals consumer's cultural factor have a significant impact on their intention to use banking services.

H2: Unbanked individuals consumer's psychological factor have a significant impact on their intention to use banking services.

H3: Unbanked individuals consumer's social factor have a significant impact on their intention to use banking services.

H4: Unbanked individuals consumer's personal factor have a significant impact on their intention to use banking services.

3.5. Research design

A research design lays the basis and building blocks for accompanying the research (Page & Meyer, 2000). It is also remarked as the arrangement of circumstances for the collection and analysis of the data in a fashion that aims to combine the relevance of the research purpose with the economy in the procedure (Cooper & Schindler, 2006).

This study begins with an exploratory search of the secondary data in the subject area of marketing strategies and consumer buying behaviour. The related literature was reviewed with reference to marketing strategies in the service sector and the consumers' buying behaviour. The secondary data review includes books, journals and international academic conference proceedings, in addition to different published related reports. The literature review constitute the foundation on which the research is constructed, and Kothari (2004) notes that by synthesising different prior studies, it should integrate and analyse what is known about the particular area. Following the theoretical exploration, the empirical investigation (primary data) is conducted to scientifically answer the established research questions. The quantitative research methodology was used to answer these research questions, with measurement in terms of nominal and interval data. The theory is deductive and causal, with an analysis scheduled with statistics and tables, deliberating how this relates to the research objectives.

In the rest of this chapter, each of these tasks is further discussed by following the research process identified in Figure 3.1.

3.5.1. Classification of research design

Malhotra *et al.* (2001) classify the research design into two categories, namely an exploratory or conclusive research design. Exploratory research studies are directed at formulating a research problem for a more specific examination of developing the working hypotheses from an operational point of view (Kothari, 2004). It emphasises the discovery of ideas and insights. The insights obtained from an exploratory

research might be proved by conclusive research, as the purpose of conclusive research is to test particular hypotheses and examine specific relationships (Malhotra *et al.*, 2001). On the other hand, conclusive research is testing the hypotheses and examining the relationships between the research variables. It is more formal and structured than exploratory research (Dillon *et al.*, 1993). According to Cooper and Schindler (2006), conclusive research is based on large representative samples and the data gathered are subject to quantitative analysis. Malhotra *et al.* (2001) identify that the results of this type of research are regarded as conclusive in nature. The differences between the two categories are summarised in Table 3.1.

Table 3:1 The difference between exploratory and conclusive research

Difference area	Exploratory research	Conclusive research
Objectives	<ul style="list-style-type: none"> To provide understanding and insights 	<ul style="list-style-type: none"> To test particular hypotheses and study relationships
Characteristics	<ul style="list-style-type: none"> Loosely defined information requirement Unstructured and flexible research process Non-representative and small sample Qualitative analysis of primary data 	<ul style="list-style-type: none"> Clearly defined information requirement Structured and formal research process Representative and large sample Quantitative analysis of data
Findings	Tentative	Conclusive
Outcome	Commonly followed by further conclusive or exploratory research	Findings used as input into decision-making

Source: Malhotra *et al.* (2001)

Considering the objectives of the study and the above discussion on the research design classification, it can be stated that this research project is both exploratory and conclusive in nature, as the marketing strategies currently employed by the banks in Ethiopia is explored from the secondary data and the quantitative data analysis is employed to test the relationship between the study variables.

The following sections discuss the research designs employed in the study in detail.

3.5.1.1. Exploratory research

The data needed are only lightly defined at this stage, and a flexible and unstructured research process was adopted (Malhotra *et al.*, 2001). Churchill (1996) identifies that

the researcher who employs exploratory research may choose from the four categories of this method, namely secondary data analysis, experience surveys, case study analysis and focus group discussions. Each category offers different alternative means of collecting the data. In addition, Cooper and Schindler (2006) propose approaches for undertaking an exploratory research, like in-depth interviewing, observing participants, case studies, videotaping, projective techniques, elite interviewing, street ethnography, document analysis, and kinesics and proxemics.

In this research, the exploratory research study was employed, as an extensive literature survey was undertaken, and information was collected about the research problem to increase understanding of the problem and to elucidate the concepts. Moreover, document analysis in the form of content analysis of the banks' annual reports was conducted to gather information related to marketing strategies used by the banking sectors in Ethiopia.

3.5.1.2. Conclusive research

Cooper and Schindler (2006) characterise conclusive research as based on large, representative samples; the data obtained are subject to quantitative analysis. The results from this study are conclusive in nature and these findings can be used as an input into managerial decision-making.

As described in the above sections, this research study is mainly conclusive in nature; it is more structured and formal. The data collected are subject to the quantitative analysis from large and representative samples. Moreover, the results of the empirical research are conclusive in nature. The study also engaged in testing the relationship between dependent and independent variables related to the factors that determine the unbanked individuals' intention to use banking services.

Page and Meyer (2000) identify two categories of conclusive research, namely the descriptive and causal research methods. Descriptive research is set out to describe an event or phenomenon as it exists without control or manipulation of any components involved in the event or phenomenon under study (Malhotra *et al.*, 2001). On the other hand, causal research is used to obtain evidence of cause and

effect (causal) relationships (Neuman, 1997). Accordingly, this research employs the descriptive research approach, as it describes the marketing strategies of the banking sector, level of awareness of the banking services, reason for being unbanked and the demographic characteristics of the unbanked respondents. The causal research approach is also employed since the study attempts to determine the impact of demographic characteristics of the unbanked individuals on their intention to use banking services, investigate the effect of the buyer's characteristics (cultural, social, personal and psychological factors) on the unbanked individuals' intention to use banking services, and to examine the extent of banking macro-environmental factors affecting their marketing strategy practices. In general, this study could be viewed as a mix of the descriptive and causal research design.

The above sections, 3.3 and 3.4, emphasised steps 1 and 2 of the research process identified in section 3.2. The following section, 3.5, highlights step 3 of the research process which consists of defining the sampling plan, the source of the data, the data gathering method and the questionnaire design. These sections are known as the methodology.

3.6. Methodology

This section concentrates on discussing step 3 of the research process adopted from Dillon *et al.* (1993), which describes the preparation of the data, determining the sources of the data, the data gathering method, the sampling strategy and the design instrument.

3.6.1. Sources of data

Cooper and Schindler (2006) identify two sources of information, the primary and secondary sources. Kothari (2004) defines the primary data as the data that are collected afresh and for the first time and; thus, happen to be original in character, while secondary data are information which already exists in some form or the other, but which was not primarily collected, at least initially, for the study at hand. For this research project, both sources of data were used to collect information for analysis.

3.6.1.1. Secondary data

The major use of secondary data involves offering inputs for exploratory data; a valuable source of new ideas that can be explored later through primary research (Cooper & Schindler, 2006); it is a prerequisite for the primary data (Neuman 1997); it supplements the primary data and helps planning the present one (Page & Meyer 2000); it helps in defining the population and sample selection and it is used as a reference against which the researcher compares the validity or accuracy of the primary data (Blankenship, 2010).

For this study, the secondary data were used to review the literature and research methodology extensively, as portion of the exploration phase of the study. In addition, the secondary data were collected from the website and annual reports of the commercial banks and the National Bank of Ethiopia (NBE) to explore the marketing strategies currently employed by the banks.

3.6.1.2. Primary data

Cooper and Schindler (2006) identify some advantages of using primary data, namely the data are collected specifically to the problem under study; there is no doubt about the quality of the data collected and if required, it may be possible to obtain additional data during the study period. In terms of the applicability to this research project, the primary data are considered as the main sources of information to address the research objectives. This study requires primary information from the research participants; thus, it necessitates the implementation of the primary data collection approach to obtain first-hand information from the participants and the following section emphasises the discussion of the primary data collection method.

3.6.2. Data collection method

In this section, the different types of primary data collection methods were discussed and the appropriate method for this study was selected.

Cooper and Schindler (2006), Lancaster (2005), Page and Meyer (2000) and Malhotra et al. (2001) essentially divide primary data collection methods into four

main groups: survey, interview, observation and experimentation. Page and Meyer (2000) and Malhotra et al. (2001) identify quantitative and qualitative methodologies within these categories. Qualitative research is regarded as by its aims, which relate to sympathising with some aspects of social life, and its methods, which, overall, generate words rather than numbers as the data for analysis (Malhotra et al., 2001). On the other hand, quantitative research pursues to quantify the data and use some form of statistical analysis (Cooper & Schindler, 2006). It is used when the population of the study is large. Furthermore, Page and Meyer (2000) specify that the quantitative research method is most suitable for a research with the purpose of describing or predicting, or building and testing a theory.

The quantitative research method was applied to this research project. The empirical part of the study is based on data collected through questionnaires and document analysis. From this, quantitative data were produced for analysis and interpretation. Questionnaires were used because of time and money constraints to collect data from the unbanked respondents and marketing managers. In addition, the documents related to marketing strategies of the banking institutions in the sector were assessed to achieve the quantitative data requirement of the research.

3.6.2.1. Quantitative research

Quantitative research method was used to obtain and analyse the required information to achieve the aim of this research. The research relied on using survey method to obtain the required quantitative data from the target population for the analysis and interpretation. Moreover, the empirical nature of the research project necessitated the use of quantitative approach, particularly the survey method. The survey method normally involves the cautious arbitrary choice of samples that allow findings to be generalised to the broader populations with a high degree of confidence (Malhotra et al., 2001). The survey method of gathering data is based on the questioning of the participants. The participants were asked a variety of questions about their demographic characteristics, banking services awareness, reasons for being unbanked, behavioural characteristics, intention to use banking services,

marketing strategies and macro-environmental factors. The questions were structured, and a formal questionnaire was used.

Bryman and Bell (2007) mention that the most common form of data collection in a survey method is administering a questionnaire. Gray (2004) states that the use of a questionnaire in survey research is simple to administer and the information obtained is reliable. In general, for this research project, the survey method was the preferred format of the quantitative data collection and the survey questionnaire was used to collect data from the respondents; trained and experienced enumerators were hired to collect data from sample respondents. Thus, in the next sections, details of the sampling plan and survey instrument design are discussed.

3.6.3. Sampling plan

Malhotra *et al.* (2001) identify five steps in sampling to include definition of the population, identification of the sample frame, selection of the sampling method, determination of the sample size and selection of the sample elements respectively. Following this order, the following sections elaborate on the sampling plans applicable to the current research project.

3.6.3.1. Defining the population

The population of the study is the whole collection of the constituents from which inferences are to be drawn (Kothari, 2004).

Martins *et al.* (1996) define the target population in terms of elements, sample units, size and time. This research project identified individuals who were unbanked and the bank managers of privately and public-owned commercial banks as the sample unit and elements. The time was between 2015 and 2016, and the size reflected the unbanked individuals in the country and commercial banks operating in Ethiopia. The banking sector of Ethiopia is considered to be underdeveloped and fails to bring many customers to the banking institution to reduce the money in circulation and increase local resource mobilisation. This was the result because more than 80% of the population do not have bank accounts yet. Thus, studying the marketing strategies employed by the banking sector in Ethiopia and the unbanked individuals'

banking service buying behaviour will help to propose suited marketing strategies to enhance services for the unbanked. Owing to this, the bank managers and unbanked individuals are identified as an appropriate population for this study.

3.6.3.2. Identifying the sampling frame

Following the identification of the target population, constructing the sampling frame is the next step of the sampling plan (Page & Meyer, 2000). Martins *et al.* (1996) ascertain the sampling frame as a record of all the sample units accessible for selection at a given step of the sampling process. The sampling frame used for this research project included all the branches of commercial banks operating in Ethiopia and any person who did not hold a bank account in the study area.

3.6.3.3. Sampling technique and sample size

There are two categories of sampling techniques: non-probability and probability sampling techniques (Kothari, 2004; Lancaster, 2005; Saunders *et al.*, 2000). In probability sampling methods, each population member has a known (non-zero) chance of selection for the sample (Neuman, 1997). Whereas with non-probability sampling methods, the researcher does not know the likelihood of selection of each population member and/or it is not certain that each population member has a non-zero chance of being selected (Saunders *et al.*, 2000).

The two possible advantages of non-probability sampling technique are cost and convenience (Neuman, 1997). The disadvantages of using non-probability sampling technique is that it does not allow the researcher to estimate the degree to which sample statistics are probable to vary from the population parameters (Cooper & Schindler, 2006). According to Malhotra *et al.* (2001), only using probability sampling techniques will permit that kind of analysis. Page and Meyer (2000) also identify that using probability sampling technique has the advantage of ensuring that the selected sample is representative of the population, which, in turn, ensures that the statistical inferences will be valid. Both the non-probability and probability sampling methods were applied to this research project.

The non-probability sampling method is further categorised into two categories as convenience sampling and quota sampling techniques (Cooper & Schindler, 2006; Saunders et al., 2000; Kothari, 2004; Neuman, 1997). In convenience sampling technique, the respondents are selected based on their accessibility to the researcher (Cooper & Schindler, 2006; Page & Meyer, 2000; Saunders et al., 2000). According to Kothari (2004), this method is considered the cheapest, easiest and least time-consuming. Quota sampling ensures the proportionate representation of elements based on which attribute is considered as the basis of the quota (Neuman, 1997). Another definition from Kothari (2004) states that quota sampling is a procedure of proportionate stratified sampling, where a predetermined proportion of individuals are selected from diverse groups but on convenience basis.

Probability sampling consists of a simple, random, stratified, multistage clustering and systematic sampling technique (Cooper & Schindler, 2006; Gray, 2004; Kothari, 2004; Lancaster, 2005; Neuman, 1997). Simple random sampling is characterised as the population which contains N elements, the sample involves n objects and all the potential samples of n objects are equally likely to happen (Saunders et al., 2000). In the stratified sampling technique, the population is divided into different groups, named strata, depending on particular characteristics and samples, which are drawn from each group using random sampling (Page & Meyer, 2000). The third category of probability sampling is the multistage cluster sampling, in which the population is divided into groups or clusters and one or more clusters are selected at random and the elements within the chosen cluster are sampled (Neuman, 1997; Saunders et al., 2000). The last category is the systematic random sampling, in which a list of each member of the population is required and from the list, the researcher randomly chooses the first sample component from the first k subjects on the population list. After that, the researcher chooses every k^{th} subject of the population on the list (Kothari, 2004). According to Saunders et al. (2000), this technique is unlike the simple random sampling as every possible sample of the n subjects is not equally likely.

For this study, due to the size and ethnic diversity of the country, a survey that focuses on one region would not be representative. Thus, the multistage clustering

and purposive sampling technique were used to determine the data collection sites. In order to reach the target respondents, the four stages of the sampling strategy were involved. The first stage identified three regions, namely Oromia, Amhara and the Southern Nations and Nationalities People (SNNP) for sampling. These three regions were selected purposively based on their representation of more than 75% of the population in the country. They take the lion's share in contributing to the national economy of the country and they are the business-hub where almost all the banks are currently operating and extensively expanding their branches to provide access to banking services. At the second stage, one administrative zone was selected in each region. The zones were selected purposively based on the population size and availability of banking services in the area. Furthermore, the zones were clustered into two clusters of *woredas* (districts), which is the third-level administrative divisions of Ethiopia: urban and rural *woreda*. At the third stage, two *woredas* from each zone were selected: one urban and one rural *woreda*. The selection was made purposively to represent the population from the urban and rural areas and the criteria used were the population size and exposure to banking services. Accordingly, Bahri Dar town and Bahri Dar Zuria *woreda* from the Amhara region, Nekemte town and Wayu Tuka-Wereda from the Oromia region, and Hawassa city and Hawassa Zuria-Wereda from the Southern Nations and Nationalities People (SNNP) were selected as data collection sites for the study. Figure 3.2 shows the multistage cluster sampling process employed to select the data collection sites.

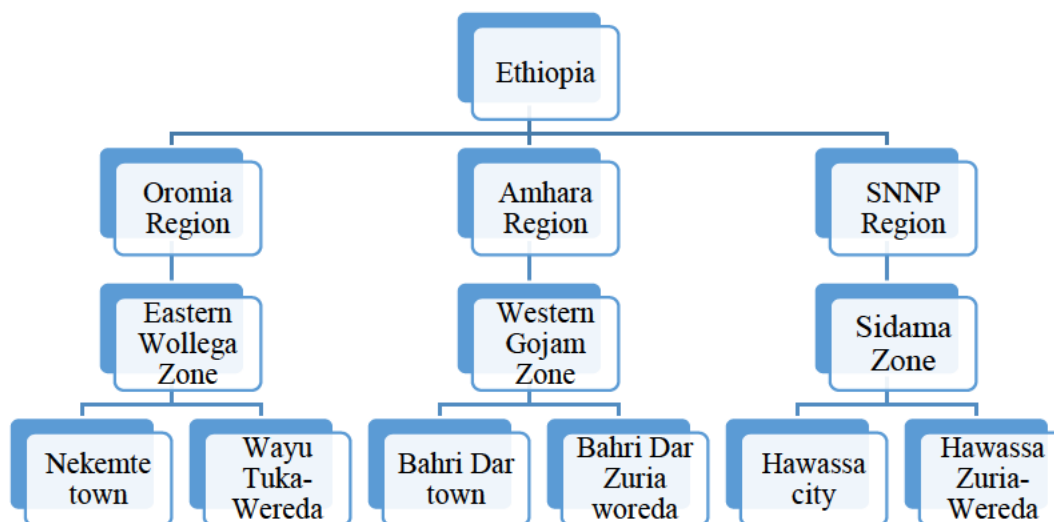


Figure 3:2 Multistage cluster sampling of data collection sites

Source: Researcher's concept (2016)

In addition, to select the sample banks, all the banks were clustered into two clusters based on their ownership: publicly and privately-owned banks. From the public-owned banks or cluster, one bank, the Commercial Bank of Ethiopia, was selected, whereas from the privately-owned banks or cluster, five banks were selected by using the simple random sampling technique. These constitute a sample size of six banks. In order to collect data on the marketing strategies of the bank and the macro-environmental factors, a questionnaire was designed and distributed to all the branches of the selected six banks operating in the selected study sites. Accordingly, all 155 branches of the banks operating in the study area were included in the study.

Once the sampling methods was determined, the researcher had to determine the sample size or how large or small the n should be. It may not help to attain the research objective if the size of the sample (n) is too small (Martins *et al.*, 1996).

In principle, the size of the sample should be big enough to provide a confidence interval of the preferred extent and the size of the sample must be selected by using some logical procedure ahead of time the sample is drawn from the population (Neuman, 1997). According to Kothari (2004:175), there are two other methods for

deciding the sample size. The first method is “to identify the precision of estimation preferred and then to decide the size of the sample desired to assure it” and the second method “uses Bayesian statistics to evaluate the cost of additional information compared to the expected value of the additional information.” The first method is a regularly used method of determining the sample size and is capable of providing a mathematical answer. The second method is hypothetically optimal, but it is rarely used, as measuring the value of information is very difficult. Therefore, in this research, the first approach was adopted to determine the sample size. Accordingly, the sample size of unbanked individuals was determined by using the formula adopted from Kothari (2004) given below. As a result, a total sample size of 384 unbanked individuals was selected. This sample size of unbanked individuals was equally assigned to each selected study site for the study. This will guarantee the proportional representation of the respondents from each region.

$$n = \frac{z^2 \cdot p \cdot q}{e^2} \quad (i)$$

Where p = sample proportion (the value of $p = 0.5$ in which case n will be the maximum and the sample will yield at least the desired precision.), $q = 1 - p$; z = the value of the standard variation at a 95% confidence level, n = size of sample and e = the accepted error (assumed to be 5%).

3.6.4. Measurement scale

A well-defined, competent and accurate measurement scale is a key aspect of descriptive statistics (Page & Meyer, 2003). Thus, identifying the appropriate scale of measurement and being focussed on this feature while measuring the properties of objects or abstract concepts is crucial (Kothari, 2004).

Measurement scales are categorised into four categories: nominal, ordinal, interval and ratio (Cooper & Schindler, 2006; Gray, 2004; Kothari, 2004; Lancaster, 2005; Neuman, 1997). By evaluating their basic characteristics and permissible statistics, the measurement scale used in this research project was selected. Table 3.3 depicts the features of these four scales.

Table 3:2 Comparison of measurement scales

Scale	Basic characteristics	Permissible statistics	
		Descriptive	Inferential
Nominal	Numbers identify and classify objects	Percentages, mode, frequencies	Chi-square, binomial test, cross tabulation
Ordinal	Numbers indicate the relative positions of the objects but not the magnitude of differences between them	Percentile, median, frequencies	Cross tabulation, rank order correlation, Friedman, Kruskal-Wallis ANOVA,
Interval	Differences between objects can be compared; zero point is arbitrary	Range, median, standard deviation	Product-moment correlations, <i>t</i> -tests, Pearson correlation coefficient, Kruskal-Wallis ANOVA, regression, factor analysis
Ratio	Zero point is fixed, ratios of scale values can be computed	Geometric mean, Harmonic mean	Coefficient of variation

Source: Malhotra et al. (2001)

In general, the applicable criteria to evaluate and decide on the measurement scale that was employed in this research project are summarised below:

- ❖ Nominal scales: dichotomous (yes/no) scales, elements are either similar or dissimilar, typical classification (by age, sex, social class, geographic area) using percentages, mode or chi-square.
- ❖ Ordinal scale: rank order, comparative, items are smaller or greater, rankings using percentile, median, ANOVA, rank-order correlation.
- ❖ Interval scale: Associative, Likert, intervals between end-to-end ranks are equal, index numbers, attitude measurement using mean, standard deviation, *t*-tests, ANOVA, product moment correlations, regression and factor analysis.
- ❖ Ratio scale: certain scales with special instructions, comparative and absolute magnitudes possible due to an absolute zero, using geometric and harmonic mean and coefficient of variation.

Considering these characteristics of each measurement scale and the nature of the variables involved in this research project, the researcher adopted the nominal and interval measurement scale that provides the most precise description of the research.

The use is identified as follows:

- Nominal scales: elements are allocated to be mutually exclusive, labelled classifications, but there are no essential relationships among the classes (Page & Meyer, 2000). As discussed above, the only mathematical operation that can be done on such a scale is a count of each group (Malhotra et al., 2001). These scales provide the nominal data, like the demographic characteristics of the respondents. For this research project, the nominal scale measurement is adopted for the demographic section of the questionnaire.
- Interval scales: the numerical value used to rank the items represent equal increments of the characteristics being measured (Malhotra et al., 2001). The use of interval scales for evaluating the marketing strategies, macro-environmental factors and consumer behaviour were applied to the study. The interval scale is also applicable to the questionnaire sections on the marketing mix strategies, macro-environmental factors, level of awareness of banking services, reason for being unbanked, consumer characteristics and intention to use banking services. The interval data were collected by means of the five-point Likert scale.

Once the applicable measurement scales were identified, the questionnaire design was discussed. Therefore, the following section, 3.5.5, focusses on describing the instrument design briefly.

3.6.5. Research instrument design

According to Malhotra et al. (2001), the research instrument mainly determines the quality of the data obtained from the respondents. Dillon et al. (1993) identify that question wording is a vital component in maximising the validity of the survey data.

Kothari (2004) identifies two response formats of questionnaires, namely open-ended and close-ended questions. In open-ended formats of questionnaires, the respondents are endorsed to choose any proper response within the limits implied by the question (Martins et al., 1996). On the other hand, the closed-ended format requires the respondents to select from specified numbers or descriptions that best describes their feelings (Dillon et al., 1993). Closed-ended questions were used to obtain the responses of the respondents in this study due to its ease of use in the field, its ability

to reduce interview bias and the ability to reduce bias based on the differences in the respondents' articulation (Dillon *et al.*, 1993).

Two types of questionnaires were used in this research project. The first one is concerned with identifying the marketing strategies employed by the banks and the macro-environmental factors that affect their marketing strategies. The second questionnaire was drafted for the unbanked individuals to investigate their level of awareness of banking service, consumer characteristics, intention to use banking services and reasons for being unbanked. The detail of the two sets of questionnaires is discussed below.

A. Questionnaire for bank managers

This questionnaire involves three sections as observed in Appendix C.

i) Section A

Section A of this questionnaire consisted of the questions relating to the general information about the respondents, specifically to understand the banks they work for, experience and position held in the bank. These questions were used as opening questions, as identified by Neuman (1997), that the first section of the questionnaire must be made up of the opening questions, also known as the initial questions.

ii) Section B

This section consisted of the questions concerning the marketing mix strategies employed by the banks. The questions in this section were grouped into seven variables (product or service strategies, pricing strategies, promotional strategies, place or distribution strategies, people strategies, service delivery process strategies and service physical evidence strategies) identified in the literature as a measurement of the marketing mix strategy. The respondents were requested to rate their level of agreement on the various questions related to the marketing mix strategies employed by the banks by using a five-point Likert scale, ranging from 1 (strongly disagree) to

5 (strongly agree). The detail of each question under each variable is discussed below:

- Service strategies: under this variable, eight questions were designed to measure the service strategy components, like brand reputation, innovation, service efficiency, service range and customer need recognition. The questions were adopted from different researchers (Ahmad *et al.*, 2013; Kumar, 2013; Yasanallah & Vahid, 2012; Akroush, 2011; Saritha, 2011; Cheng, 2006; Önce, 2000) in the marketing strategy discipline.
- Price strategies: this variable consisted of six questions to address the matter of how the banks set their service prices. Particularly, the questions on whether the bank considers the customers, marketplaces, different segments, regulation and interest rates while setting their service prices, were raised for the respondents to rate their level of agreement using the five-point Likert scale. The questions were adopted from different empirical research studies (Lathang, Suthar & Pradhan, 2014; Kumar, 2013; Oke, 2012; Shameem & Gupta, 2012; Saritha, 2011; Shem, 2009; Anand & Murugaiah, 2004).
- Promotional strategies: one of the important marketing strategies to attract and retain the consumers is the promotional strategy. Seven questions were developed to address this strategy in the questionnaire. Particularly, the content of these questions included advertising, word-of-mouth communication, educational programmes, publicity and public relations, direct marketing, communication and sponsoring matters (Arina, 2015; Familmaleki, Aghighi & Hamidi, 2015; Chinakidzwa, 2014; Ahmad *et al.*, 2013; Aliata & Aila, 2012; Akroush, 2011; Lindholm, 2008). These questions helped the researcher to explore the promotional strategy employed by the banks.
- Place or distribution strategies: the service placing strategy also has an impact on customer attraction and market share expansion, specifically to attract new consumers, like the unbanked individuals, to the banking system where the service location plays an important role. Under this variable, seven questions were designed to assess how the bank locates its branches to make its services

accessible to different geographical areas, to use the intermediaries, electronic distribution channels, practice of market segmentation and convenience of service operation time. These questions were adopted from empirical studies from different marketing strategies (Mohammad, 2015; Maharishi & Bhardwaj, 2014; Pour *et al.*, 2013; Kalaimani, 2013; Kumar, 2013; Ketabi, 2012; Muinde, 2009).

- People strategies: this strategy focuses on how different departments in the bank are co-ordinated, employees' level of training, interactive behaviour and appearance of employees, and interaction quality of employees. The respondents had to respond to seven questions related to people strategy, which are adopted from different research studies (Islam & Rahman, 2015; Mohammad, 2015; Maharishi & Bhardwaj, 2014; Kalaimani, 2013; Pour *et al.*, 2013).
- Service delivery process strategies: under this variable, the respondents were asked six questions to rate their level of agreement on the matters, like usage of information technology, design of the service delivery process, steps and activities required to deliver services, and availability of standard procedures. These questions were adopted from different empirical studies in the field of marketing strategies (Islam & Rahman, 2015; Kalaimani, 2013; Kaura, 2013; Kumar, 2013; Maharishi & Bhardwaj, 2014; Mohammad, 2015; Muinde, 2009).
- Service physical evidence strategies: this variable consisted of five questions on which the respondents had to rate their level of agreement by using the five-point Likert scale. The questions were designed to address concepts, like designing the working atmosphere, physical environment, furnishing and colours for creating a friendly atmosphere, designing facilities and layout, parking and contact address (Islam & Rahman, 2015; Ahmad *et al.*, 2013; Pour *et al.*, 2013; Shameem & Gupta, 2012; Yasanallah & Vahid, 2012; Akroush, 2011).

iii) Section C

The third section of the questionnaire was concerned with evaluating the extent to which the macro-environmental factors of the bank affect their marketing strategy. This section consisted of four variables (political or legal environment, economic environment, sociocultural environment and technological environment) identified by reviewing different empirical and theoretical studies (Jima & Raju, 2015; Bhardwaj & Kumar, 2014; Dauda & Ismaila, 2013; Koumparoulis, 2013; Barbu & Orzan, 2012; Kiragu, 2012; Kakazoukis, 2011). The respondents are requested to rate on a five-point Likert scale the extent to which it affects their marketing strategies practice, ranging from 1(not at all) to 5 (very great extent).

- Political or legal factor: this factor is concerned with matters related to the government's rules and regulations, political stability, infrastructure provision and incentives from the government. The respondents were asked eight questions adopted from different empirical and theoretical reviews (Jima & Raju, 2015; Bhardwaj & Kumar, 2014; Dauda & Ismaila, 2013; Koumparoulis, 2013; Barbu & Orzan, 2012; Kiragu, 2012; Kakazoukis, 2011) to rate the extent to which they affect their marketing strategy.
- Economic factor: this factor consisted of eight questions related to economic growth, employment, labour, inflation and interest, and monetary policy. The questions were designed by reviewing different literature (Jima & Raju, 2015; Bhardwaj & Kumar, 2014; Dauda & Ismaila, 2013; Koumparoulis, 2013).
- Sociocultural factor: the questionnaire consisted of six questions concerning this variable. They were designed to measure the influence of demography, religion/ethnic/culture, population attitude and trends or lifestyles on the banks' marketing strategies.
- Technological factor: it had five questions that measure the new technology impact, innovation, access, and cost of technology and life cycle. According to Koumparoulis (2013), Pîndiche and Ionita (2013), Retnowati (2013), and Barbu and Orzan (2012), the technological factor has a significant impact on the marketing mix strategy of an organisation.

B. Questionnaire for unbanked individuals

This questionnaire was developed to gather data from the unbanked individuals on different attributes. The purpose of this questionnaire is to get the demographic characteristics of the unbanked respondents, obtaining information on their level of awareness of banking services, reason for being unbanked, and the factors affecting their intention to use banking services. This questionnaire had four sections, as observed in Appendix D. Details of the questions in this questionnaire are discussed below.

i) Section A: Demographic information

This section consisted of eight questions related to the unbanked individuals' demographic characteristics, including age, gender, level of education, total monthly income, occupation, employment sector, marital status of the respondents. These demographic characteristics were used to test whether they affected the respondents' intention to use banking services.

ii) Section B: Level of awareness of banking service

The second section of this questionnaire was concerned with evaluating the unbanked individuals' level of awareness of banking services by using a five-point Likert scale, ranging from 1 (unknown) to 5 (very well known). This section consisted of 11 items, which listed the existing banking services offered by the Ethiopian banks and the respondents were requested to rate their level of awareness about these services. Based on their responses, the respondents' level of awareness of the banking services in the country was evaluated.

iii) Section C: Reason for being unbanked

In this section, the respondents were asked to rate their level of agreement on the major reasons provided for them on the five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). By reviewing the empirical and theoretical literature, 16 major reasons for being unbanked were identified (Breitbach &

Walstad, 2014; Inganga et al., 2014; Goodstein & Rhine, 2013; Coetzee, 2009; Hogarth *et al.*, 2003; Caskey, 2002). The responses of the respondents were used to determine the major reasons that prevent them from entering the banking system in Ethiopia.

iv) Section D: Unbanked individuals' behaviour on banking services

This section of the questionnaire was designed to gather information on the factors affecting the unbanked individuals' intention to use banking services. It consisted of questions related to cultural, psychological, social and personal factors. The respondents were asked to rate their level of agreement on a five-point Likert scale, ranging from 1 (strongly agree) to 5 (strongly disagree) on 34 questions. Seven questions related to cultural factors, 11 questions to psychological factors, nine questions to social factors and seven questions to personal factors. In addition, there were six questions that measured the respondents' intention to use banking services in the near future. The questions were designed by reviewing various empirically and theoretically reviewed studies (Chepkangor *et al.*, 2015; Khaniwale, 2015; Vidyakala *et al.*, 2015; Durmaz, 2014a, 2014b; Jisana, 2014; Rani, 2014; Abdu, 2013; Furaiji *et al.*, 2012; Miremadi & Faghani, 2012). The constituents of each factor are discussed one by one hereunder:

- Cultural factors: cultural factors determine the most basic values that influence the consumers' buying behaviour patterns, which include the buyers' cultures, subcultures and social classes (Jisana, 2014). Accordingly, the questions for this factor were designed by focusing on its components. The questions are adapted from different empirical and theoretical literature (Khaniwale, 2015; Durmaz, 2014b; Jisana, 2014; Kotler & Armstrong, 2012).
- Psychological factors: the questions to measure this factor were adapted from different researchers (Khaniwale, 2015; Durmaz, 2014a; Jisana, 2014; Gajjar, 2013; Guo, 2011), which included motivation, perception, learning, beliefs and attitude.
- Social factors: the questions concerning social factors included components like reference groups, family, role and status (either directly or indirectly) and

purchase decisions of the consumers. The questions were adapted from reviewing empirical studies and theories (Khaniwale, 2015; Chepkangor *et al.*, 2015; Zain *et al.*, 2014; Maditinos *et al.*, 2013; Duy, 2012).

- Personal factors: This factor consists of the buyers’ characteristics, such as age and life stage, economic situation, occupation, lifestyle and self-concept (Rani, 2014; Abdu, 2013; Gajjar, 2013; Nagarkoti, 2009). The questions for this factor were developed based on these elements.

3.6.5.1. The linkage between the questions and research objectives

There should be a linkage between the questions designed and the objectives to be attained. Table 3.4 identifies these links for this research project.

Table 3:3 Linkage between research objectives and questions

Research objectives	Questions
To explore the marketing strategies currently being used in the Ethiopian banks and to determine their strengths and weaknesses.	Section B of questionnaire for the marketing managers.
To determine the effect of the macro-environmental factors on the bank’s marketing strategies.	Section B and C of questionnaire for the marketing managers.
To determine the unbanked individuals’ level of awareness of banking services and reasons for being unbanked.	Section B and C of questionnaire for the unbanked individuals.
To determine the influence of the unbanked individual’s demographic factors on their intention to use banking services.	Section A and D of questionnaire for the unbanked individuals.
To determine the impact of the consumer’s characteristics (cultural, psychological, social and personal factors) on the intention to use banking services.	Section D of questionnaire for the unbanked individuals.
To determine the marketing strategies best suited to bank the unbanked in Ethiopia.	All the questions in both sets of questionnaires.

Source: Researcher’s concept (2016)

3.7. Data analysis

According to Kothari (2004), the data collected have to be processed and analysed based on the framework laid down for the purpose at the time of developing the research proposal. In principle, processing represents editing, coding, classifying and tabulating the gathered data for analysis (Malhotra *et al.*, 2001). The data analysis implies the calculation of certain measures along with looking for the relationship

that exists among the data groups (Kothari, 2004). Prior to the discussion of the statistical data analysis technique employed, the data processing, like editing and coding the raw data is presented briefly.

3.7.1. Data editing and coding

Data editing is an act of examining the raw data collected to detect omissions and errors and correct these when possible (Kothari, 2004). Cooper and Schindler (2006) suggest editing before analysing the data to notify the researcher to check the data for inaccuracies that might have slipped in during the process of data entry. Editing includes a careful inspection of the completed questionnaires. It is undertaken to confirm that the data are uniformly entered, accurate, as complete as possible, consistent with other facts gathered, and have been well organised to facilitate coding and tabulation (Gray, 2004). Once the data are edited and error-free, the data can be statistically adjusted. In this research process, all the respondents' completed questionnaires were enthusiastically checked for accuracy and completeness.

On the other hand, coding is the procedure of conveying numerals or other symbols to the responses to categorise them into a few classes or categories (Kothari, 2004). Page and Meyer (2000) also state that coding is the translation of the survey responses into numbers, which allows the researcher to conduct quantitative analysis. Moreover, Malhotra et al. (2001) indicate that coding is essential for the efficient analysis and to reduce the numerous replies of the respondents to a small number of classes which cover necessary critical information for analysis. Typically, coding decisions should be undertaken at the questionnaire design stage (Lancaster, 2005). In this research project, numerical values were assigned in the questionnaire design stage and a coding frame was established, simplifying the data capture.

3.7.2. Validity and reliability

In this study, the method in which the survey instrument was constructed ascertains that there was internal and external validity. According to Cooper and Schindler (2006), external validity takes place when the outcomes of the study can be generalised to all the elements of the population. Provided that, in this study, a

sample was used, it was authoritative that the results stemming from the research could be generalised to all the elements of the population.

Kothari, (2004) states that internal validity happens when the investigator can determine the causal effects of the study variables. Cooper and Schindler (2006) suggest that the researcher should also ensure whether the research instrument covered all the research questions, called content validity. Internal validity was also ensured while designing the questionnaire in this study.

In addition, during the design of the questionnaire, other factors were also considered to ensure its validity, such as the distribution of the questionnaires and the availability of a budget for the design of the questionnaire. Moreover, the researcher ensured that the survey questionnaires were disseminated at the times that were suitable to the respondents. In this study, the survey questionnaire was also written in clear and simple English to ensure interpretability and translated to the local languages by professionals, facilitating consistency and ease of completion. Finally, the survey questionnaire was polished in harmony with the suggestions provided by the respondents and the experts during the pilot study. In general, all these aspects ensured that it was applied for the researcher to undertake the study.

Reliability consists of the quality of measurement and it applies to the extent of similarity between independent tries to evaluate the same theoretical concept (Cooper & Schindler, 2006). It is basically concerned with the matters of consistency of a measure (Malhotra *et al.*, 2001). Similarly, Page and Meyer (2000) regard reliability to be attained when the research instrument delivers similar recurring measures concerning some constant factor, involving the consistency of a technique in its capability to provide reproducible results.

Bryman and Bell (2007) identify the aspects of reliability that were considered by the investigator, for example, stability, internal reliability and inter-observer consistency. Accordingly, the questionnaire is stable if little disparity between the outcomes acquired in the first case and those attained when the measure was used for the second time could be distinguished. Consistency refers to the way the respondents

responded to the questionnaire and the researcher should ensure this by giving attention to the questionnaire design to ensure that the respondents' scores relate to the scores of any other indicator. This was accomplished to display internal reliability. The Cronbach's alpha coefficient was also used in this respect for the study. The nearer the Cronbach's alpha coefficient is to 1, the more internally reliable the instrument is. Inter-observer consistency is relevant if more than one observer is used since there could possibly be a lack of consistency in their decisions.

3.7.3. Descriptive statistics

According to Cooper and Schindler (2006), the descriptive study provides the researcher with the present profiles of companies, persons, workgroups or other subjects in the research study on any of a multiple of characteristics. In addition, Gray (2004) states that the collected data of a research study should be concisely and clearly presented, which facilitates a full understanding of the information. Moreover, Page and Meyer (2000) indicate that descriptive statistics involves both specific figures and means by presenting data in tabular arrangements to make the information concise but clear to the reader.

Bryman and Bell (2007) identify that most common descriptive statistical tools used to present the characteristics of the study variable include frequency distributions, measures of central tendency and measures of dispersion or variability. In this study, descriptive statistics of frequency distribution (frequency and percentage), measure of central tendencies (mean) and measure of dispersion (standard deviation) were employed to provide a clear outlook of the respondents' demographic characteristics, level of awareness of banking services, reason for being unbanked and marketing mix strategies employed by the bank managers. This analysis offers an enhanced understanding and explanation of the upcoming analysis. Moreover, the researcher used tables and figures to present the data collected from the respondents.

3.7.4. Inferential statistics

This research aimed at elucidating the relationship that exists between the research variables and would like to draw conclusions by analysing the sample group of a

larger population. According to Saunders et al. (2000), to realise these purposes, the researcher needs to employ inferential statistical methods. Mouton (2001) defines inferential statistics as a sampling statistic, which is primarily concerned with the estimation of population parameters and hypotheses testing. Statistical tests make up an essential constituent of inferential statistics. For different types of data, there are different appropriate statistical tests.

According to Cooper and Schindler (2006), a clear difference between non-parametric tests and parametric tests need to be drawn to decide on the selection of the most appropriate statistical test. The parametric test is the test which offers generalisations for making statements about the population (Bryman & Bell, 2007). The underlying assumption for the parametric test is that there is a normal distribution of the variables and the mean is known or assumed to be known (Saunders *et al.*, 2000). The parametric tests are only appropriate when the data are scaled with intervals or are ratio-scaled (Gray, 2004). It is also used to clearly label the relationships among the various variables in the population and is significant to be able to deliver more accurate results (Page & Meyer, 2000).

On the other hand, Cooper and Schindler (2006) define non-parametric test as the hypothesis test that is not dependent on the underlying assumptions, for instance, it does not need the population's distribution. The non-parametric test is primarily based on variances in medians (Bryman & Bell, 2007). According to Gray (2004), this test is also known as the distribution-free test. It assumes that the study variables are measured on an ordinal or nominal level (Saunders *et al.*, 2000). Moreover, Page and Meyer (2000) state that non-parametric tests are less likely to ascertain a difference in the relationship between the variables in the population. In general, the differences between the two tests are summarised below.

Table 3:4 Key differences between parametric and non-parametric tests

Parametric test	Non-parametric test
The test statistic is based on distribution	The test statistics is arbitrary
Underlying assumption	Non-metric independent variables
Done on interval or ratio level	Done on nominal or ordinal scale
The measure of central tendency is mean	The measure of central tendency is median
Complete information about the population	No information about the population
Pearson's coefficient of correlation is used	Spearman's rank correlation is used
T-test is used	Chi-square is used

Source: Compiled from literature (2016)

A parametric statistical test was applied to this study. These statistical tests included a significance test (*t*-test and ANOVA), factor analysis and Cronbach's coefficient alpha (α), which are explored briefly hereunder.

3.7.4.1. Significance test

Significance test is a measurement of the significant relationship or effect between phenomena or variables that are of interest to the investigator (Malhotra *et al.*, 2001). It produces *p-values*, indicating that the relationship or effect between the variables are significant or not (Page & Meyer, 2000). For this study, a significant result is produced if the *p-value* is less than 5 percent, unless a test result is marked as insignificant. However, the test statistics are optimal at 1 percent cut-off. For this study, it was a 5 percent cut-off. It means that the *p-values* of greater than 5 percent represents an insignificant result and vice versa.

One-way analysis of variance (ANOVA) was used in this study to test the effects of demographic factors on the participants' intention to use banking services in Ethiopia. ANOVA is a statistical test used to identify if there are significant differences among the means of two or more independent samples (Gray, 2004). According to Bryman and Bell (2007), ANOVA compares the means between the samples in which the researcher is interested and determines whether there is a statistically significant difference between any of those means. In addition, Kothari (2004) states that ANOVA is fundamentally a technique for testing the difference among different groups of data for homogeneity. It allows the researchers to determine whether various groups within a sample differ with respect to the independent variables being examined (Page & Meyer, 2000). The *F*-test is a

statistical method that ascertains if there is more inconsistency in the scores acquired for one sample group related to the other sample group (Kothari, 2004).

In addition to ANOVA, the *t-test* will be used to ascertain if a statically significant difference existed in an unbanked person's intention to use banking services regarding gender.

3.7.4.2. Factor analysis

Factor analysis is a common name for a set of multivariate statistical procedures whose main purpose is to condense a set of variables, items or measures to a smaller set of common factors (Hair, Black, Babin & Anderson, 2010). It is observed that factor analysis can be used to determine whether items are used to measure construct(s), which can be put together in groups that are commonly known as factors (Churchill, 1996). Reducing data simplifies decision-making as it helps the researcher to identify variables which are more significant in some analysis than others (Hair *et al.*, 2010).

There are two categories of factor analysis, namely exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) (Zikmund, Babin, Carr & Griffin, 2010). The EFA is used to reduce the data confined in many variables to several small factors to maximise the validity of the instruments (Hair *et al.*, 2010). On the other hand, the CFA is used to execute the structure of the factors before performing an analysis (Zikmund *et al.*, 2010). Both the EFA and CFA were employed in this study because of its simplicity, as well, the testing of the structural relationship among the extracted factors were done.

The major outputs of the factor analysis are factor loading and the eigenvalue. The loading specifies the degree to which a variable loads on a factor and it is used to determine how a factor is strongly correlated with a measured variable (Zikmund *et al.*, 2010). The EFA is based on these loadings for a good interpretation. Moreover, interpretation is simple if a clear pattern of loadings appears (Hair *et al.*, 2010). For this study, a factor loading value of 0,4 and above was considered, as suggested by Pallant (2013). On the other hand, an eigenvalue is used to determine the number of

factors that occur among several variables in a factor analysis (Bryman & Bell, 2007). It is a measure used to determine the extent of the variance explained by each factor (Page & Meyer, 2000). Pallant (2013) suggests that the number of the factors retained is based on the eigenvalues greater than 1. Accordingly, in this study, the factors with eigenvalues greater than 1 were retained.

The factor extraction was done by using a Principal Axis Factoring (PFA), which is a quite straightforward method (Page & Meyer, 2000). In order to get a clear pattern of loadings, oblique rotation – direct oblimin rotation - was used because it makes interpretation easier (Bryman & Bell, 2007). Furthermore, to test the internal consistency of the extracted factors, Cronbach's alpha was used.

Once data was reduced by using the factor analysis, the Structural Equation Model (SEM) was constructed to determine the relationships between the identified variables (Hair *et al.*, 2010). Based on the results of the SEM, the effects of the independent variables (consumer characteristics) on the dependent variables (intention to use banking services) were determined.

3.7.4.3. Cronbach's coefficient alpha

According to Bryman and Bell (2007), the Cronbach's alpha is a measure used to evaluate the reliability, or internal consistency, of a questionnaire. Saunders *et al.* (2000) argue that the reliability of a questionnaire depends on the extent to which it is capable to measure what it is supposed to measure consistently. Mouton (2001) also states that the Cronbach's coefficient alpha is a common reliability test employed for the purpose of forming the internal consistency of a survey instrument consisting of several item measurement scales.

The Cronbach's alpha is calculated in terms of the average inter-correlation among the items, measuring the model (Malhotra *et al.*, 2001). The output α coefficient of the reliability test ranges from 0 to 1 depending on the overall evaluation of an instrument's reliability (Bryman & Bell, 2007). If the entire scale elements are completely independent of one another, for instance, they do not share any covariance or they are not associated, the Cronbach's coefficient $\alpha = 0$ and if the

entire scale items have a high covariance, the Cronbach's coefficient α will approach 1 as the number of the elements in the scale approaches infinity (Cooper & Schindler, 2006).

According to Gray (2004), the higher the Cronbach's coefficient α , the more the elements have shared covariance and possibly measure similar underlying concepts. The decision of what makes a Cronbach's coefficient alpha "good" basically relies on the researcher's theoretical knowledge of the scale in question and are entirely arbitrary (Kothari, 2004). However, many methodologists recommend a minimum Cronbach's coefficient α between 0,65 and 0,8 or higher in many cases; α coefficients that are less than 0,5 are usually unacceptable (Bryman & Bell, 2007; Cooper & Schindler, 2006; Mouton, 2001; Saunders *et al.*, 2000; Page & Meyer, 2000; Churchill, 1996). In this study, to establish the internal consistency of a questionnaire, the Cronbach's coefficient alpha was used with both the dichotomous items, as well as the multipoint items. In general, this study adopted the Cronbach's coefficient alpha criteria suggested by Pallant (2013), while a value less than 0,5 is considered low, above 0,7 is acceptable and values above 0,8 are preferable.

3.8. Ethical considerations

Ethics is a moral principle or value which shapes the behaviour of an individual (Zikmund *et al.*, 2010). Ethical considerations are critical in any research as it affects the respondents, clients and research professionals (Kothari, 2004). Ethical considerations in conducting research include privacy, consent and deception, voluntary participation, confidentiality, the way the data were collected, the general management or use of data collected and the behaviour of the researcher (Saunders *et al.*, 2000).

Accordingly, in this study, the method in which the research was done, and the survey instruments were constructed, ensured that the respondents were not embarrassed. Trustworthiness, lack of coercion, sincerity and confidentiality are key considerations in research; thus, in the questionnaire, this study ensured the confidentiality of data collected from each respondent to warrant open and honest responses without fear of accusation. In addition, the participants were informed that

they would remain anonymous throughout the study. Moreover, the respondents were made aware that their involvement in the study was voluntary and that they could withdraw at any time. The researcher also briefly explained to all the respondents how the research data would be stored and disposed of once the study was completed. Furthermore, the researcher undertook the study after getting a consent letter from the concerned body to collect data, which made the research work smooth and developed a positive relationship. Overall, in this research, the researcher makes sure that the research ethical policy of the University of KwaZulu-Natal was obeyed and ethical clearance certificate was obtained from University of KwaZulu-Natal research office. The certificate sought was attached in appendix B.

3.9. Summary

This chapter endeavoured to deliver a general view of the research methodology employed in this research project, beginning by discussing the research process, redefining the research problem and the research design employed, specifying that this study employed the quantitative research methods and depending more upon the survey technique to reach major findings. A brief explanation was also made to describe the population and sample involved in the study. The researcher discussed the different sampling approaches that were considered before a suitable one was selected. This chapter was also able to deliver a precise picture of the method employed to construct the research instrument. In addition, the information on the data collection method, presentation and analysis was discussed briefly. Furthermore, reliability test was also incorporated into the internal consistency procedure. Finally, the most important ethical matter, which the researcher considered in this research work, was provided. The upcoming chapter, Chapter Four, presents the results of the study.

CHAPTER FOUR : RESEARCH FINDINGS

4.1. Introduction

The research methodology employed in this study was discussed in the previous chapter. This chapter focuses on presenting an empirical analysis of the data collected from the target respondents through questionnaires and a review of the secondary data. A set of two questionnaires were developed (see Appendix C and Appendix D), to collect the data from a total of 155 bank managers and 384 unbanked individuals. A total of 153 questionnaires were fully completed and returned by the bank managers and all 384 questionnaires, distributed to the unbanked respondents in the study area, were fully completed and returned. This comes to a total response rate of 98% and 100% of the bank managers and the unbanked respondents respectively. The data were screened, coded, edited and captured by using Microsoft Excel and the statistical analysis was conducted by using the Statistical Package for Social Sciences – SPSS version 24.

Descriptive and inferential statistics were applied to test the associations of the data set. The measures include percentage, mean, standard deviation, Cronbach's alpha, ANOVA test of significance and one sample *t*-test were used to facilitate the interpretation and evaluation of the data. Moreover, the Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) were employed and presented in the previous chapter.

The aforementioned analysis provided a basis for the discussion of the statistical analysis using regression analysis and structural equation modelling. The results were presented in the form of tables, graphs and figures. Particularly, the presentation of the results of the data analysis follow the research objectives that were outlined in Chapter One. Finally, this chapter summarised the key summary of the statistical findings, facilitating the result discussion, conclusion and recommendation.

4.2. Marketing strategies currently being used in the Ethiopian banks

In order to explore the Ethiopian banking sector's marketing strategies and operations, the data were gathered from bank managers through questionnaires and the secondary data were collected from annual reports of the National Bank of Ethiopia (Central bank). Based on these data, the researcher analysed the marketing strategies being used by the banking sector in Ethiopia to reach the unreached population. This is aimed at achieving the research objective of exploring the marketing strategies currently being used in the Ethiopian banks and determining its strengths and weaknesses. The results of the analysis are presented in the following sections, 4.2.1, 4.2.2 and 4.2.3.

4.2.1. Marketing mix strategies employed by banks in Ethiopia

This section presents the analysed results of the questionnaire distributed to and collected from the bank managers. The analysis for this section is based on the responses of 153 branch managers to questions on the marketing mix strategies. The responses of all the respondents to each question were summarised using a five-point Likert scale. The numerical values of the scale ran from 1 to 5 (Strongly Disagree = 1, Disagree = 2, Neutral = 3, Agree = 4, and Strongly Agree = 5). The tests used in the analysis are descriptive statistics, one sample *t*-test and Friedman's test to test if the average agreement score is significantly different from a neutral score of 3.

1. Service strategies

Table 4.1 shows the marketing managers' responses to their level of agreement on the components of service strategies employed by their respective banks. Based on these responses, one sample *t*-test was conducted on each question independently to determine whether there is a significant difference in the level of agreement of the bank managers on the service strategies employed by them. The results indicated that there is a significant agreement that the bank builds a brand reputation by providing a distinctive service quality ($M = 4.20$, $SD = .738$), $t(152) = 20.165$, $p < .0005$, the bank has employees who play a crucial role in building brand reputation ($M = 4.22$, $SD = .873$), $t(152) = 17.222$, $p < .0005$, the bank introduces new services as a

strategic tool for attracting and retaining customers ($M = 4.65$, $SD = .739$), $t(152) = 27.580$, $p < .0005$, the bank has a well-established plan for developing new services ($M = 4.37$, $SD = .767$), $t(152) = 22.019$, $p < 0.0005$, the bank delivers efficient and quality services to its customers ($M = 4.05$, $SD = .798$), $t(152) = 16.219$, $p < 0.0005$, all the customers who come into the bank will receive the required services ($M = 3.79$, $SD = .984$), $t(152) = 9.937$, $p < .0005$, the bank understands the customers' needs in order to develop new services ($M = 4.19$, $SD = .944$), $t(152) = 15.584$, $p < .0005$, and the bank offers a considerable range of bank service types ($M = 4.10$, $SD = .909$), $t(152) = 14.946$, $p < .0005$.

Table 4:1 Bank managers' responses on service strategies

Level of agreement	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
The bank builds brand reputation by providing a distinctive service quality.	153	4.20	.738	20.165	152	.000
The bank has employees who play a crucial role in building brand reputation.	153	4.22	.873	17.222	152	.000
The bank introduces new services as a strategic tool for attracting and retaining customers.	153	4.65	.739	27.580	152	.000
The bank has a well-established plan for developing new services.	153	4.37	.767	22.019	152	.000
The bank delivers efficient and quality services for its customers.	153	4.05	.798	16.219	152	.000
All the customers who come into the bank will receive the required services.	153	3.79	.984	9.937	152	.000
The bank understands the customer's needs to develop new services.	153	4.19	.944	15.584	152	.000
The bank offers a considerable range of bank service types.	153	4.10	.909	14.946	152	.000

Source: Field data (2016)

The above results also indicate that while there is a significant agreement that all the service strategies are in place, the analysis shows that among the constituents, the bank introduces

new services as a strategic tool for attracting and retaining customers which are significantly higher than all the other components ($p < .0005$). However, the service strategies component that “all the customers come into the bank will receive the required services” records the lowest score and so, while in place, is not as good as the other constituents.

2. Pricing strategies

Table 4:2 Bank managers’ responses to pricing strategies

One sample test						
Level of agreement	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
The bank prices its services based on a predetermined rate of return.	153	3.74	1.202	7.601	152	.000
The bank prices its services based on what the customers are willing to pay.	153	3.80	1.298	7.661	152	.000
The bank prices its services based on the prices in the marketplace.	153	3.55	1.219	5.571	152	.000
The bank has different price levels according to the market segments which it serves.	153	3.73	1.272	7.117	152	.000
The bank service fees, interest rates and different commissions are determined based on the customers’ will.	153	2.71	1.336	-2.662	152	.009
The bank prices its services based on central bank regulations.	153	3.96	1.044	11.380	152	.000

Source: Field data (2016)

Table 4.2 shows that there is a significant agreement that the bank prices its services based on a predetermined rate of return ($M = 3.74$, $SD = 1.202$), $t(152) = 7.601$, $p < .0005$, the bank prices its services based on what the customers are willing to pay ($M = 3.80$, $SD = 1.298$), $t(152) = 7.661$, $p < .0005$, the bank prices its services based on the prices in the marketplace ($M = 3.55$, $SD = 1.219$), $t(152) = 5.571$, $p < .0005$, the bank has different price levels according to the market segments which it serves ($M = 3.73$, $SD = 1.272$), $t(152) = 7.117$, $p < .0005$, and the bank prices its services based on central bank regulations ($M = 3.96$, $SD = 1.044$), $t(152) = 11.380$, $p < .0005$.

.0005. However, there is a disagreement on the bank's service fees, interest rates and different commissions are determined based on the customers' will ($M = 2.71$, $SD = 1.336$), $t(152) = -2.662$, $p > .0005$.

From these results, one can understand that the banks in Ethiopia are pricing their services based on central bank regulations. The significant agreement level is higher than all the other pricing strategies ($p < .0005$). This is also justified by the bank managers who significantly disagreed on their banking service fees, interest rates and different commissions, as being determined based on the customers' will, which indicates there are predetermined prices for banking services by central bank regulations.

3. Promotional strategies

Table 4.3 indicates that there is a significant agreement that the bank uses advertising media, such as television, radio, newspapers, and magazines ($M = 4.52$, $SD = .967$), $t(152) = 19.391$, $p < .0005$; the bank encourages its customers to use word-of-mouth communication to recommend its services to other customers ($M = 4.14$, $SD = .983$), $t(152) = 14.395$, $p < .0005$; the bank uses publicity and public relations to enhance its image ($M = 4.19$, $SD = .985$), $t(152) = 14.936$, $p < .0005$; the bank uses direct marketing methods, such as telemarketing, direct mail, the internet ($M = 3.45$, $SD = 1.251$), $t(152) = 4.459$, $p < .0005$; the bank's marketing communication tools focus on sending a unified message ($M = 3.59$, $SD = 1.156$), $t(152) = 6.295$, $p < .0005$; and the bank sponsors special events, such as sports, charities, and seminars...etc ($M = 3.81$, $SD = 1.302$), $t(152) = 7.702$, $p < .0005$. However, the bank managers significantly disagree that their banks have planned educational programmes on banking services for the customers ($M = 2.58$, $SD = 1.394$), $t(152) = -3.7770$, $p < .0005$.

The above result implies that banks in Ethiopia use advertising media, such as television, radio, newspapers, and magazines to promote their services, where the significant agreement level for this is higher than all the other promotional strategies ($p < .0005$). However, utilisation of direct marketing methods, such as telemarketing,

direct mail, the internet to promote the service of banks, records the lowest level of agreement on promotional strategies and so, while in place, is not as good as the other strategies.

Table 4:3 Bank managers' responses to promotional strategies

One sample test						
Level of agreement	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
The bank uses advertising media, such as television, radio, newspapers, and magazines.	153	4.52	.967	19.391	152	.000
The bank encourages its customers to use word-of-mouth communication to recommend its services to other customers.	153	4.14	.983	14.395	152	.000
The bank has planned educational programmes on banking services for the customers.	153	2.58	1.394	-3.770	152	.000
The bank uses publicity and public relations to enhance its image.	153	4.19	.985	14.936	152	.000
The bank uses direct marketing methods, such as telemarketing, direct mail, the internet.	153	3.45	1.251	4.459	152	.000
The banks' marketing communications tools focus on sending a unified message.	153	3.59	1.156	6.295	152	.000
The bank sponsors special events, such as sports, charities and seminars.	153	3.81	1.302	7.702	152	.000

Source: Field data (2016)

4. Place or distribution strategies

As indicated in Table 4.4, the bank managers significantly agreed that their banks use branches to access its services to different geographic areas ($M = 4.19$, $SD = .985$), $t(152) = 14.936$, $p < .0005$, their banks use electronic distribution channels, such as mobile, ATM and internet to deliver its services to different areas ($M = 4.10$, $SD = 1.024$), $t(152) = 13.258$, $p < .0005$, their banks use multi-distribution channels to deliver its services to different customer groups ($M = 3.45$, $SD = 1.251$), $t(152) = 4.459$, $p < .0005$, their banks practice market segmentation in order to assign the appropriate distribution channel to each market segment ($M = 4.19$, $SD = .944$), $t(152) = 15.584$, $p < .0005$, and their banks have convenient opening hours for

customers to access services (M= 4.10, SD= .909), $t(152) = 14.946$, $p < .0005$. However, there is a significant disagreement that the banks use intermediaries, such as brokers and agents (M = 2.44, SD = 1.164), $t(152) = -5.906$, $p < .0005$, and the banks' services are accessible to different customer groups in terms of location (M = 2.43, SD = 1.234), $t(152) = -5.699$, $p < .0005$. From this, it can be understood that the banks in Ethiopia use branches, mobile, ATM and the internet to make their services accessible to the population in different geographical areas, but the use of intermediaries and agents are not in place, as the managers significantly disagreed.

Table 4:4 Bank manager's responses to place or distribution strategies

Level of agreement	One sample test			Test Value = 3		
	N	Mean	Std. Deviation	t	df	Sig. (2-tailed)
The bank uses branches to access its services to different geographical areas.	153	4.19	.985	14.936	152	.000
The bank uses intermediaries, such as brokers and agents.	153	2.44	1.164	-5.906	152	.000
The bank services are accessible to different customer groups in terms of location.	153	2.43	1.234	-5.699	152	.000
The bank uses electronic distribution channels such as mobile, ATM and internet to deliver its services to different areas.	153	4.10	1.024	13.258	152	.000
The bank uses multi-distribution channels to deliver its services to different customer groups.	153	3.45	1.251	4.459	152	.000
The bank practises market segmentation in order to assign the appropriate distribution channel to each market segment.	153	4.19	.944	15.584	152	.000
The bank has convenient opening hours for customers to access the services.	153	4.10	.909	14.946	152	.000

Source: Field data (2016)

5. People strategies

The people strategy practice of the banks in Ethiopia, Table 4.5, shows that there is a significant agreement that the banks regularly collect information about the

customers' needs and requirements (M = 3.94, SD = 1.114), $t(152) = 10.455$, $p < .0005$, activities of various departments are co-ordinated to ensure customer satisfaction (M = 3.84, SD = 1.193), $t(152) = 8.744$, $p < .0005$, the banks' employee level of training is good enough to deliver services effectively (M = 3.74, SD = 1.062), $t(152) = 8.599$, $p < .0005$, the employees of the banks have a high desire to offer required services to customers (M = 3.81, SD = 1.099), $t(152) = 9.124$, $p < .0005$, the employees of the banks' interactive behaviour and appearance is good enough to attract customers (M = 3.85, SD = 1.105), $t(152) = 9.513$, $p < .0005$, the interaction quality of employees and customers is high (M = 3.86, SD = .942), $t(152) = 11.245$, $p < .0005$, and the employees of the banks are always looking at ways to create customer value in their services (M = 3.93, SD = 1.001), $t(152) = 11.472$, $p < .0005$.

Table 4:5 Bank managers' responses to people strategies

One sample test						
Level of agreement	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
The bank regularly collects information about customers' needs and requirements.	153	3.94	1.114	10.455	152	.000
Activities of various departments are co-ordinated to ensure customer satisfaction.	153	3.84	1.193	8.744	152	.000
The banks' employee level of training is good enough to deliver services effectively.	153	3.74	1.062	8.599	152	.000
The employees of the bank have a high desire to offer the service to the customers.	153	3.81	1.099	9.124	152	.000
The employees of the bank's interactive behaviour and appearance are good enough to attract customers.	153	3.85	1.105	9.513	152	.000
The interaction quality of employees and customers is high.	153	3.86	.942	11.245	152	.000
The employees of the bank are always looking at ways to create customer value in its services.	153	3.93	1.001	11.472	152	.000

Source: Field data (2016)

These results indicate that there is a significant agreement that all the people strategies are in place. However, among the strategies that the banks regularly collect

information about the customers' needs and requirements is significantly higher than all the other components ($p < .0005$). However, the strategies related to the banks' employee level of training is good enough to deliver services effectively but is the lowest on the agreement scale and so, while in place, is not as good as the other people strategies.

6. Service delivery process strategies

Table 4.6 shows that there is a significant agreement that the banks use information technology in processing their work ($M = 4.39$, $SD = .700$), $t(152) = 24.602$, $p < .0005$, the banks have well-qualified and trained people to interact with the customers during the service delivery process ($M = 4.01$, $SD = .757$), $t(152) = 16.457$, $p < .0005$, the banks' customers are satisfied with the design of the service delivery process activities ($M = 3.88$, $SD = .814$), $t(152) = 13.314$, $p < .0005$, the banks prepare a flowchart or diagram, which describes the steps and activities required to deliver its services to the customers ($M = 3.45$, $SD = 1.261$), $t(152) = 4.422$, $p < .0005$, the banks use standard procedures at its head offices and branches for delivering services to the customers ($M = 4.27$, $SD = .805$), $t(152) = 19.587$, $p < .0005$, and the customers wait in the queues not more than the standard set ($M = 3.27$, $SD = 1.034$), $t(152) = 3.284$, $p < .0005$.

Table 4:6 Bank managers' responses to service delivery process strategies

One sample test						
Level of agreement	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
The bank uses information technology in processing its work.	153	4.39	.700	24.602	152	.000
The bank has well-qualified and trained people to interact with the customers during the service delivery process.	153	4.01	.757	16.457	152	.000
The bank customers are satisfied with the design of the service delivery process activities.	153	3.88	.814	13.314	152	.000
The bank prepares a “flowchart” or “diagram” which describes the steps and activities required to deliver its services to the customers.	153	3.45	1.261	4.422	152	.000
The bank uses standard procedures at its head office and branches for delivering services to the customers.	153	4.27	.805	19.587	152	.000
The customers wait in the queues not more than the standard set.	153	3.27	1.034	3.284	152	.000

Source: Field data (2016)

From the above results, one can understand that while there is a significant agreement that all the service delivery process strategies are in place, further analysis indicates that the banks use information technology in processing its work, which is significantly higher than all the other components. However, the strategies related to the customers wait in the queue not more than the standard set and the existence of “flowcharts” or “diagrams”, which describes the steps and activities required to deliver its services to the customers, are the lowest on the agreement scale and so, while in place, are not as good as the others.

7. Service physical evidence strategies

Table 4:7 Bank managers' responses to service physical evidence strategies

One sample test						
Level of agreement	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Banks' customer satisfaction objective informs the design of their working atmosphere.	153	4.18	.852	17.088	152	.000
The banks have comfortable physical environments, furnishings and colours for creating a friendly atmosphere.	153	3.24	1.318	2.270	152	.025
The banks design their facilities and layout in order to achieve specific marketing or image objectives, e.g. high-quality service.	153	3.44	1.044	5.189	152	.000
The banks have customer contact employees dressed in a certain way to achieve their companies' image, e.g. using uniform colours, firm's logo.	153	3.54	1.241	5.408	152	.000
The banks have enough parking for their customers.	153	2.82	1.318	-1.656	152	.100

Source: Field data (2016)

Table 4.7 shows there is a significant agreement that the banks' prime customer satisfaction objective is embedded in designing its working atmosphere ($M = 4.18$, $SD = .852$), $t(152) = 17.088$, $p < .0005$, the banks have a comfortable physical environment, furnishing and colours for creating a friendly atmosphere ($M = 3.24$, $SD = 1.318$), $t(152) = 2.270$, $p < 0.05$, the banks design their facilities and layout in order to achieve specific marketing or image objectives, for example, high-quality service ($M = 3.44$, $SD = 1.044$), $t(152) = 5.189$, $p < .0005$, and the banks have customer contact employees dressed in a certain way to achieve their companies' image, for example, using uniform colours, firm's logo ($M = 3.54$, $SD = 1.241$), $t(152) = 5.408$, $p < .0005$. However, there is neither a significant agreement nor a significant disagreement on the issue relating to the banks having enough parking space for its customers.

These results indicate that the banks' prime customer satisfaction objective, which informs the design of its working atmosphere, is significantly higher than all the

other service physical evidence strategies. However, the strategy, the banks have comfortable physical environments, furnishings and colours for creating a friendly atmosphere, records the lowest on the agreement scale and so, while in place, is not as good as the others.

4.2.2. Cronbach's alpha for marketing strategy constructs

In order to obtain a reliable measure for each construct of the marketing strategies, the Cronbach's alpha was calculated. According to Bryman and Bell (2007), testing the reliability of the questionnaire, an estimate of the Cronbach's coefficient alpha value close to 1 is considered as a good indicator of reliability. Pallant (2013) also states that a Cronbach's coefficient alpha value less than 0,5 is considered low, above 0,7 is acceptable and values above 0,8 are preferable.

Table 4:8 Cronbach's alpha for marketing strategy constructs

Construct	Items included	Cronbach's alpha
Service	Ser1 – Ser8	.847
Price	Pri1 –Pri6	.781
Promotion	Pro1 – Pro7	.726
Place or distribution	Plac1 – Plac7	.717
People	Pepl1 – Pepl7	.819
Service delivery process	Proc1 – Proc6	.701
Service physical evidence	Phys1 –Phys5	.769

Source: Field data (2016)

Table 4.8 above summarises the single construct information of the marketing strategies and indicates that all the constructs are reliable since all the Cronbach's alpha values are greater than 0,7. This gave a good idea of their relative worth (tested below). A one sample *t*-test is applied to test the average agreement score for each construct and the results are presented in Table 4.9.

Table 4:9 Average agreement score for marketing strategy constructs

One sample test						
Marketing strategies	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Service	153	4.1944	.58960	25.058	152	.000
Price	153	3.5828	.85137	8.467	152	.000
Promotion	153	3.7535	.71320	13.068	152	.000
Place	153	3.6956	.67856	12.680	152	.000
People	153	3.8525	.74509	14.152	152	.000
Process	153	3.8791	.57995	18.749	152	.000
Physical	153	3.4444	.84300	6.521	152	.000

Source: Field data (2016)

Table 4.9 indicates that while there is a significant agreement that all the marketing strategies are in place, further analysis shows that the agreement that service strategies are in place is significantly higher than for all the other strategies ($p < .0005$), followed by process and people strategies. However, it is clearly observed that physical strategies are the lowest and so, while in place, is not as good as the other marketing strategies.

4.2.3. Secondary data analysis of existing bank service marketing strategies

In addition to the above primary data collected from the sampled bank managers to explore the Ethiopian banking sector marketing strategies and operations, the researcher also collected secondary data from the annual reports of the National Bank of Ethiopia (Central bank) and concerned commercial banks operating in the country. Based on this data, the researcher analysed the existing marketing strategies adopted by the Ethiopian banking sector to reach the unreached population. The results of the analysis are presented as follows.

Branch expansion

In Ethiopia, one of the marketing strategies employed by the banks was expanding the physical branches of their banks; it is believed that majority of the customers still want to have access to banking services through branches rather than other channels. Thus, banks in the country decided that opening new branches are still important to make their services accessible and to tap the untapped market. According to the

National Bank of Ethiopia's (NBE) 2015/2016 annual report, there are 3 187 bank branches in the country out of which 34,4% of them are in the capital city Addis Ababa. Considering the population of Ethiopia, which is around 94 million, the population-to-bank branch ratio is small, and the branches of the banks are concentrated in Addis Ababa rather than other regions in the country, which makes the distribution unequal. As indicated in the graph showing the branch network of private and public banks (Figure 4.1), there is an increment in the expansion of bank branches in Addis and outside Addis Ababa (Regions). In 2014/2015, there were 851 and 785 in the regions and 713 and 192 in Addis Ababa of private and public bank branches respectively, whereas, in 2015/2016, there were 1096 and 888 in the regions and 831 and 262 in Addis Ababa of private and public bank branches respectively. This shows that the branches increased from a total of 2 541 in 2014/2015 to 3 187 in 2015/2016, which indicates an enhanced accessibility of the services in the country. The figures also indicate that private banks contribute more to branch expansion than the public ones.

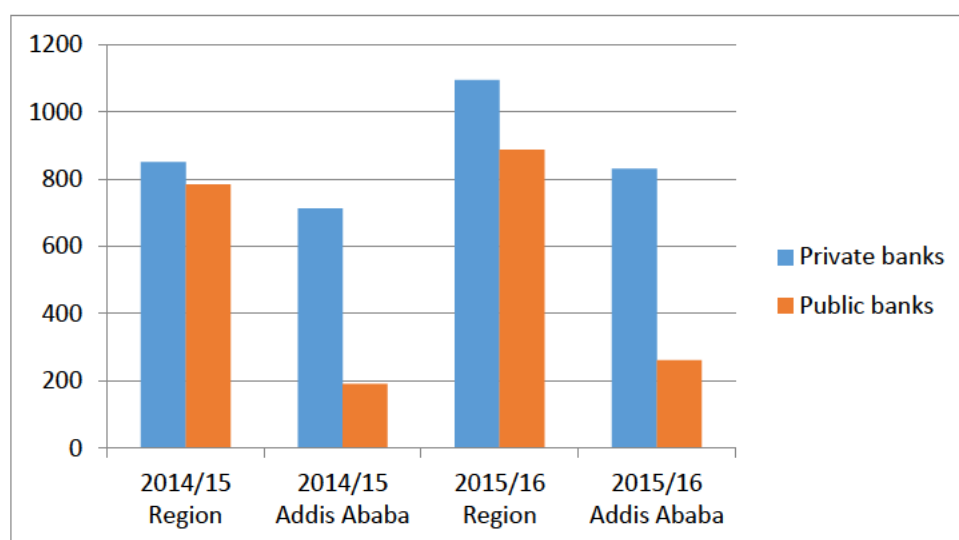


Figure 4:1 Branch networks of private and public banks in Addis Ababa and regions
Source: Annual Report of National Bank of Ethiopia, 2015/2016

Even though there is an expansion of bank branches in the country to make the services accessible to different communities, the population per bank branch was higher in the regions than in Addis Ababa. This indicates that one branch of the bank serves a higher number of customers in the regions than in Addis Ababa. The graph in Figure 4.2 below indicates that the ratio of population per bank branch in Addis

Ababa was 3 616 in 2014/2015 and 3 066 in the 2015/2016 fiscal year, whereas in the regions, the ratio was 53 058 in 2014/2015 and 44 785 in 2015/2016. This shows that the population’s access to bank branches in Addis Ababa is better than in the regions. Given that 97% of the population in the country live in Addis Ababa and since one branch of the bank serves 44 785 people in the region compared to 3 066 people in Addis Ababa, it becomes clear that the bank branches are more concentrated in the capital city, Addis Ababa, than in the regions of the country.

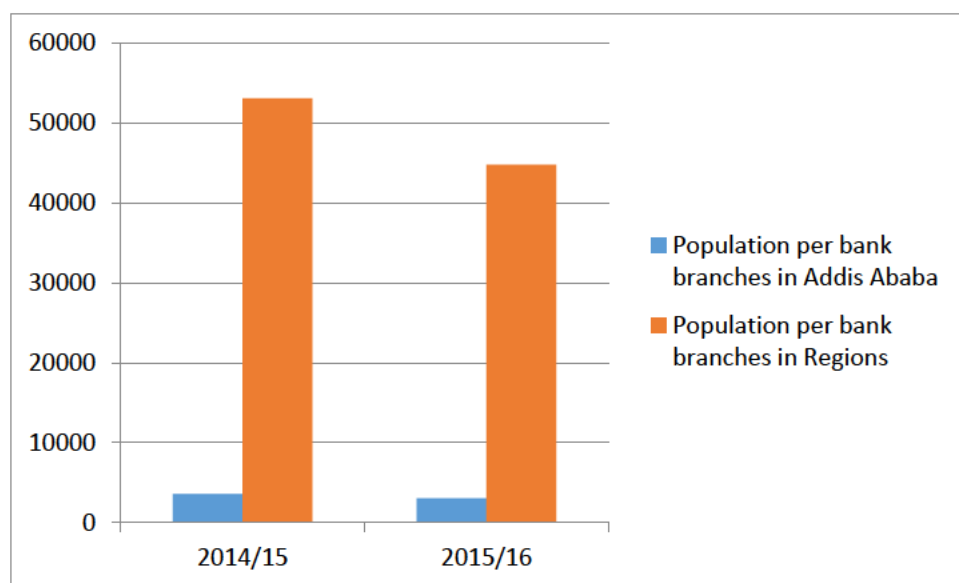


Figure 4:2 Population per branch in Addis Ababa and regions
Source: Annual Report of National Bank of Ethiopia, 2015/2016

E-banking

One of the strategies used by the banks in Ethiopia is offering banking services through electronic devices, like mobile banking, internet banking, Automated Teller Machines (ATMs) and Point of Sales (POSs). Mobile banking is one of the banking service channels allowed by the National Bank of Ethiopia through directive number FIS /01/2012. However, it is observed that the use of this channel to access banking services is very limited due to language barriers. Mobile phones are made with Latin keyboards, but not every person in Ethiopia knows the Latin word to manipulate the systems. Thus, the people are more uncomfortable using mobile banking services. This is also supported by the responses of the unbanked respondents about the reason why they are being unbanked. Most of them (60,9%) cited language barriers as one

of the main reasons. The other challenges related to using the mobile banking service strategy is the low penetration rate of mobile phones in Ethiopia, which stands at just 45 million, compared to the current population of Ethiopia at more than 94 million (NBE, 2014a).

Similarly, internet banking is also accessed by a few people due to the poor state of internet facilities in the country. Most rural areas of the country, where the majority of the population (80%) live and the majority of the small and microbusiness are set up, have no internet facilities and thus are unable to use e-banking services (NBE, 2014a). The other impeding factor to use e-banking is the absence of a suitable legal and regulatory framework for e-commerce and e-payment in the country. Ethiopia's present laws do not entertain electronic contracts and signatures. This results in the consumers' distrust in using e-banking for their day-to-day business activities.

The rate of illiteracy is also another challenge for e-banking service utilisation in Ethiopia, as the illiteracy rate accounts for almost 50% of the population (NBE, 2014b). This constitutes a major barrier to using e-banking services in Ethiopia as it impedes the accessibility to banking services. The results of the analysis indicate that the level of awareness of this banking service is very low. For the population to fully relish the benefits of e-banking and other banking services, they should have some basic knowledge of how to read, write and possess basic ICT literacy. The cost of internet is also another factor, which hinders individuals from using e-banking services in Ethiopia since the use of internet services attracts some transaction costs. As a result, the individuals may prefer banking through traditional branches than using e-banking to access the services.

Figure 4.3 indicates that there are about 1 044 ATM machines in Ethiopia, which are expected to contribute to accessibility of banking services for the population, bringing it down to 99 617 people to one ATM machine. This implies that one ATM machine presently serves 99 617 people, which is grossly inadequate. Similarly, the figure shows that there are 1 411 POS machines in use in the country, out of which 244 were in public banks and 1 167 in private banks. Although, this figure is equally grossly inadequate given the country's population, it is an indication that private

banks are more committed to increasing accessibility to the banking services through e-banking channels than public-owned banks.

The 2014/2015 reports of the National Bank of Ethiopia specified that there are only 1 546 529 cardholders in the country, while 973 762 are from public banks and 572 767 from private banks. The Commercial Bank of Ethiopia's 2014/2015 report states that only 973 762 out of 8 186 989 customers hold bank cards, which means that only about 12% of bank customers have access to banking services through the use of ATM and POS machines. This is a gloomy report from one of the largest banks that holds more than 60% of the bank market share in Ethiopia. This indicates that there is a limitation in recruiting bank cardholders and dispatching the cards due to the limited number of ATM and POS machine distribution in the country.

Banks recruit a number of cardholders per year to increase accessibility to their services to individuals through ATMs and POSs, but the performance of the strategy looks weak. The 2014/2015 report of the Commercial Bank of Ethiopia also indicates that out of the total bank cardholders only 32,3% of them had been transacting with the card. The unused cards account for 67,7% due to the number and location of ATM and POS machines, which appear not to be placed in convenient locations and are not accessed by consumers for their day-to-day transactions. It is observed that in the country, it is difficult to get ATM or POS machines around supermarkets, petrol stations, most populated areas, colleges, markets or recreation areas. This limits the people's decision to keep their money in the bank since they have difficulty to access their money when and where they need to due to a lack of accessibility.

The report also notes that high costs of installation and maintenance of ATMs contribute immensely to their very low penetration in the country. In addition, the report specifies that the settlement of the population in the rural areas of the country is dispersed over large areas, while the ATMs are most applied for usage in areas of high population density, hence, the expansion of banking services through this application is very low.

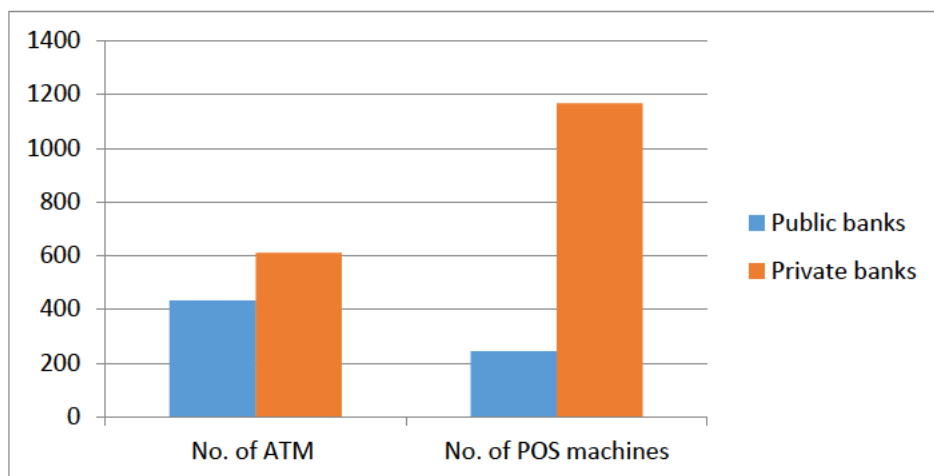


Figure 4:3 Number of ATM and POS machines in Ethiopia

Source: Annual Report of National Bank of Ethiopia, 2015/2016

Agency banking

The other product or service the banks in Ethiopia uses as a marketing strategy to attract and make their services accessible is agency banking services. It is reported that this service is provided by a few private banks in the capital city, Addis Ababa, and some few towns in the regions (NBE, 2014a). The banks overlooked the possibility of creating accessibility in untapped areas through agency banking strategy. Rather, most of them concentrate on the areas where there is fierce competition and the customers have many other alternatives to receiving banking services. The results from the analysis show that even if there are some banks who adopt the agency banking service strategy, the level of awareness about the service is very poor (53,6% of respondents responded, ‘not known’ and 41,1% responded ‘somewhat known’). This shows that there are poor awareness creation strategies in place and the services do not cover a wide area of the country.

Supply of main financial services

Figures 4.4, 4.5 and 4.6 provide an indication of the supply of basic financial services (deposit mobilisation and loan disbursement services) in Ethiopia and the relative importance of public and private banks in providing these services. As shown in Figure 4.4, regardless of the lower number of bank branches, the public banks perform better than the private banks in mobilising deposits from the

population. In the 2015/2016 fiscal year, the deposit mobilisation of the public banks decreased compared to its performance with 2013/2014 and 2014/2015, but the private banks' deposit mobilisation performance shows an increment year by year. The 2015/2016 annual report of the National Bank of Ethiopia indicates that the three types of deposit mobilisation services of the banks in the country (demand deposit, savings deposit and time deposit) increase at a decreasing rate regardless of the e-banking and bank branch expansion.

Figure 4.5 shows that the percentage change in demand deposit for the year 2013/2014, 2014/2015 and 2015/2016 is 17,1%, 16,5% and 18,8% respectively, while the percentage change in saving deposits in the three years is 28,8%, 28,1% and 24,3% respectively and the change in time deposit in the three years shows 26,5%, 24,7% and 19,9% respectively. This indicates that the percentage change in resource mobilisation efforts of the banks in the country are decreasing from time to time regardless of the expansion of the access to banking services through different methods.

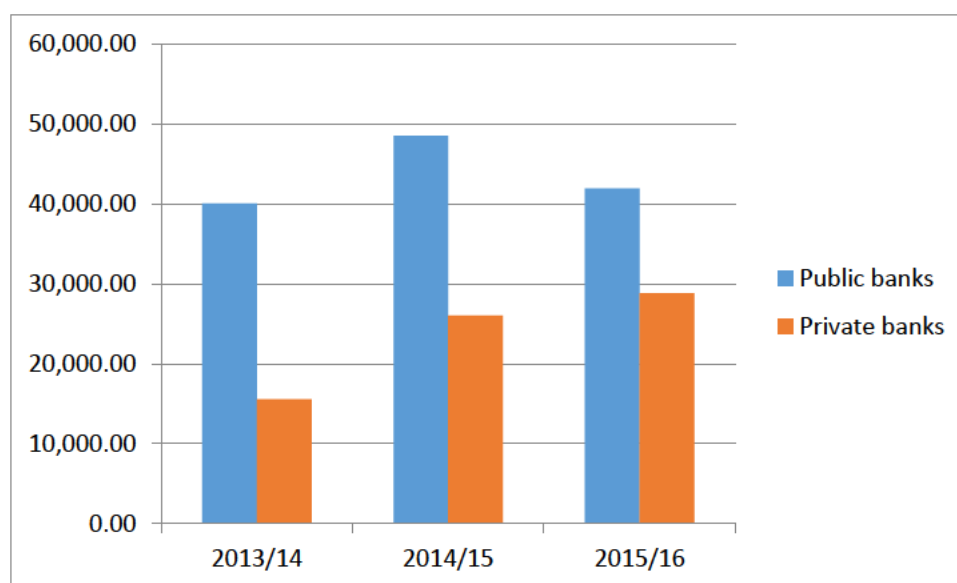


Figure 4:4 Annual deposit mobilisation services by banks (millions birr)

Source: Annual Report of National Bank of Ethiopia, 2015/2016

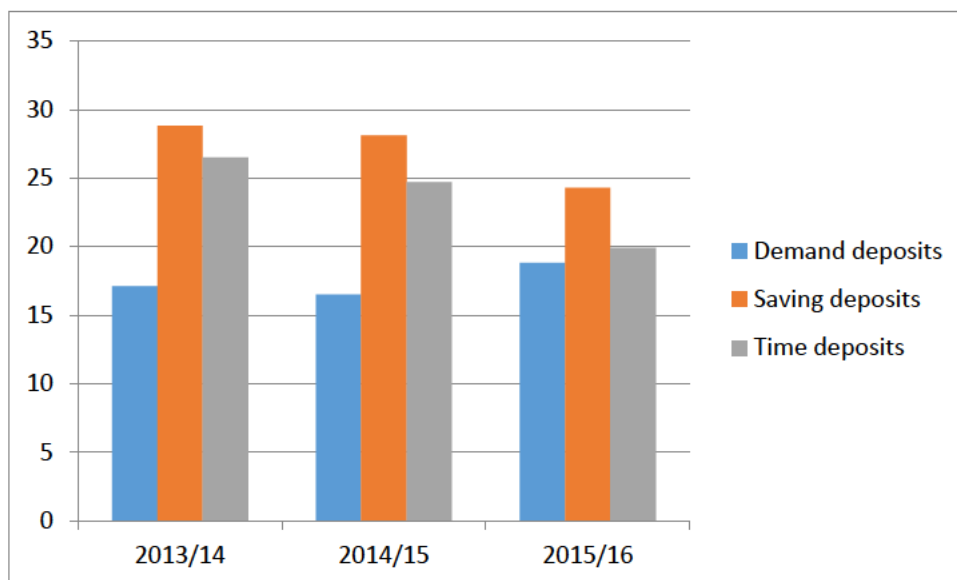


Figure 4:5 Percentage changes in deposit mobilisation of banks in Ethiopia
Source: Annual Report of National Bank of Ethiopia, 2015/2016

Similarly, Figure 4.6 shows that public banks are the main source of loans and advance services for the population. Here also, regardless of the small number of branches, public banks supply more loans than private banks to the population. The loans are supplied to the different sectors, as presented in Figure 4.7. The industry is the highest-served sector, which received 29% of the total loans and advances provided by the banks in the country. Whereas Domestic Trade, Agriculture, Housing and Construction, International Trade, Transport and Communication, Others, Hotels and Tourism, Personal and Mines, Power and Water resources have received loans and advances from banks accounting for 17%, 15%, 15%, 11%, 5%, 4%, 3%, 1% and 0,4% respectively. This indicates that the banks are providing loans and advances for big projects and businesses while personal loans are very few, which may discourage individuals to deposit their money in the bank.

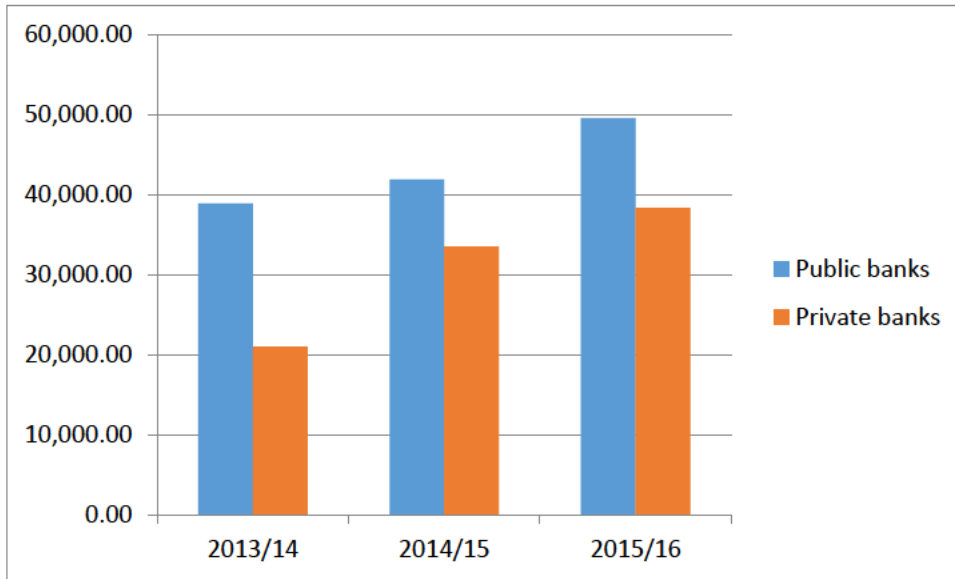


Figure 4:6 Loans and advances by lenders (Millions Birr)
Source: Annual Report of National Bank of Ethiopia, 2015/2016

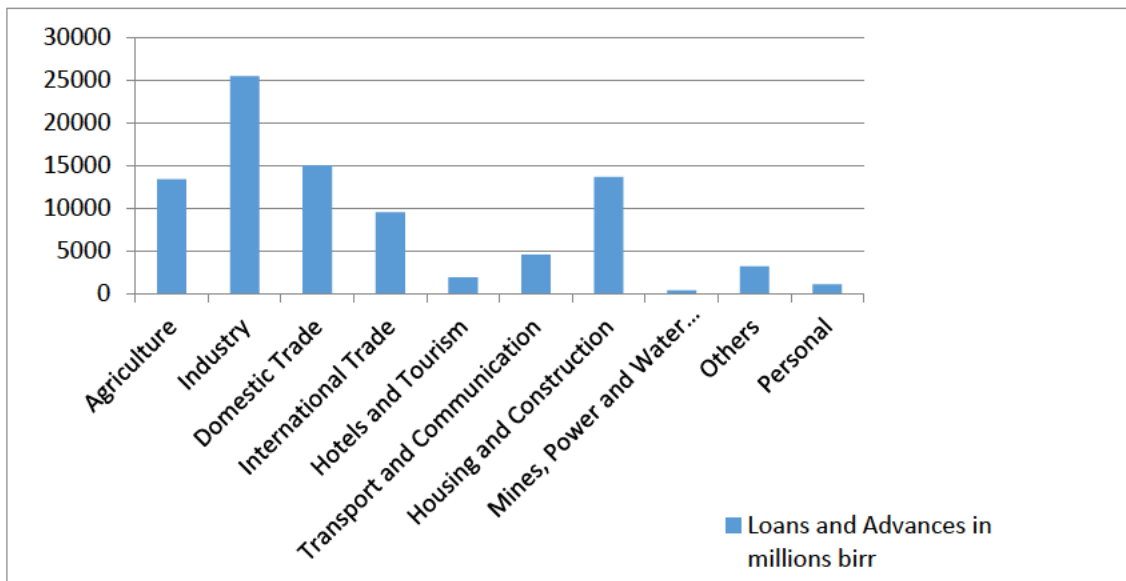


Figure 4:7 Loans and advances in millions birr by sector type
Source: Annual Report of National Bank of Ethiopia, 2015/2016

4.3. Macro-environmental factors affecting bank marketing strategies

The marketing strategies of banks are subject to various macro-environmental factors, which need to be identified and analysed. Thus, marketing managers in the study area were requested to rate the extent to which the macro-environmental factors affect their marketing strategy practice on a five-point Likert scale, ranging from 1 (not at all) to 5 (very great extent). Based on their responses, this section

presents the results of the analysis of the questionnaires distributed and collected from 153 bank managers. This questionnaire is aimed at achieving the research objective: “*To determine the effect of macro-environmental factors on bank marketing strategies*”.

1. Political or legal environment

Table 4.10 above indicates that there is a significantly greater effect that political stability or leadership ($M = 3.50$, $SD = 1.33$), $t(152) = 4.608$, $p < .0005$, investment incentives ($M = 3.68$, $SD = 1.024$), $t(152) = 8.213$, $p < .0005$, infrastructure provision ($M = 3.50$, $SD = 1.142$), $t(152) = 5.380$, $p < .0005$, government systems or structures ($M = 3.71$, $SD = 1.197$), $t(152) = 7.295$, $p < .0005$, current laws and regulations ($M = 3.67$, $SD = 1.058$), $t(152) = 7.797$, $p < .0005$, regulatory bodies and processes ($M = 3.73$, $SD = .995$), $t(152) = 9.019$, $p < .0005$, competitive regulation ($M = 3.82$, $SD = .956$), $t(152) = 10.572$, $p < .0005$, and extent of government intervention ($M = 3.81$, $SD = 1.075$), $t(152) = 9.329$, $p < .0005$ have on bank marketing strategies.

From this, one can understand that while there is a significantly greater effect when all the political or legal environments are in place, further analysis shows that competitive regulation in place is significantly greater than all the other political or legal environments ($p < .0005$), followed by the extent of government’s intervention and regulatory bodies and processes. This implies that the marketing strategies of the banks in Ethiopia are more significantly affected by the regulation.

Table 4:10 Bank managers' responses to political environmental effects

One sample test						
Political/legal environment	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Political stability/leadership	153	3.50	1.333	4.608	152	.000
Investment incentives	153	3.68	1.024	8.213	152	.000
Infrastructure provision	153	3.50	1.142	5.380	152	.000
Government systems/structures	153	3.71	1.197	7.295	152	.000
Current laws & regulations	153	3.67	1.058	7.797	152	.000
Regulatory bodies & processes	153	3.73	.995	9.019	152	.000
Competitive regulation	153	3.82	.956	10.572	152	.000
Extent of government intervention	153	3.81	1.075	9.329	152	.000

Source: Field data (2016)

2. Economic environment

As indicated in Table 4.11, there is a significantly greater effect that interest rates and monetary policy ($M = 3.97$, $SD = 1.088$), $t(152) = 11.073$, $p < .0005$, exchange rates ($M = 3.86$, $SD = 1.076$), $t(152) = 9.914$, $p < .0005$, inflation ($M = 3.84$, $SD = 1.103$), $t(152) = 9.382$, $p < .0005$, disposable income or employment level ($M = 3.77$, $SD = 1.178$), $t(152) = 8.097$, $p < .0005$, present and predictable economic growth ($M = 3.85$, $SD = .998$), $t(152) = 10.526$, $p < .0005$, levels of income distribution ($M = 3.85$, $SD = 1.069$), $t(152) = 9.836$, $p < .0005$, labour supply ($M = 3.73$, $SD = 1.143$), $t(152) = 7.853$, $p < .0005$, and unemployment ($M = 3.88$, $SD = 1.118$), $t(152) = 9.765$, $p < .0005$ have on the bank's marketing strategies.

This implies that while all the economic environments are in place, further analysis shows that the effect of interest rates and monetary policy are significantly greater than all the other economic environments ($p < .0005$).

Table 4:11 Bank managers' responses to economic environmental effects

One sample test						
Economic environment	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Interest rates & monetary policy	153	3.97	1.088	11.073	152	.000
Exchange rates	153	3.86	1.076	9.914	152	.000
Inflation	153	3.84	1.103	9.382	152	.000
Disposable income/employment level	153	3.77	1.178	8.097	152	.000
Present and predictable economic growth	153	3.85	.998	10.526	152	.000
Levels of income distribution	153	3.85	1.069	9.836	152	.000
Labour supply	153	3.73	1.143	7.853	152	.000
Unemployment	153	3.88	1.118	9.765	152	.000

Source: Field data (2016)

3. Sociocultural environment

Table 4.12 indicates that there is a significantly greater effect that demographics (age, gender, race) ($M = 3.63$, $SD = 1.185$), $t(152) = 6.617$, $p < .0005$, religious, ethnic and cultural factors ($M = 3.76$, $SD = 1.093$), $t(152) = 8.655$, $p < .0005$, trends, fads and lifestyles ($M = 3.65$, $SD = 1.115$), $t(152) = 7.179$, $p < .0005$, the population's attitudes toward banks ($M = 3.75$, $SD = 1.200$), $t(152) = 7.677$, $p < .0005$, the population's employment patterns ($M = 3.59$, $SD = 1.155$), $t(152) = 6.368$, $p < .0005$, and education levels ($M = 3.80$, $SD = 1.070$), $t(152) = 9.291$, $p < .0005$ have on bank marketing strategies.

This implies that while there is a significantly greater effect when all the sociocultural, environmental factors are in place, further analysis shows that the effect of the population's education level is significantly greater than all the other sociocultural, environmental factors ($p < .0005$).

Table 4:12 Bank managers' responses to sociocultural, environmental effects

One sample test						
Sociocultural environment	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Demographics (age, gender, race)	153	3.63	1.185	6.617	152	.000
Religious/ethnic/cultural factors	153	3.76	1.093	8.655	152	.000
Trends, fads, lifestyles	153	3.65	1.115	7.179	152	.000
Population's attitudes toward bank	153	3.75	1.200	7.677	152	.000
Population's employment patterns	153	3.59	1.155	6.368	152	.000
Educational levels	153	3.80	1.070	9.291	152	.000

Source: Field data (2016)

4. Technological environment

As shown in Table 4.13 above, the effect of technological, environmental factors on the banking service marketing strategies is significant. There is a significantly greater effect of the new technology impact ($M = 3.80$, $SD = .889$), $t(152) = 11.186$, $p < .0005$, innovations and inventions ($M = 3.71$, $SD = 1.094$), $t(152) = 7.984$, $p < .0005$, internet impact ($M = 3.81$, $SD = 1.229$), $t(152) = 8.158$, $p < .0005$, technology access and cost ($M = 3.83$, $SD = 1.123$), $t(152) = 9.145$, $p < .0005$, and technological life cycles and obsolescence ($M = 3.83$, $SD = 1.213$), $t(152) = 8.466$, $p < .0005$.

From this, one can understand that while there is a significantly greater effect when all the technological, environmental factors are in place, the effect of new technology impact is significantly greater than for all the other technological environments ($p < .0005$).

Table 4:13 Bank managers' responses to technological, environmental effects

One sample test						
Technological environment	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
New technology impact	153	3.80	.889	11.186	152	.000
Innovations & inventions	153	3.71	1.094	7.984	152	.000
Internet impact	153	3.81	1.229	8.158	152	.000
Technology access & cost	153	3.83	1.123	9.145	152	.000
Technological life cycles & obsolescence	153	3.83	1.213	8.466	152	.000

Source: Field data (2016)

4.3.1. Cronbach's alpha for macro-environmental constructs

Table 4.14 summarises the single construct information of the macro-environmental factors and indicate that all the constructs are reliable since all the Cronbach's alpha values are greater than 0,7. This gave a good idea of testing the significant difference of each construct's effect on the banks' marketing strategies (tested below). A one sample *t*-test was applied to test the average score for each construct's effect on the banks' marketing strategies and the results are presented in Table 4.15.

Table 4:14 Cronbach's alpha for macro-environmental constructs

Construct	Items included	Cronbach's alpha
Political/legal	Polt 1 - 8	.895
Economic	Econ 1 - 8	.917
Sociocultural	Socul 1 - 6	.904
Technological	Tech 1 - 5	.855

Source: Field data (2016)

Table 4.15 shows while there is a significantly greater effect that all the macro-environmental constructs have on the banks' marketing strategies, further analysis indicates that there is no significant difference in the effects of these four constructs on the banks' marketing strategies. This implies that all the macro-environmental constructs have relatively similar effects on the banks' marketing strategies.

Table 4:15 Average level of effect score for macro-environmental constructs

One sample test						
Macro-environment	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Political/legal	153	3.6748	.83697	9.973	152	.000
Economic	153	3.8440	.87244	11.965	152	.000
Sociocultural	153	3.6983	.93517	9.236	152	.000
Technological	153	3.7961	.88837	11.084	152	.000

Source: Field data (2016)

4.4. Factors affecting the unbanked individual's intention to use banking services

In order to determine the factors affecting the unbanked individuals' intention to use banking services, the data were gathered from 384 unbanked individuals through questionnaires, as discussed earlier in this chapter, on matters related to demographic characteristics, level of awareness of banking services, reason for being unbanked, consumer characteristics and intention. Based on these data, the researcher made an analysis of the matters and the results of these analyses which are presented in the following section, 4.4.1, 4.4.2, 4.4.3, 4.4.4 and 4.4.5.

4.4.1. Demographic characteristics

The demographic characteristics of the unbanked individual respondents were important in terms of evaluating whether there is a significant difference in the mean scores on the intention to use banking services across the different demographic characteristics. The demographic characteristics consisted of age, gender, level of education, occupation, total monthly income, marital status and number of dependents. Descriptive statistics, like frequency, was used to analyse the data and graphs were used to present the results.

1. Age and Gender of respondents

Given the study population, the sample consisted of more productively aged (young) people who accounted for 63,1% of the respondents, aged 26 to 35 years (35,2%) and 36 to 45 years (27,9%) old as shown in Figure 4.8. However, a greater ratio of

unbanked respondents was found to belong to the younger age group because the country's (Ethiopia) average age lies within this group. The results may also indicate that most of the young population in the country are unbanked.

Figure 4.8 also depicts that out of the 384 unbanked individual respondents, 59,6% of them are male and the rest (40,4%) are female.

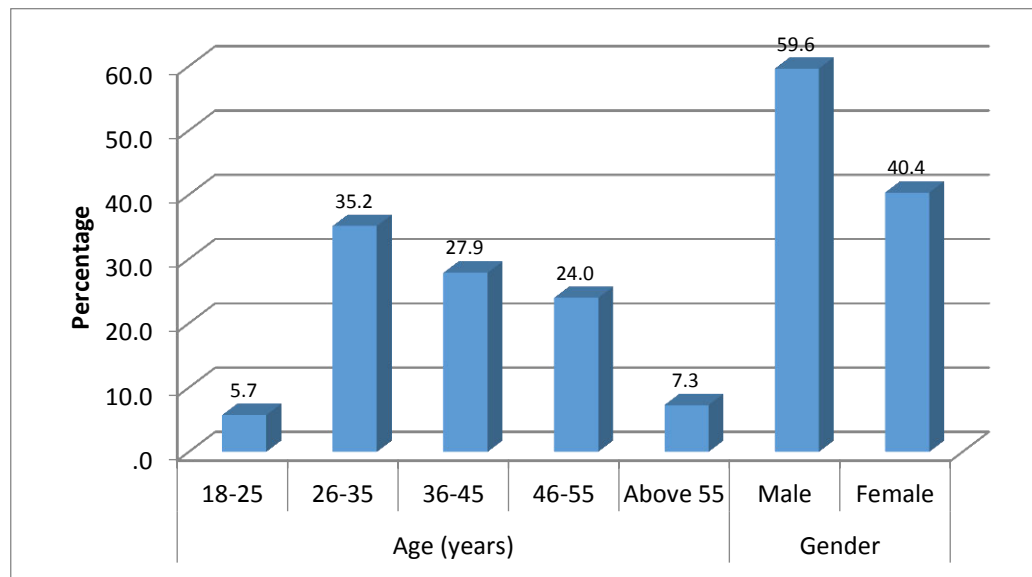


Figure 4:8 Frequency graph of unbanked respondents by age and gender
Source: Field data (2016)

2. Educational level

As indicated in Figure 4.9, the sample consisted of 4,7%, 8,3%, 26,3%, 37,0%, 20,8% and 2,9% illiterate, primary school, high school, diploma, BA/BSc degree and postgraduate degree, representing the educational level of the unbanked respondents respectively.

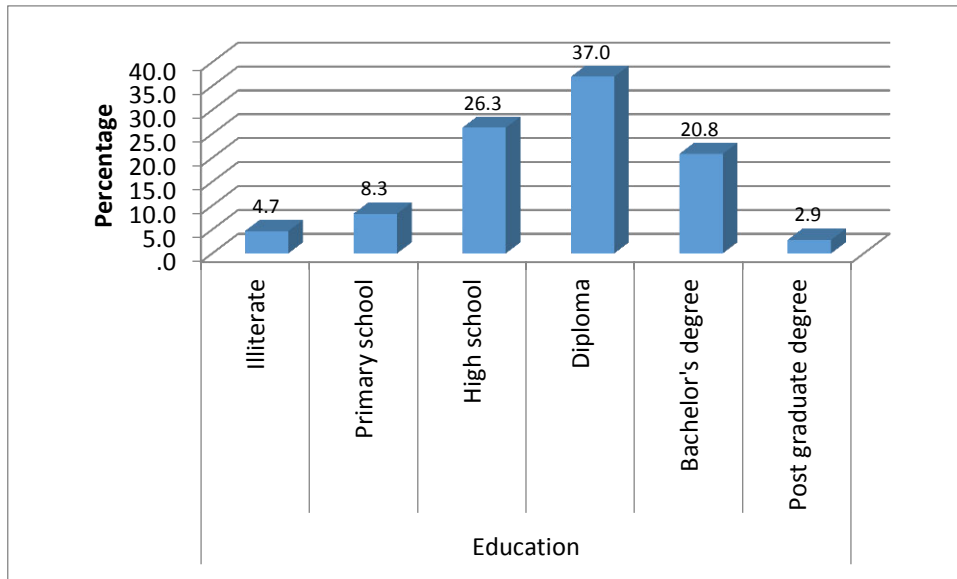


Figure 4:9 Frequency graph of unbanked respondents' educational level
Source: Field data (2016)

3. Occupation and employment sector

Figure 4.10 shows that 38,5% of the unbanked individual respondents are employees in non-government offices, 21,4% are farmers and 16,4% are employees in government offices. This is due to the fact that most of the government offices pay salaries for their employees through banks, this necessitates the workers in the government offices to have bank accounts. However, there are respondents who are government workers and who are still unbanked, which indicates that there are government offices who pay salaries on cash basis and the employees are not enforced to open bank accounts. Whereas the employees in the non-government offices are unnoticed and the banks also concentrate on the urban areas which are not accessible to the farmers. Therefore, such facts may contribute to the highest proportion of the unbanked individuals in the non-government organisations and among the farmers.

From Figure 4.10, one can understand that 89,8% of the unbanked respondents are working in formal sectors, whereas only 10,2% are from the informal sector. This implies that those, who are working in the formal sector and are considered to know the benefits of banking, remain unbanked. This might be due to the inaccessibility of banking facilities around their areas.

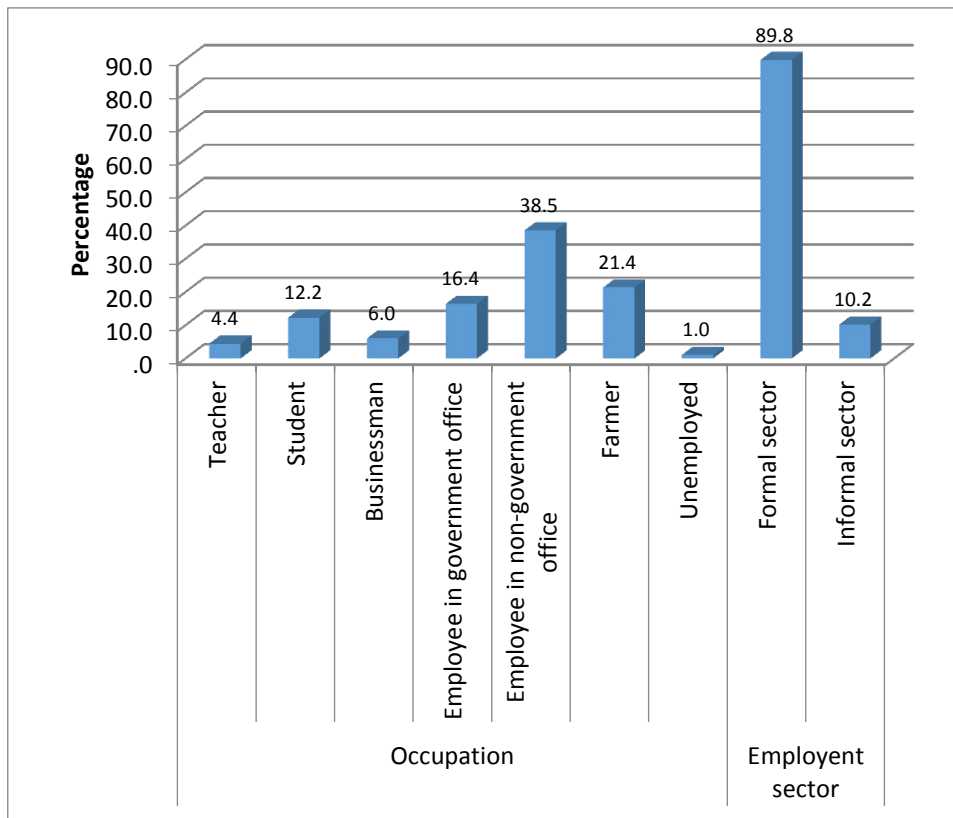


Figure 4:10 Frequency graph presenting occupation and employment sector
 Source: Field data (2016)

4. Total monthly income

As shown in Figure 4.11, most of the unbanked respondents earn total monthly incomes of between 3 501 to 4 500 Ethiopian birrs, accounting for 29,9%. There are 8,1%, 28,1% and 28,4% of these respondents who earn a monthly income in the following categories: below 1000 birr, 1000 to 2500 birr and 2501 to 3500 birr respectively. The respondents earning a monthly income of above 4500 birr were less than 5,5%, indicating that majority of them are poor. This implies that majority of the unbanked individuals have a lower total of monthly income, which may affect their participation in banking service utilisation, as their monthly income is short to cover their living expenses.

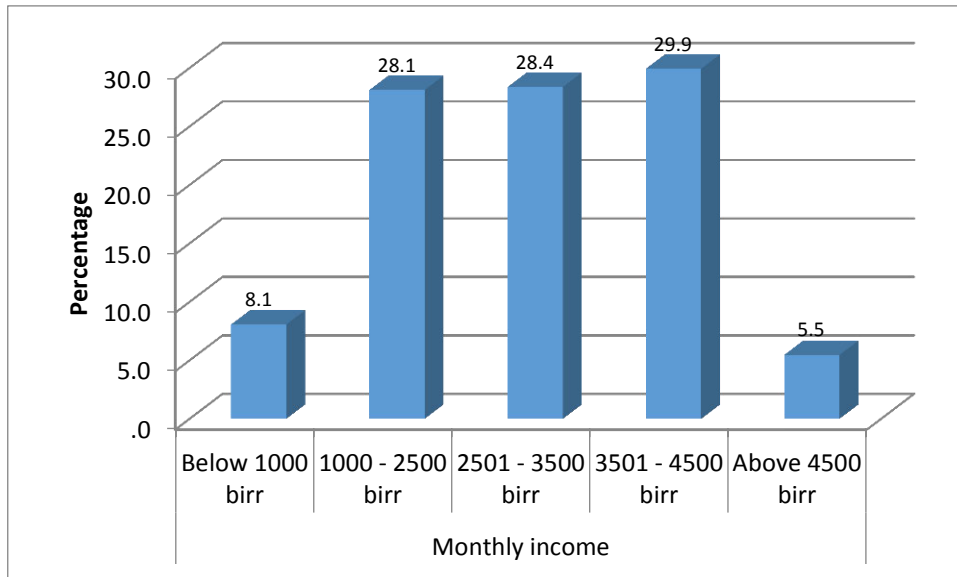


Figure 4:11 Frequency graph presenting total monthly income
Source: Field data (2016)

5. Marital status

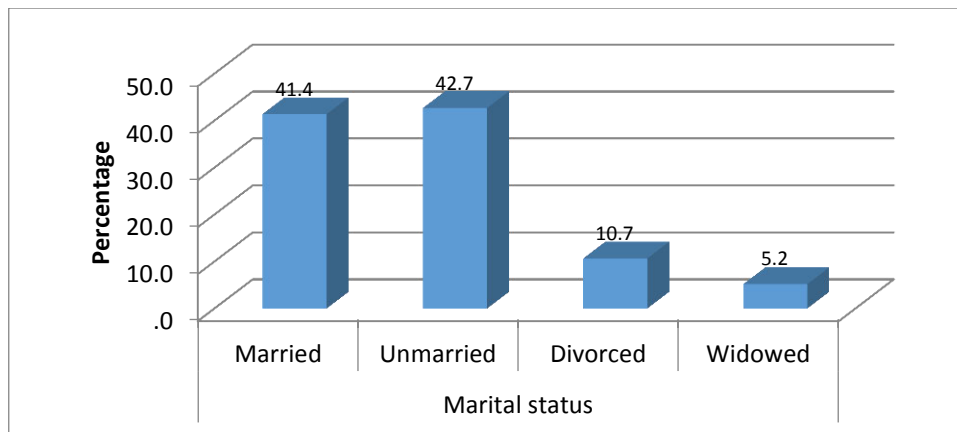


Figure 4:12 Frequency graph depicting marital status
Source: Field data (2016)

Figure 4.12 indicates that 41,4% of the sample of unbanked respondents are married and 42,7% are unmarried, while 10,7% are divorced and 5,2% are widowed respectively.

6. Number of dependents

The number of dependents of the unbanked respondents is presented in Figure 4.13. Majority (53,9%) of the unbanked respondents have dependents ranging from 1 to 3.

Respondents with no dependents account for 22,4%, those with 4 to 6 dependents are 17,2% and those with more than six dependents are 6,5%. This implies that most of the unbanked individuals have dependents for whom they are responsible, which may affect their ability to make deposits or open bank accounts.

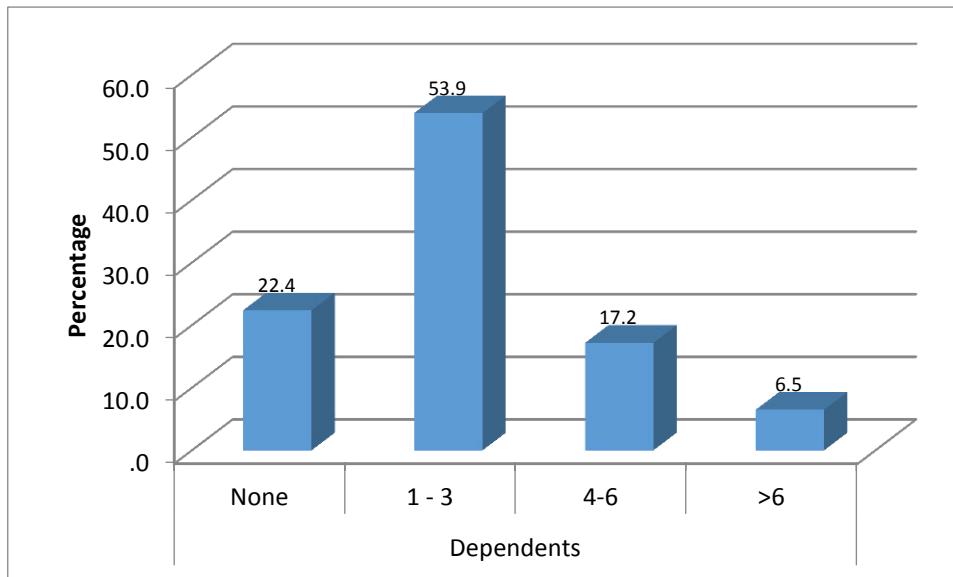


Figure 4:13 Frequency graph depicting number of dependents

Source: Field data (2016)

4.4.2. *Unbanked respondents' level of awareness of banking services*

The level of awareness of banking services plays an important role in making banking service utilisation decisions. This section analyses the responses of the unbanked respondents on their level of awareness of banking services and determines which services are the most or least known. The analysis is made to answer the research objectives of “*To determine unbanked individuals' level of awareness of banking services and reasons for being unbanked*”. The data were collected using the Likert scale, running from 1 (unknown) to 5 (very well-known).

In order to address the objective, an individual analysis of the items was done first to get a good feel for each item. The one sample *t*-test was applied by comparing the average score of each item against 3 to test if the service is ‘significantly better known’ or ‘significantly lesser known’. Thereafter, single measures were formed, and factor analysis was done on these single measures to determine on which group

of items the unbanked individuals' level of awareness is worst and vice versa. The results are presented in tables 4.16, 4.17 and 4.18.

Table 4:16 One sample t-test of unbanked level of awareness of banking services

One sample test						
Banking services	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
Deposit collection	384	2.84	1.216	-2.643	383	.009
Granting loans	384	2.78	1.224	-3.543	383	.000
Money transfers	384	2.71	1.261	-4.531	383	.000
ATM services	384	2.15	1.163	-14.262	383	.000
Tax collections	384	2.23	1.157	-12.965	383	.000
Pension payments	384	2.21	1.185	-13.047	383	.000
Mobile banking services	384	1.97	1.092	-18.556	383	.000
Investment advice	384	1.86	1.107	-20.107	383	.000
Internet banking services	384	2.44	1.188	-9.191	383	.000
Point of sales services	384	1.88	1.062	-20.758	383	.000
Agency functions	384	1.53	.673	-42.679	383	.000

Source: Field data (2016)

Table 4.16 above shows the result of an independent sample *t*-test conducted to compare the average scores of the unbanked individuals' level of awareness of banking services to determine whether the services are significantly better known or significantly lesser known. These results indicate that the unbanked individuals' level of awareness of banking services was significantly lesser known. Specifically, while there is a significantly low awareness of all the banking services, further analysis indicates that the unbanked individuals' level of awareness on agency function ($M = 1.53$, $SD = .673$), $t(383) = -42.679$, $p < .0005$, point of sales services ($M = 1.88$, $SD = 1.062$), $t(383) = -20.758$, $p < .0005$, investment advice ($M = 1.86$, $SD = 1.107$), $t(383) = -20.107$, $p < .0005$, and mobile banking services ($M = 1.97$, $SD = 1.092$), $t(383) = -18.556$, $p < .0005$ are significantly worst known than the others.

Further analysis was conducted to determine on which group of services the level of awareness was high or low. Factor analysis was done for this purpose. Initially, the factorability of the 11 banking service items was examined. First, all the items were correlated, and the coefficients are at least .3 with one other item, suggesting

reasonable factorability. Second, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was .893, which is above the recommended value of .6 and the Bartlett's test of sphericity was significant ($\chi^2(383) = 3058.482, p < .05$), indicating that the correlation of variables is acceptable. Last, the commonalities were all greater than .3, further endorsing that each item shared some common variances with the other items. Considering all these indicators, the factor analysis was undertaken with all 11 items. Table 4.17 below presents the output from the final factor analysis.

By applying the factor analysis with the oblimin rotation (indicating that the factors are correlated) yielded two factors. The two factors account for 75,84% of the variance in the data. The factors are labelled, considering the nature of the services and the extracted factors were categorised as e-banking and conventional services. Accordingly, this naming was retained for the two factors as shown in Table 4.17. In the process, there is some cross-loading of items and due to this, one item is excluded from the factor analysis.

Table 4:17 Level of awareness of banking services factor analysis

Pattern Matrix ^a		
	Factor	
	E-banking services	Conventional banking services
Point of sales services	.925	
Mobile banking services	.902	
Internet banking services	.853	
Agency functions	.739	
ATM Services	.598	
Money transfer		.979
Granting loans		.941
Deposit collection		.901
Investment advice		.558
Pension payments		.508
Extraction Method: Principal Axis Factoring. Rotation Method: Oblimin with Kaiser Normalisation. a. Rotation converged in seven iterations.		

Source: Field data (2016)

The internal consistency of each of the scales was examined using the Cronbach's alpha. The alphas for the e-banking factor was 0,900 and 0,905 for the conventional

banking factor, which indicates that both factors are reliable since their Cronbach's alpha value is greater than 0,7. This gave a good idea of testing the unbanked individuals' level of awareness to identify on which factor the awareness is better or worse (tested below). The one sample *t*-test is applied to test the respondents' knowledge of e-banking and conventional banking services and the results are presented in Table 4.18.

Table 4.18 indicates that there is a significantly lower awareness of the unbanked individuals of e-banking services ($M = 1.88$, $SD = .874$), $t(383) = -25.153$, $p < .0005$ and conventional banking services ($M = 2.60$, $SD = 1.034$), $t(383) = -7.667$, $p < .0005$. This clearly implies that while the knowledge of the unbanked individuals on both service categories are significantly lower, their knowledge of e-banking services is worse than conventional banking services.

Table 4:18 Respondents' knowledge of conventional and e-banking services

One Sample test						
				Test Value = 3		
	N	Mean	Std. Deviation	t	df	Sig. (2-tailed)
E-banking services	384	1.88	.874	-25.153	383	.000
Conventional banking services	384	2.60	1.034	-7.667	383	.000

Source: Field data (2016)

4.4.3. Reasons for being unbanked

It was critical to ascertain the reasons why the individuals are unbanked since knowing the reason would help the marketing managers to design working strategies that could adequately address the problem. In the unbanked individuals' questionnaire, questions related to reasons for being unbanked were designed to identify the most reasons that contribute to being unbanked. Accordingly, the respondents were requested to rate their level of agreement on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree) of the potential reasons that prevent them from entering the banking system. Based on their responses, a one sample independent *t*-test was conducted and the reasons why the respondents significantly agreed and disagreed were identified. Moreover, the reasons were

ranked based on the average score of the respondents' level of agreement. The results of the analysis are presented in tables 4.19 and 4.20 respectively.

Table 4.19 indicates that there is a significant agreement that language barriers ($M = 3.30$, $SD = 1.126$), $t(383) = 5.304$, $p < .0005$, distrust in banks ($M = 3.60$, $SD = 1.136$), $t(383) = 10.332$, $p < .0005$, financial literacy ($M = 3.72$, $SD = 1.066$), $t(383) = 13.261$, $p < .0005$, lack of physical access to banking ($M = 3.63$, $SD = 1.074$), $t(383) = 11.401$, $p < .0005$, low income relative to the cost of services ($M = 3.58$, $SD = 1.208$), $t(383) = 9.476$, $p < .0005$, limited services offered ($M = 3.57$, $SD = 1.209$), $t(383) = 9.285$, $p < .0005$, no proper networking ($M = 3.62$, $SD = 1.212$), $t(383) = 10.022$, $p < .0005$, and lack of awareness ($M = 3.73$, $SD = 1.245$), $t(383) = 11.521$, $p < .0005$ are the reasons for being unbanked. However, there is a significant disagreement that lack identification documents ($M = 2.17$, $SD = 1.026$), $t(383) = -15.913$, $p < .0005$, rejected in the past ($M = 2.42$, $SD = 1.133$), $t(383) = -10.046$, $p < .0005$, cost is too high ($M = 2.48$, $SD = .993$), $t(383) = -10.276$, $p < .0005$, cultural barriers, such as religion ($M = 2.45$, $SD = 1.208$), $t(383) = -8.998$, $p < .0005$, length of time to receive money from a payroll check ($M = 2.64$, $SD = 1.179$), $t(383) = -5.973$, $p < .0005$, minimum required balance too high ($M = 2.44$, $SD = 1.157$), $t(383) = -9.438$, $p < .0005$, poor time management ($M = 2.58$, $SD = 1.198$), $t(383) = -6.818$, $p < .0005$, and large number of dependents ($M = 2.50$, $SD = 1.149$), $t(383) = -8.569$, $p < 0.0005$ are the reasons why the unbanked individuals are out of the banking system.

Table 4:19 Reasons for being unbanked

One Sample test						
	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2- tailed)
Lack of identification documents	384	2.17	1.026	-15.913	383	.000
Language barrier	384	3.30	1.126	5.304	383	.000
Distrust banks	384	3.60	1.136	10.332	383	.000
Financial Literacy	384	3.72	1.066	13.261	383	.000
Rejected in the past	384	2.42	1.133	-10.046	383	.000
Cost is too high	384	2.48	.993	-10.276	383	.000
Lack physical access to banking	384	3.63	1.074	11.401	383	.000
Low income relative to the cost of services	384	3.58	1.206	9.476	383	.000
Cultural barriers such as religion	384	2.45	1.208	-8.998	383	.000
Length of time to receive money from a payroll check	384	2.64	1.179	-5.973	383	.000
Limited services offered	384	3.57	1.209	9.285	383	.000
Minimum required balance too high	384	2.44	1.157	-9.438	383	.000
Poor time management	384	2.58	1.198	-6.818	383	.000
No proper networking	384	3.62	1.212	10.022	383	.000
Lack of awareness	384	3.73	1.245	11.521	383	.000
Large number of dependents	384	2.50	1.149	-8.569	383	.000

Source: Field data (2016)

Based on the average agreement score, the reasons for being unbanked can be ordered from greatest reason to least reason, as indicated in Table 4.20. From this, one can understand that the unbanked individuals' knowledge of banking services (awareness and financial literacy) take the greatest role in preventing the individuals to use the banking system, followed by the physical accessibility of banking services.

Table 4:20 Reason for being unbanked in order from greatest to least

Reason	Agreement score
Lack of awareness	3.73
Financial literacy	3.72
Lack of physical access to banking	3.63
No proper networking	3.62
Distrust banks	3.60
Low income relative to the cost of services	3.58
Limited services offered	3.57
Language barrier	3.30
Length of time to receive money from a payroll check	2.64
Poor time management	2.58
Large number of dependents	2.50
Cost is too high	2.48
Cultural barriers such as religion	2.45
Minimum required balance too high	2.44
Rejected in the past	2.42
Lack of identification documents	2.17

Source: Field data (2016)

4.4.4. Demographic factors and intention to use banking services

As identified in the literature, demographic factors contribute to the individuals' intention to use banking services. Therefore, for this study to test the influence of the unbanked respondents' demographic factors on their intention to use banking services, the one-way ANOVA was employed. Unlike the *t*-test, which compares the means of two groups, the analysis of variance (ANOVA) helps the researcher to compare the mean score of more than two groups. Thus, in this section, one-way ANOVA test was conducted to determine the difference in the unbanked individuals' intention to use banking services, belonging to different age groups, gender, educational level, monthly income, occupation, employment sector, marital status and number of dependents.

Since this test is linking the demographic factors with the intention to use banking services, first, 'intention to use' is analysed and a single construct variable is formed. The analysis of the variation followed. The results of the analysis are presented in Tables 4.21 and 4.22 respectively.

Table 4:21 Unbanked individuals' intention to use banking services

One Sample Statistics						
Intention to use	N	Mean	Std. Deviation	Test Value = 3		
				t	df	Sig. (2-tailed)
It is likely that I would have a bank account soon.	384	3.65	.917	13.806	383	.000
Using a bank account to manage my financial affairs is something I am considering.	384	3.67	.973	13.589	383	.000
I believe that using banking services will be more relevant in the future.	384	3.76	.941	15.883	383	.000
I still prefer to use banking services than keeping money in the house.	384	3.58	.972	11.603	383	.000
I am interested in experiencing the benefits of using banking services.	384	3.62	.940	12.860	383	.000
I will recommend the usage of banking services to my friends and relatives.	384	3.33	1.002	6.416	383	.000

Source: Field data (2016)

Table 4.21 above indicates that there is a significant agreement that it is likely that I would have a bank account soon ($M = 3.65$, $SD = .917$), $t(383) = 13.806$, $p < .0005$, using a bank account to manage my financial affairs is something I am considering ($M = 3.67$, $SD = .973$), $t(383) = 13.589$, $p < .0005$, I believe that using banking services will be more relevant in the future ($M = 3.76$, $SD = .941$), $t(383) = 15.883$, $p < .0005$, I still prefer to use banking services than keeping money in the house ($M = 3.58$, $SD = .972$), $t(383) = 11.603$, $p < .0005$, I am interested in experiencing the benefits of using banking services ($M = 3.62$, $SD = .940$), $t(383) = 12.860$, $p < .0005$, and I will recommend the usage of banking services to my friends and relatives ($M = 3.33$, $SD = 1.002$), $t(383) = 6.416$, $p < .0005$.

These items are all loaded onto a single factor and was retained in the composite measure for ITU (Intention to use). The result indicated that there is a significant agreement on the intention to use banking services in the near future ($M = 3.60$, $SD = .784$), $t(383) = 15.017$, $p < .0005$. The Cronbach's alpha (measure of reliability) for the ITU measure is .901, indicating a reliable measure.

Using the results of the ITU, the banking services ANOVA test was conducted to test whether the unbanked individuals' demographic factors have a positive, significant impact on their intention to use banking services. Accordingly, Table 4.22 was generated.

Table 4:22 ANOVA test of demographic factors and intention to use bank services

ANOVA						
ITU						
		Sum of Squares	df	Mean Square	F	Sig.
Age	Between Groups	4.229	4	1.057	1.734	.142
	Within Groups	231.100	379	.610		
	Total	235.329	383			
Gender	Between Groups	.209	1	.209	.339	.561
	Within Groups	235.120	382	.615		
	Total	235.329	383			
Level of education	Between Groups	8.575	5	1.715	2.859	.015
	Within Groups	226.754	378	.600		
	Total	235.329	383			
Occupation	Between Groups	8.241	6	1.373	2.280	.036
	Within Groups	227.088	377	.602		
	Total	235.329	383			
Total monthly income	Between Groups	3.210	4	.802	1.310	.266
	Within Groups	232.119	379	.612		
	Total	235.329	383			
Employment sector	Between Groups	1.504	1	1.504	2.458	.118
	Within Groups	233.824	382	.612		
	Total	235.329	383			
Marital status	Between Groups	1.323	3	.441	.716	.543
	Within Groups	234.005	380	.616		
	Total	235.329	383			
Number of dependents	Between Groups	1.565	3	.522	.848	.468
	Within Groups	233.763	380	.615		
	Total	235.329	383			

Source: Field data (2016)

Table 4.22 indicates that there is no significant difference in the unbanked individual's intention to use banking services regardless of the different age groups,

gender, total monthly income, employment sector, marital status and having a different number of dependents since the p significance values are greater than 0,05.

However, there is a significant difference in intention to use banking services for the different levels of education $F(5, 378) = 2.859, p = .015$ and for the different categories of occupation $F(6, 377) = 2.280, p = .036$. This implies that the unbanked individuals' level of education and occupation has an influence on their intention to use banking services.

4.4.5. Consumer characteristics and intention to use banking services

The unbanked individual respondents were asked to indicate their level of agreement on a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree) about the cultural, social, personal and psychological factors that affect their intention to use banking services.

This section presents the survey results of the unbanked individuals' responses on the factors affecting their intention to use banking services. Descriptive statistical analysis and corresponding reliability and validity tests were conducted. The Structural Equation Model (SEM) was developed using the survey results and the model was proposed and tested. The analysis of the data involved two stages, the descriptive statistical analysis and the multivariate correlational data analysis, including the Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA).

4.4.5.1. Descriptive data analysis

Table 4.23 portrays that among the cultural factor components the respondents significantly agreed that the social class to which they belong ($M = 3.13, SD = 1.095, t(383) = 2.33, p = 0.02$), cultural style they follow ($M = 3.20, SD = 1.06, t(383) = 3.756, p < .0005$), and suitability to their cultures, beliefs, traditions and customs ($M = 3.39, SD = 1.09, t(383) = 6.975, p < .0005$), affect their utilisation of banking services. Similarly, the respondents significantly agreed that the language used in banking services is different from their languages ($M = 3.12, SD = 1.138, t(383) = 2.018, p = 0.04$). However, the respondents significantly disagreed that their

religion influences the utilisation of banking services ($M = 2.53$, $SD = 1.022$), $t(383) = -9.042$, $p < .0005$, and saving money for future life is not their culture ($M = 2.77$, $SD = 1.039$), $t(383) = -4.32$, $p < .0005$. This result implies that the cultural factors do not preclude the unbanked individuals from using banking services, if the banking institutions suit the services with the culture of the people, like language.

As indicated in Table 4.23, the respondents are significantly agreed on the components of psychological factors. The result indicates that the perception of the respondents on using banking services enables them to fulfil their financial needs, their thinking processes if they should always use banking services and their beliefs of using banking services will help them to develop good saving habits, self-confidence and a feeling of self-satisfaction. Their confidence to use banking services on a regular basis is the highest on the score with a mean value of 3,61, 3,53, 3,48 and 3,45 respectively. This implies that the unbanked respondents have a good understanding of the usefulness of banking services, as well as the ease of use if they go for it, which is vital for the marketers of banking services in the country.

Regarding the social factors, the results indicate that the respondents significantly agreed on all the components. It is further observed that the respondents do care what their parents think of using banking services, discussing banking services with the people they know, and they would like to go to just one person who can help them with their banking service needs are the highest agreed on components on the agreement score with a mean value of 3,53, 3,49, and 3,44 respectively. This implies that the unbanked parents and people around them contribute to using banking services.

Table 4.23 also shows that while there is a significant agreement on the personal factors affecting the respondents' banking service utilisation, the unbanked personal income, family income and personality and lifestyle are the highest agreed on components on the agreement score with a mean value of 3,65, 3,59 and 3,56 respectively.

Table 4:23 Descriptive statistics of consumer characteristic variables

One Sample Statistics						
	N	Mean	Std. Dev	Test Value = 3		
				t	df	Sig.
Cultural factors						
My religion has an influence on using banking services.	384	2.53	1.022	-9.042	383	.000
The social class to which I belong affects my utilisation of banking services.	384	3.13	1.095	2.33	383	0.02
The communities within which I live does not exhibit the use of banking services.	384	2.92	1.009	-1.518	383	0.13
The cultural style we follow has a significant impact on my bank service utilisation.	384	3.2	1.06	3.756	383	.000
Saving money for future life is not our culture.	384	2.77	1.039	-4.32	383	.000
The language used in the banking services is different from yours.	384	3.12	1.138	2.018	383	0.044
Suitability to my culture, belief, tradition and custom is the most important to use banking services.	384	3.39	1.09	6.975	383	.000
Psychological factors						
Using banking services will help me to develop good saving habits, self-confidence and feeling a self-satisfaction.	384	3.48	1.047	9.017	383	.000
Using banking services enables me to fulfil my financial needs.	384	3.61	0.928	12.817	383	.000
I personally think I should always use banking services.	384	3.53	0.985	10.463	383	.000
I am confident that if I wanted to, I can use banking services on a regular basis.	384	3.45	0.995	8.924	383	.000
Interaction with banks does not require much mental effort.	384	3.36	1.02	6.857	383	.000
I find it easy to adhere to the bank's legal requirements.	384	3.41	1.023	7.928	383	.000
It is easy for me to become skilful in the use of banking services.	384	3.36	1.089	6.42	383	.000
Overall, I think the use of banking services is easy.	384	3.27	1.044	5.035	383	.000
I feel uncomfortable making judgments about the riskiness of using bank services.	384	3.34	1.001	6.577	383	.000
I worry about the safety of my deposits in banks.	384	3.11	1.163	1.887	383	0.06
The price of using banking services is cheaper.	384	2.97	1.034	-0.493	383	0.622
Social factors						
I often ask my friends or family about a product I like before I buy.	384	3.3	1.048	5.6	383	.000
Discussing the banking services with the people I know is important to me.	384	3.49	0.897	10.812	383	.000

One Sample Statistics						
	N	Mean	Std. Dev	Test Value = 3		
				t	df	Sig.
I would like to go to just one person who can help me with my banking service needs.	384	3.44	0.954	8.988	383	.000
I am unlikely to try a banking service until someone I know recommends it.	384	3.15	1.072	2.809	383	.005
Most people who are important to me think that I should use banking services.	384	3.18	1.154	3.007	383	.003
Most of the households with whom I am acquainted use banking services.	384	3.17	1.173	2.783	383	.006
My workmates think that I should start using banking services.	384	3.32	1.149	5.506	383	.000
I do care what my parents think of using banking services.	384	3.53	0.988	10.488	383	.000
I do care what my close friends think of using banking services.	384	3.31	1.044	5.766	383	.000
Personal factors						
My family income affects my bank service utilisation decision.	384	3.59	1.114	10.356	383	.000
My personal income determines my bank service utilisation decision.	384	3.65	1.099	11.651	383	.000
My personality and lifestyle affect my utilisation of banking services.	384	3.56	1.125	9.754	383	.000
My age influences my decision of banking service utilisation.	384	3.12	1.203	1.951	383	0.052
My gender affects my utilisation of banking service.	384	2.89	1.113	-1.972	383	0.049
My education influences my decision of banking service utilisation.	384	3.34	1.199	5.577	383	.000
My occupation influences my decision of banking service utilisation.	384	3.37	1.18	6.14	383	.000

Source: Field data (2016)

Table 4.24 portrays that personal and psychological factors have the highest contribution to a mean value of 3,36 and 3,35 respectively. The statistics showed that cultural factors have the least contribution towards the intention to use banking services with a mean value of 3,01.

Table 4:24 Descriptive statistics of leading factors

One Sample Test						
Test Value = 3						
	N	Mean	Std. Deviation	t	Df	Sig. (2-tailed)
Cultural factors	384	3.0086	0.66941	0.250	383	0.802
Psychological factors	384	3.3532	0.67250	10.292	383	0.000
Social factors	384	3.3209	0.68088	9.235	383	0.000
Personal factors	384	3.3601	0.85434	8.260	383	0.000

Source: Field data (2016)

4.4.5.2. Exploratory factor analysis (EFA) of model constructs

In this research, the Exploratory Factor Analysis (EFA) was employed to analyse the factors affecting the intention to use banking services with the aid of the Software Package for Social Sciences (SPSS) version 24. The uni-dimensionality of the components was analysed using the factor extraction method, namely the Principal Axis Factoring (PAF) with oblimin rotation, which is a quite straightforward method and makes interpretation easier (Bryman & Bell, 2007; Page & Meyer, 2003). The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and the Bartlett's Test of Sphericity to determine the possibility of factor analysis were conducted for each construct (Pallant, 2013). While the KMO statistical values range between 0 and 1, where 0 represents absolute inadequacy and 1 represents absolute adequacy of the sample, it is recommended that a KMO value of 0,6 is the bare minimum for the sample to be adequate (Pallant, 2013). Therefore, in this research, the cut-off value of greater or equal to 0,6 with the Bartlett's test of Sphericity ($p < 0.05$) was used.

The eigenvalue of a factor determines the percentage and the total variance is explained by that factor (Pallant, 2013; Hair et al., 2010). For this research, an eigenvalue of more than 1 was considered significant. The Cronbach's alpha coefficient was used to test the internal consistency reliability of the entire measurement scale (Blankenship, 2010; Bryman & Bell, 2007; Pallant, 2013). For this research, a Cronbach's alpha coefficient value of 0,7 and above is considered to be acceptable (Pallant, 2013). Moreover, the inter-item correlation values of above

0,3 and factor loading values of 0,4 and above were considered acceptable (Pallant, 2013; Hair et al., 2010; Gray, 2004).

The next sections present and discuss reliability, convergent and discriminant validity measures of the four factors affecting the intention to use banking services.

A. Cultural factors

The uni-dimensionality and reliability of cultural factors were evaluated using the Exploratory Factor Analysis (EFA) and the results are shown in Table 4.25 below. The results indicate that the KMO value of 0,745 with the Bartlett's test of Sphericity $p < 0.0005$ was obtained. This meets the recommended KMO cut-off point of 0,6 and the Bartlett's test of Sphericity $p < 0.0005$, which indicates that the data meet the factor analysability criteria.

From the rotated factor loadings by using the oblimin rotation method, two factors were extracted for the cultural items. However, only one is strong enough to be used based on the reliability of the factors. As indicated in Table 4.25, only one factor is extracted and named culture, which constitutes items 3, 5 and 6 of the questions responded to by the unbanked respondents, with the Cronbach's alpha of .720 reliability score. This indicates that the internal reliability is acceptable.

The factor loadings for all the elements of the factors were greater than the suggested value of 0,40. An eigenvalue greater than one was recognised in this factor, explaining 40,52% of the variance in the data.

B. Psychological factors

The result of the EFA for the psychological factors indicated that the KMO value of 0,830 with the Bartlett's test of Sphericity $p < 0.0005$ was obtained. This meets the recommended KMO cut-off point of 0,6 and the Bartlett's test of Sphericity $p < 0.0005$, which indicates that the data meet the factor analysability criteria. By using the oblimin rotation method, three factors were extracted, but only two factors met the reliability criteria, namely the perceived ease of use and perceived usefulness, as

indicated in Table 4.25 below. The two extracted factors have Cronbach's alpha values of 0,803 and 0,772 respectively. This indicates that the internal reliability was acceptable.

As indicated in Table 4.25, the factor loadings of all the elements were greater than the suggested value of 0,40. An eigenvalue greater than one was recognised in this factor, explaining 57,31% of the variance in the data.

C. Social factors

For the social factor, the EFA results showed that the KMO value of 0,770 with the Bartlett's test of Sphericity $p < 0.0005$ was obtained. This value is greater than the recommended KMO cut-off point of 0,6 and the Bartlett's test of Sphericity $p < 0.0005$, which indicates that the factor analysis is possible by using the data. Therefore, the principal axis factoring with the oblimin rotation method was used for the rotated factor loadings and two factors were extracted and checked for satisfying reliability criteria, namely social support and social influence. The two extracted factors have Cronbach's alpha values of 0,740 and 0,798 respectively. This indicates that the internal reliability was acceptable.

As indicated in Table 4.25, the factor loadings of all the elements were greater than the suggested value of 0,40. An eigenvalue greater than one was recognised in this factor, explaining 58.265% of the variance in the data.

D. Personal factors

The EFA results for personal factors showed that the KMO value of 0,829 with the Bartlett's test of Sphericity $p < 0.0005$ was obtained. This value is greater than the recommended KMO cut-off point of 0,6 and the Bartlett's test of Sphericity $p < 0.0005$, which indicates that the factor analysis is possible by using the data. Therefore, the principal axis factoring with the oblimin rotation method was used for the rotated factor loadings and two factors were extracted and checked for satisfying reliability criteria, namely external and internal personal factors. The two extracted

factors have Cronbach's alpha values of 0,889 and 0,637 respectively. This indicates that the internal reliability was acceptable.

Moreover, Table 4.25 indicates that the factor loadings of all the elements were greater than the suggested value of 0,40. An eigenvalue greater than one was recognised in this factor, explaining 75,865% of the variance in the data.

E. Intention to use banking services

The EFA for the dependent variable, intention to use banking services, is shown in Table 4.25. The results disclosed that the KMO value of 0,890 with the Bartlett's test of Sphericity $p < 0.0005$ was obtained. This value is greater than the recommended KMO cut-off point of 0,6 and the Bartlett's test of Sphericity $p < 0.0005$, which indicates that the factor analysis is possible by using the data. Therefore, by using the principal axis factoring with the oblimin rotation method for the rotated factor loadings, only one factor was extracted, namely the intention to use the factor. The extracted factor has a Cronbach's alpha value of 0,901. This indicates that the internal reliability was acceptable.

Moreover, the factor loadings of all the elements were greater than the suggested value of 0,40, as indicated in Table 4.25. An eigenvalue greater than one was recognised in this factor, explaining 66,991% of the variance in the data.

Table 4:25 Summary of exploratory factor analysis of model constructs

Construct/ Factor name	Items	Factor loading	Cronbach's alpha	KMO	Bartlett's p value	Variance explained by factor
Culture	Cult3	.707	.720	.745	<.0005	40.516
	Cult5	.646				
	Cult6	.546				
Perceived ease of use	Psy5	.667	.803	.830	<.0005	45.082
	Psy6	.624				
	Psy7	.688				
	Psy8	.789				
Perceived usefulness	Psy1	.823	.772			12.228
	Psy2	.620				
	Psy3	.552				
Social support	Soc1	.674	.740	.770	<.0005	16.432
	Soc2	.704				
	Soc3	.706				
	Soc4	.448				
Social influence	Soc5	.634	.798			41.833
	Soc6	.888				
	Soc7	.530				
Personal external	Per1	.912	.889	.829	<.0005	57.403
	Per2	.933				
	Per3	.752				
	Per7	.648				
Personal internal	Per4	.684	.637			18.462
	Per5	.650				
Intention to use	Int1	.780	.901	.890	<.0005	66.991
	Int2	.769				
	Int3	.740				
	Int4	.811				
	Int5	.746				
	Int6	.815				

Extraction Method: Principal Axis Factoring
Rotation Method: Oblimin Rotation with Kaiser Normalisation
Based on Eigenvalues > 1.00

Source: Field data (2016)

Based on the above exploratory factor analysis and latent variables identified, the measurement model was developed and tested. The following section presents the proposed and tested structural equation model, which indicates the factors affecting the individuals' intention to use banking services.

4.4.5.3. The Structural equation modelling

The Structural Equation Modelling (SEM) tests the hypothesised patterns of non-directional and directional relationships among a set of measured and latent variables (MacCallum & Austin, 2000). It has two basic constituents, namely the measurement model and the structural model (Cangur & Ercan, 2015; MacCallum & Austin, 2000; Fan & Sivo, 2007). The measurement model identifies how the latent variables are measured in terms of the observed variables, while the structural model tests the relationships among the latent variables (Cangur & Ercan, 2015). The following sections present the proposed measurement model and test of structural equation model to identify the factors affecting the unbanked individuals' intention to use banking services.

4.4.5.4. Measurement model

In this study, the Confirmatory Factor Analysis (CFA) with SEM was carried out by using the SPSS AMOS version 24.0 to assess the measurement model and evaluate the measurement model fit index. For the model fit index, commonly used statistics, the chi-square (χ^2), was used in this study. According to Hair et al. (2010), in SEM, the chi-square statistics is employed to evaluate the relationship that exists between two models. The chi-square results were also used to determine the extent of inconsistency between the sample and the fitted covariance matrices.

In addition to the chi-square statistics, the fit of the model to the data was tested by using Root-Mean-Square-Error of Approximation (RMSEA), the ratio of the chi-square value to the degree of freedom (χ^2/df), the Comparative Fit Index (CFI) and the Incremental Fit Index (IFI). The cut-off criteria used for the model fit in this study are indicated in Table 4.26.

Table 4:26 Cut-off criteria for model fit indices

Model Fit criterion	Symbol/ Acronym	Suggested threshold levels	Reference
Chi-square test	X^2	Low relative df with an insignificant p -value ($p > 0.05$)	(Hox & Bechger, 2010); (Fan & Sivo, 2007); (Cangur & Ercan, 2015)
Normed chi-square	X^2/df	Ratio of X^2 to $df \leq 2$ or 3 “good fit” Ratio of X^2 to $df \leq 5$ “acceptable fit”	(Hair et al., 2010); (Yu, 2002); (Fan & Sivo, 2007)
Root-Mean-Square-Error of Approximation	RMSEA	< 0.05 “good fit” > 0.06 to 0.08 “acceptable fit”	(Hair et al., 2010); (Cangur & Ercan, 2015); (Fan & Sivo, 2007)
Comparative Fit Index	CFI	≥ 0.95 “good fit” ≥ 0.90 “acceptable fit”	(Fox, 2006); (Fan & Sivo, 2007); (Cangur & Ercan, 2015); (MacCallum & Austin, 2000)
Incremental Fit Index	IFI	≥ 0.95 “good fit” ≥ 0.90 “acceptable fit”	(Fan & Sivo, 2007); (Cangur & Ercan, 2015); (Hair et al., 2010)

Source: Compiled from different literature (2016)

The results of the measurement model fit index show that the model is found to be adequate and fit the data well. This was confirmed by the output of CFI, IFI, RMSEA and X^2/df , values. As indicated in Table 4.27, the value of CFI is 0,949, greater than 0,9, which is acceptable; the RMSEA value of 0,055 is also acceptable, which indicates the model fits the data well. The value of IFI 0,950, which is greater than 0,9, indicates there is a good fit between the model and the data. Similarly, the ratio of the chi-square to the degree of freedom confirms that the model adequately fits to the data, hence, its value is less than the range 2 to 3.

Table 4:27 Model fit estimates for measurement model

Indices	Fit values	Decision
χ^2 / df	2.148	Good fit
IFI	.950	Good fit
CFI	.949	Acceptable fit
RMSEA	.055	Acceptable fit

Source: Field data (2016)

Once testing and confirming the measurement model fit, the structural relationship between the constructs in the model is presented in Figure 4.14. The figure indicates a direct

dependence relationship between the constructs by using a straight arrow and correlation between the variables by using curved arrows. Figure 4.14 illustrates the measurement model for the intention to use banking services with estimates.

Table 4.28 and Table 4.29 show a summary of the regression and correlation coefficient results of the constructs in the proposed model. With reference to Figure 4.14 and Table 4.28, all the regression coefficients in the model are significant. This means that they are all important and contribute to the model. Similarly, Figure 4.14 and Table 4.29 indicate that the correlation coefficients between culture, psychological (perceived ease of use), social support, social influence, personal (external) and intention to use banking services are all significant. It means that there is a relationship between a dependent variable (intention to use) and independent variables (culture, psychological (perceived ease of use), social support, social influence, and personal (external) factors.

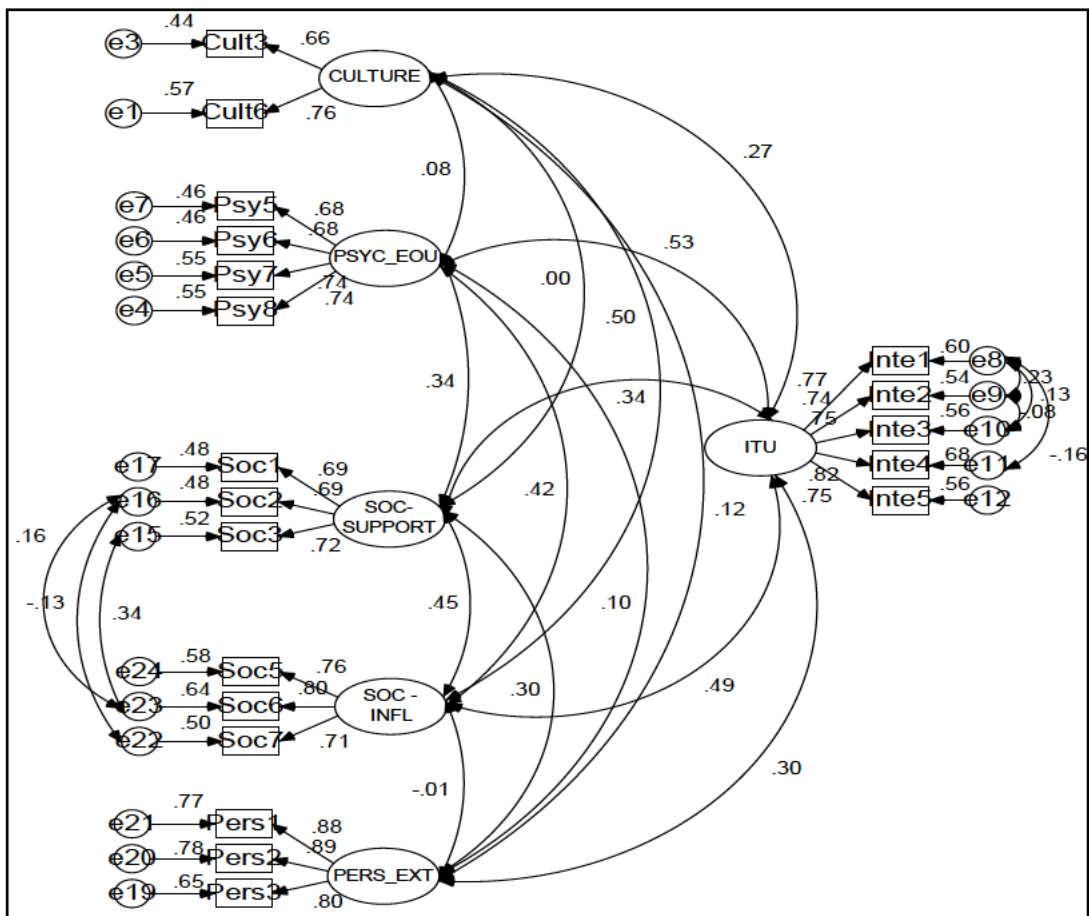


Figure 4:14 Measurement model diagram and estimates
Source: Field data (2016)

However, as indicated in Figure 4.14 and Table 4.29, the correlation coefficients between culture and external factors, perceived ease of use and external factors, external and social influence factors, culture and social support factors, and culture and perceived ease of use factors are not significant in the proposed model. This indicates that the proposed measurement model requires readjustment.

Table 4:28 Standardized regression weights of the measurement model

	Path	Estimates	P-value	
Cult6	<---	CULTURE	0.756	.000
Cult3	<---	CULTURE	0.664	.000
Psy8	<---	PSYC_EOU	0.744	.000
Psy7	<---	PSYC_EOU	0.742	.000
Psy6	<---	PSYC_EOU	0.677	.000
Psy5	<---	PSYC_EOU	0.681	.000
Inte1	<---	ITU	0.775	.000
Inte2	<---	ITU	0.736	.000
Inte3	<---	ITU	0.746	.000
Inte4	<---	ITU	0.823	.000
Inte5	<---	ITU	0.75	.000
Soc3	<---	SOC-_SUPPORT	0.724	.000
Soc2	<---	SOC-_SUPPORT	0.693	.000
Soc1	<---	SOC-_SUPPORT	0.692	.000
Pers3	<---	PERS_EXT	0.805	.000
Pers2	<---	PERS_EXT	0.885	.000
Pers1	<---	PERS_EXT	0.88	.000
Soc7	<---	SOC -_INFL	0.705	.000
Soc6	<---	SOC -_INFL	0.801	.000
Soc5	<---	SOC -_INFL	0.762	.000

Source: Field data (2016)

Table 4:29 Correlation between constructs in the measurement model

	Path		Estimates	P- value
CULTURE	<-->	ITU	.269	.000
PSYC_EOU	<-->	ITU	.530	.000
ITU	<-->	SOC-SUPPORT	.341	.000
ITU	<-->	SOC -_INFL	.486	.000
ITU	<-->	PERS_EXT	.301	.000
CULTURE	<-->	PERS_EXT	.115	0.08
PSYC_EOU	<-->	SOC -_INFL	.418	.000
PSYC_EOU	<-->	PERS_EXT	.103	0.09
SOC-Support	<-->	PERS_EXT	.302	.000
PERS_EXT	<-->	SOC -_INFL	-.010	0.866
SOC-Support	<-->	SOC -_INFL	.453	.000
PSYC_EOU	<-->	SOC-SUPPORT	.338	.000
CULTURE	<-->	SOC-SUPPORT	.005	0.947
CULTURE	<-->	PSYC_EOU	.076	0.275
CULTURE	<-->	SOC -_INFL	.502	.000
e8	<-->	e9	.232	0.007
e8	<-->	e10	.135	0.118
e8	<-->	e11	-.164	0.035
e9	<-->	e10	-.083	0.237
e15	<-->	e23	.337	.000
e16	<-->	e22	-.130	0.053
e16	<-->	e23	.157	0.041

Source: Field data (2016)

4.4.5.5. Validity and reliability

The reliability and validity of the latent constructs in the measurement model were examined. For this purpose, the composite reliability (CR), the Cronbach's alpha and all the loadings (standardised regression coefficients) were used to determine the constructs' reliability. In order to test the validity of the constructs in the measurement model, both the convergent validity and discriminant validity were examined.

According to Cangur and Ercan (2015), the constructs are considered reliable when the Cronbach's alpha and composite reliability value exceed the criteria of 0,70. Table 4.30 shows that the CR and Cronbach's alpha values are greater than 0,70 except for cultural factors, which can be tolerated. The values of all the loadings (standardised regression coefficients) are greater than the minimum criteria of 0,50. Thus, all the constructs were reliable.

The convergent validity was examined by comparing the CR with the Average Variance Extracted (AVE) from the constructs. According to MacCallum and Austin (2000), and Cangur and Ercan (2015), the convergent validity holds when the CR value of the constructs are greater than the respective AVE values. Hair et al. (2010) also state that the convergent validity holds when all the constructs' standardised factor loadings are above 0,50. Table 4.30 below indicates that the constructs in the measurement model hold convergent validity, as all the CR values are greater than the AVE values and all the standardised factor loadings are above 0,50.

The discriminant validity was measured by comparing the average shared variance (ASV) and the maximum shared variance (MSV) with the average variance extracted (AVE) for a construct (Cangur & Ercan, 2015). According to MacCallum and Austin (2000), constructs have discriminant validity when the AVE is greater than ASV and MSV for a construct. Table 4.30 below displays the average variance extracted, average shared variance and maximum shared variance for the constructs. All the average variances extracted for each of the constructs are greater than the average shared variance and maximum shared variance values. Therefore, all the constructs demonstrate discriminant validity.

Table 4:30 Reliability and validity indices for the model constructs

Construct	CR Composite Reliability	Cronbach's alpha	AVE (average variance extracted)	ASV (average shared variance)	MSV (maximum shared variance)
Culture	.671	.665	.506	.069	.252
Psyc_eou	.804	.803	.507	.117	.281
Soc-support	.746	.741	.494	.105	.205
Soc-Influence	.801	.798	.573	.174	.252
Pers_ext	.893	.892	.735	.041	.091
ITU	.877	.878	.588	.159	.281

Source: Field data (2016)

In general, the reliability, convergent and discriminant validity requirements were fulfilled. Therefore, the measurement model is accepted, and the structural equation model was formed by adding directional arrows between the independent and

dependent variables and adjusting, which attained an acceptable fit. The following section presents the adjusted structural equation model and the model fit assessment.

4.4.5.6. Final structural equation model

As indicated in the above section, the measurement model was accepted and hereunder the final structural equation model was formed by adding directional arrows to measure the level of the effect of the independent variables on the dependent variable. Moreover, the insignificant correlation between the variables in the measurement model was removed for the sake of avoiding possible suppression effects.

The revised structural equation model is presented in Figure 4.15. The model fit indices for the revised model are summarised in Table 4.31, while the standardised regression coefficients are presented in Table 4.32.

Table 4:31 Model fit estimates for final measurement model

Indices	Fit values	Decision
χ^2 / df	2.241	Good fit
IFI	.943	Good fit
CFI	.942	Acceptable fit
RMSEA	.057	Acceptable fit

Source: Field data (2016)

The result of the fit index shows that the model is found to be adequate and fits the data well. This was established by the value of CFI which is 0,942, greater than 0,9, which is acceptable. The RMSEA value of 0,057 is also an acceptable fit; the IFI value of 0,943 indicates there is a good fit between the model and the data and the ratio of the chi-square to the degree of freedom also confirms that the model adequately fits the data, as its value is less than the range 2 to 3.

Table 4:32 Standardised regression weights in the final measurement model

		Path	Estimates	P-value
ITU	<---	CULTURE	0.058	0.503
ITU	<---	PSYC_EOU	0.384	.000
ITU	<---	SOC-_SUPPORT	-0.054	0.538
ITU	<---	SOC -_INFL	0.312	0.004
ITU	<---	PERS_EXT	0.278	.000
Cult6	<---	CULTURE	0.745	.000
Cult3	<---	CULTURE	0.675	.000
Psy8	<---	PSYC_EOU	0.746	.000
Psy7	<---	PSYC_EOU	0.745	.000
Psy6	<---	PSYC_EOU	0.672	.000
Psy5	<---	PSYC_EOU	0.681	.000
Inte1	<---	ITU	0.801	.000
Inte2	<---	ITU	0.74	.000
Inte3	<---	ITU	0.762	.000
Inte4	<---	ITU	0.817	.000
Inte5	<---	ITU	0.734	.000
Soc3	<---	SOC-_SUPPORT	0.751	.000
Soc2	<---	SOC-_SUPPORT	0.685	.000
Soc1	<---	SOC-_SUPPORT	0.663	.000
Pers3	<---	PERS_EXT	0.806	.000
Pers2	<---	PERS_EXT	0.886	.000
Pers1	<---	PERS_EXT	0.879	.000
Soc7	<---	SOC -_INFL	0.686	.000
Soc6	<---	SOC -_INFL	0.824	.000
Soc5	<---	SOC -_INFL	0.758	.000

Source: Field data (2016)

From the results of Figure 4.15 and Table 4.32, it can be deduced that the standardised regression coefficients for the psychological factors (perceived ease of use), social influence and personal factors (external) are significant. The results indicate that the unbanked individuals' intention to use banking services is significantly influenced by the perceived ease of use (0.384), social influence (0.312) and personal (external) factors (0.278). Whereas the influence of the cultural factors and social support on the individuals' intention to use banking services are not significant.

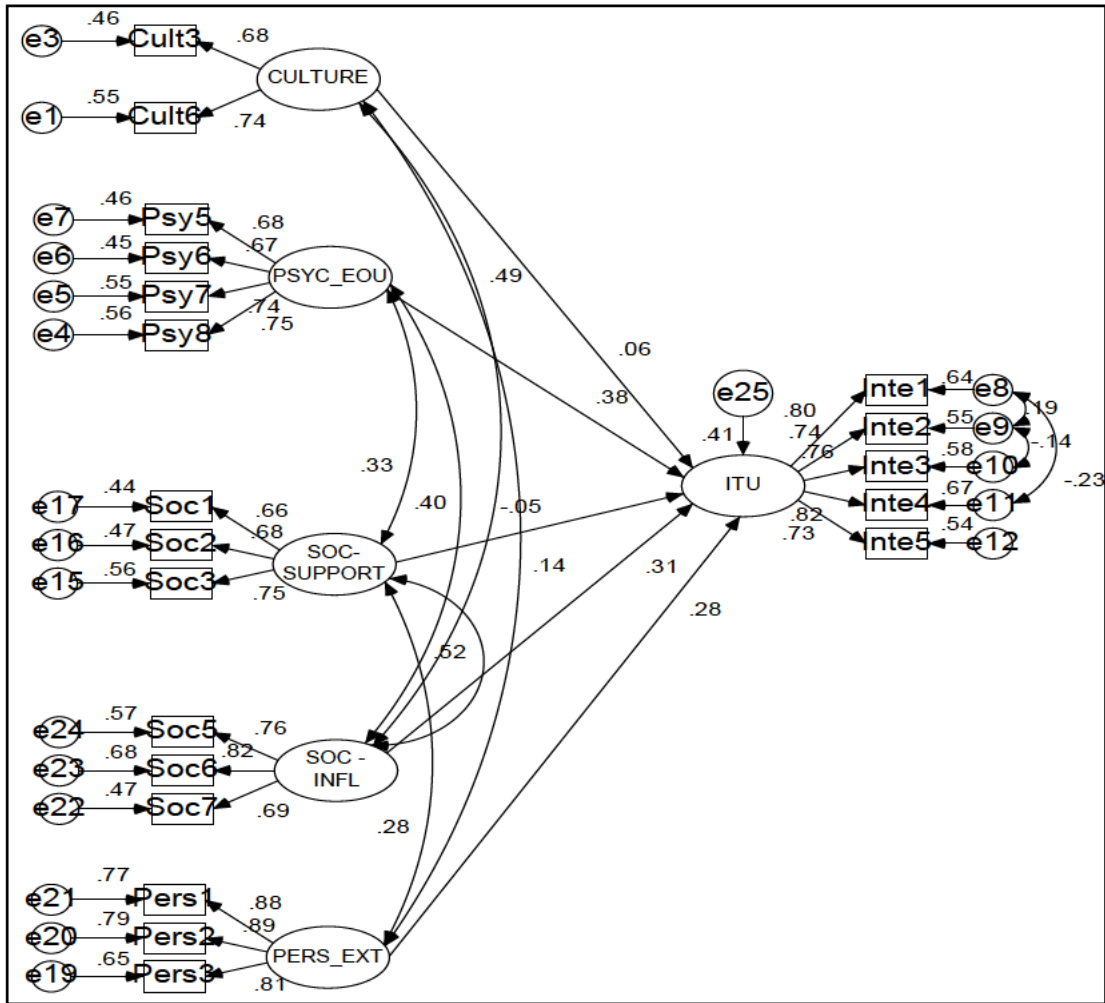


Figure 4:15 Structural equation diagram and estimates

Source: Field data (2016)

4.5. Hypothesis testing

Figure 4.15 illustrates the hypothesized relationships between the dependent and independent variables. The 5 hypothesized relationships between the variables in the model are drawn below.

H1: Unbanked individuals consumer's cultural factor have a significant impact on their intention to use banking services.

H2: Unbanked individuals consumer's psychological (perceived ease of use) factor have a significant impact on their intention to use banking services.

H3: Unbanked individuals consumer's social support have a significant impact on their intention to use banking services.

H4: Unbanked individuals consumer's social influence have a significant impact on their intention to use banking services.

H5: Unbanked individuals consumer's personal (external) factor have a significant impact on their intention to use banking services.

Standard factor loadings and their statistical significance were used to test the hypotheses. Table 4.33 shows standard factor loadings, corresponding p-values for the total structural equation model and decision of the hypothesis.

Table 4:33 Summary of hypothesis testing

Hypothesis	Standardized factor loading	p-value	Decision of hypothesis
H1: Unbanked individuals consumer's cultural factor have a significant impact on their intention to use banking services.	0.058	0.503	Rejected
H2: Unbanked individuals consumer's psychological (perceived ease of use) factor have a significant impact on their intention to use banking services.	0.384	.000	Accepted
H3: Unbanked individuals consumer's social support have a significant impact on their intention to use banking services.	-0.054	0.538	Rejected
H4: Unbanked individuals consumer's social influence have a significant impact on their intention to use banking services.	0.312	0.004	Accepted
H5: Unbanked individuals consumer's personal (external) factor have a significant impact on their intention to use banking services.	0.278	.000	Accepted

Source: Field data (2016)

As indicated in Table 4.33 H2, H4, and H5 were significant and were not rejected.

However, H1 and H3 were not significant and rejected.

4.6. Summary

This chapter was aimed at presenting the data collected from the marketing managers and the unbanked individuals on the bank marketing strategies and factors affecting the intention to use banking services. The data collected through the structured

questionnaire and the secondary sources were analysed by using the SPSS version 24. Descriptive statistics (mean and standard deviation), ANOVA, one sample *t*-test, factor analysis and SEM were employed to perform the data analysis. The results of the analysis were presented by using frequency tables, graphs and figures. The statistics contained in the tables, graphs and figures was then interpreted.

From the analysis, the results of the marketing strategies employed by the banks indicate that while there is a significant agreement that all the marketing strategies are in place, further analysis showed that the agreement that service strategies are in place was significantly higher than for all the other strategies ($p < .0005$), followed by process and people strategies. However, it was clearly observed that physical strategies were the lowest and, while in place, was not as 'good' as the other marketing strategies.

Even though the banks used branch expansion, mobile banking, e-banking, agency banking and supply of main financial services as marketing strategies to serve their customers and attract new ones, the results indicated that the population-to-bank branch ratio is small, and the branches of the banks are concentrated in Addis Ababa (capital city) than other regions in the country, which makes the distribution unequal. It was also shown that the use of mobile banking channels to access the banking services was very few due to language barriers. The absence of suitable legal and regulatory frameworks for e-commerce and e-payment in the country also affects the utilisation of e-banking services, which prevents the consumers from trusting the utilisation of e-banking for their day-to-day business activities. The results also indicated that the banks overlooked the possibility of creating accessibility in untapped areas through agency banking strategies. With regard to the supply of financial services, the banks are providing loans and advances for big projects and businesses while personal loans are very small, which may discourage the individuals to deposit their money in the banks.

On the macro-environmental factors affecting the bank marketing strategies, the results showed that while political or legal, economic, sociocultural and technological factors have a significantly greater effect on bank marketing strategies,

further analysis indicated that there was no significant difference in the effects of these factors on the bank marketing strategies.

Regarding the individuals' level of awareness of banking services, the factor analysis results yielded two factors (e-banking and conventional banking services). The two factors accounted for 75,84% of the variance in the data and the result indicated that while the knowledge of the unbanked individuals of both service categories is significantly lower, their knowledge of the e-banking services is worse than the conventional banking services. Based on the average agreement score, the reasons for being unbanked were ordered from the strongest reason to the weakest reason. Accordingly, the result showed that the unbanked individuals' knowledge of banking services (awareness and financial literacy) take the greatest role in preventing the individuals to enter the banking system, followed by the physical accessibility of banking services.

The effect of the demographic factors on the intention to use banking services indicated that there was no significant difference in the unbanked individuals' intention to use banking services regardless of different age groups, gender, total monthly income, employment sector, marital status and having different numbers of dependents since the *p*-values were greater than 0,05. However, the unbanked individuals' level of education and occupation had an influence on their intention to use banking services.

Furthermore, the SEM results indicated that the unbanked individuals' intention to use banking services was significantly influenced by the perceived ease of use (0.384), social influence (0.312) and personal (external) factors (0.278). Whereas the cultural factors and social support influence on the individuals' intention to use banking services were not significant.

The data and results provided in this chapter facilitated the discussion and interpretation of the findings. In the next chapter, the discussion and interpretation of the significant findings are presented in the context of the existing literature.

CHAPTER FIVE : DISCUSSION OF THE RESEARCH FINDINGS

5.1. Introduction

The broad aim of this study was to determine the factors affecting the unbanked individual's intention to use banking services and to propose marketing strategies to bank the unbanked in Ethiopia. This chapter aims at discussing the results arising from the research and will attempt to establish possible links between the stated research objectives and the research findings. It also associates the theoretical literature with the empirical findings of this research, by comparing them with other related studies.

This discussion serves as a basis for the summary and a recommendation of the research and it is prolonged by evaluating each of the specific research objectives identified in Chapter One.

5.2. Marketing strategies currently being used in the Ethiopian banks

Research question 1: What marketing strategies are being used in the Ethiopian banking sector?

This research question addresses the research objective of exploring the marketing strategies currently being used in the Ethiopian banks and determine their strengths and weaknesses. In attempting to answer the research question above, many researchers' viewpoints were considered and evaluated in the literature review. The consensus among the researchers supports the viewpoint that the use of appropriate marketing strategies in the market leads the organisation's achievement of its competitive advantage and contributes positively to the organisation's performance. In this research, the marketing strategies employed by the banks in Ethiopia were analysed by adopting the 7Ps of the service marketing mix framework, which have a crucial effect on the banks' performance (Lovelock, 2001; Collier, 1991; Cowell, 1984; Booms & Bitner, 1981).

1. Service strategies

According to Bezabeh and Desta (2014), the banking sector serves the individuals and organisations that have a surplus or shortage of financial resources and who need various types of financial services delivered by the banks. Thus, the community, which the banking sector serves, belongs to different levels of the economy, cultures, social groups, geographical locations, different professions and businesses (Kumar 2013). Indeed, the need of each group is different from the other groups. Anand and Murugaiah (2004) believe that it is necessary for the banking sector to understand the needs of the different groups and subgroups and design appropriate marketing strategy schemes to attract and retain them.

Kotler and Armstrong (2012) specify that the marketers' decisions of service strategies are concerned with the matters of variety, quality, brand, innovation and services. According to Zahid (2008), if the organisation is short to meet these components of the service strategies, the other elements of the marketing mix cannot enable the business to attract and maintain customers. Based on this point of view, this empirical research shows that while there is a significant agreement that all the service strategies (brand building, service efficiency, quality and innovation) are in place, further analysis indicates, among the constituents, that the introduction of new services as a strategic tool for attracting and retaining customers is significantly higher than for all the other components. However, the service strategy component attracted the lowest response from the respondents and, while in place, is not as good as the other constituents. This suggests that even if the banks in the country exert their efforts to introduce new services as strategic tools to attract and retain the consumers, still, there is a limitation in a variety of services delivered by the banks. Gashayie and Singh (2016) support this finding in their review of the development of the financial sector in Ethiopia, by stating that the banks in Ethiopia are limited to traditional commercial banking businesses and technology-based banking products have not yet been developed to a visible extent. Moreover, Worku (2010) confirms that the banks in Ethiopia are unable to expand customer service, and design flexible and customised products. These facts contribute to the limitation to provide banking services for the customers while visiting banking institutions.

Mohammad (2015) states that service variety should include the width and depth of the service. Offering a wide range of services helps the banking sector to attract a number of customer groups and satisfy a range of customer needs and wants (Kumar, 2013). A lack of service variety leads to customer dissatisfaction and this may also contribute to demotivating unbanked individuals to consider using banking firms for their day-to-day transactions. Therefore, such weakness may call the Ethiopian banks to wake up from their deep slumber to become highly proactive and dynamic entities.

2. Pricing strategies

Kalaimani (2013) states that pricing strategies influence the customers' willingness to consume or buy certain products or services; thus, a company should design a pricing strategy that helps them to attract more customers. Particularly, a pricing strategy can influence the action of attracting new consumers (Lena & Monika, 2011). If the pricing strategy is not addressed properly, it may cause dissatisfaction on the customers' side and subsequently may lead to a fall in demand (Pour *et al.*, 2013). According to Mohammad (2015) and Ateba *et al.* (2015), if a pricing strategy is managed poorly in the marketing mix, it may result in customer dissatisfaction, discourage new consumers and product failure. The empirical findings from this study indicate that the Ethiopian banking service pricing is usually set based on the central bank's regulations and bank service fees, interest rates and different commissions are not determined based on the customers' will. This shows that banking service pricing is predetermined and, hence, there is no chance for banks to manipulate their service pricing based on the customers' willingness to afford the service. Such actions may limit the activities of the banking sector in attracting new customers to the bank, which may, in turn, affect the effort of mobilising financial resources to transfer from surplus units to deficit areas through deposits and loan services. In support of this finding, Bezabeh and Desta (2014) observe that there is government interference in the banking business of Ethiopia in determining interest rates, which is critical for the efficient mobilisation of savings and the allocation of deposits to profitable enterprises. Gezae (2015) also identifies the existence of interference from the National Bank of Ethiopia in setting price structures of banking

services and recommend the need to let market forces determine interest rates and other prices of banking services.

Pour *et al.* (2013) and Ketabi (2012) recognise the importance of pricing in financial services and state that dynamic pricing, based on the individual consumer's relationship and willingness to afford, plays a vital role in attracting the unbanked and recruiting new customers. Such type of pricing strategy is more consumer-oriented than service-oriented; thus, it affords financial institutions the chance to set different prices for their services for different groups in a community to attract the individuals to the banking system. Moreover, Islam and Rahman (2015) believe that pricing is an instrument that encourages the customers' adhesiveness – it is all about consumer fascination, acquisition, retention and satisfaction while harmonising profitability by setting the price that reveals the consumer's perception of value for the service.

3. Promotional strategies

Grankvist *et al.* (2004) believes that promotional strategy is one of the key elements of the marketing mix strategies to communicate the product or service to the target audience. It is used for the purpose of notifying and recapping the individuals and persuading them to accept, use or recommend a product, service or idea (Machona & Kaseke, 2013). This strategy consists of advertising, sales promotions, personal selling, direct marketing and public relations (Kotler & Armstrong, 2012). Many authors recommend the use of more than one promotional tool in combination, as there is no single promotional tool, which enables the firm to attain its promotion strategy objectives (Mohammad, 2015; Kalaimani, 2013; Kaura, 2013; Lena & Monika, 2011; Grankvist *et al.*, 2004).

In line with this, the empirical findings of this study show that the banks in Ethiopia significantly used advertising media such as television, radio, newspapers and magazines, word-of-mouth communication, publicity and public relations, direct marketing methods, such as telemarketing, direct mail, the internet, and sponsoring special events, such as sports, charities and seminars, to promote their services for

potential and existing consumers. From this, one can observe that the banks in Ethiopia use multiple promotional tools to create awareness and persuade individuals to consider using banking services. This may help them to take the advantage of one and reduce the disadvantage of the other. Lena and Monika (2011) state that each promotional tool has its own pros and cons; thus, using different promotional tools helps the banking institutions to exploit the advantages and reduce the disadvantages of each. Moreover, Aliata *et al.* (2012) identify that spending time, money and effort on different promotional tools separately had little effect on the enhancement of performance. However, when the promotional tools are considered simultaneously, it significantly influences the performance of the organisation. Therefore, the use of multi-promotional tools to create awareness and persuade individuals to use banking services in Ethiopian banks can be considered the strongest side.

On the other hand, the findings of this research identified that the marketing communication tools used by the banks focus on sending a unified message to different segments of consumers and the banks do not have planned educational programmes to create awareness for the consumers on banking services. However, many literature (Amutha, 2016; Kumar, 2013; Ketabi, 2012; Aliata *et al.*, 2012; Lyons & Scherpf, 2004) show that in addition to promoting banking services through different media platforms to create awareness and bring the unbanked to the banking system, financial educational programmes play a significant role in empowering the unbanked individuals with financial knowledge and get them into the financial mainstream. Maharishi and Bhardwaj (2014) also provide evidence that planned financial educational programmes are successive in encouraging the unbanked to open accounts. Moreover, studies (Belay, Mengesha & Gebreal, 2016; Girma, 2016; Gugsu, 2015; Bultum, 2014) conducted in Ethiopia regarding the adoption of different banking services indicated that the individual's level of awareness of banking services take the lion's share in determining their intention to use. Therefore, financial educational programmes should be considered by the Ethiopian banking institutions, as it plays a critical role in creating financial knowledge and bringing the unbanked to the banking system.

According to Saleem and Abideen (2012), the message used in promotional strategies is critical in creating product awareness and convincing a potential consumer to make a final decision. Abubakar (2014) also identifies that the marketer's communication message influences the consumers' awareness, attitudes and behaviour. In principle, customers are more likely to buy a product if the marketing messages are relevant to their circumstances and interests (Chinakidzwa, 2014).

Sending a unified message to different customers' segments make the promotional strategy ineffective since all the affected individuals may be unable to understand and react to the message equally (Familmaleki *et al.*, 2015). Arina (2015) believes that the effectiveness of promotion is determined by understanding the message and getting a reaction from the receiver in response to the message. Therefore, sending customised marketing messages to different target audiences is important to influence and acquire new customers. Contrary to this, it was found that the Ethiopian banking sector used unified messages to different market segments to promote their services. This may limit the effectiveness of the promotional tools used in the sector to create awareness and obtain the required response from the audience.

4. Distribution strategies

According to Lena and Monika (2011), distribution strategies are the tools and abilities used to decrease the physical distance between the firm and its customers. Kumar (2013) and Mohammad (2015) identify three distributional channels in the banking sector, namely (a) traditional distribution, which is the offering of services at the bank's headquarters and its branches, (b) mobile distribution, which takes place while the employees of the banks visit the consumers' mobile points of sales, and (c) electronic distribution, which is offering the banking services by adopting different technologies, for example, internet banking, telephone banking, cash machines and ATMs. The findings of this research confirm that banks in Ethiopia use traditional branches and electronic banking (mobile phone, ATM, POS and internet banking) to make their services accessible to the communities in different geographical areas.

However, the use of mobile branches, intermediaries and agents are not in place, while the findings show that the managers agreed less on the accessibility of the banks' services to the different customer groups in terms of location.

According to Ndlovu and Ndlovu (2013); Bos and Kool (2006) and Caskey (2002), mobile branches will remain important for serving the rural areas, small business customers and the poor who have limited access to banking facilities. In Ethiopia, a large segment of the population has limited access to banking services due to the dispersed nature of the community settlements (Gashayie & Singh, 2016). For such situation, mobile (movable) banking channels are innovative ways of providing banking facilities to the untapped communities (Sarker *et al.*, 2015).

In addition to the mobile distribution of banking services, the use of intermediaries or agents is also very important to expand the accessibility of banking facilities to a wide area (Pour *et al.*, 2013; Ketabi, 2012). The research findings from the primary and secondary data show that agency as a banking strategy is adopted by a few private banks in Ethiopia and concentrates on areas where there is fierce competition and the customers have many other alternatives of obtaining banking facilities, rather than focussing on the untapped areas. Furthermore, the results indicate that most of the banks in the country, particularly public banks, overlook the possibility of creating the accessibility of banking services in untapped areas through the agency banking strategy.

Studies conducted by Gugsu (2015) and Aregahegne (2015) support this research finding by identifying that agency banking is not well adopted by the Ethiopian banks to create accessibility for the unbanked areas due to a lack of competition among the banks and the customers' trust in the services. However, there are driving factors in employing agency banking by the commercial banks in Ethiopia, including availing banking services beyond the restriction of the geographical location, the possibility of cost reduction, the untapped market and still, there is a significant unbanked demography (Teka, 2017; Belay *et al.*, 2016; Aregahegne, 2015).

The findings from the secondary data analysis indicated that the banks in Ethiopia employ branch expansion strategies to make their services accessible to the communities. However, the result shows that even though there is an expansion of bank branches, the population per bank branch was still high (i.e. one branch of the bank serves a high number of customers). Moreover, the results show that bank branches are more concentrated in the capital city, Addis Ababa, than in the regions of the country.

Most authors (Gashayie & Singh, 2016; Mohammad, 2015; Kaura, 2013; Pour *et al.*, 2013; Deribe & Deribie, 2012) agree that branching is critical to the success of the banks. They believe that despite the introduction of e-banking, the branches continue to be the most significant constituent of a bank's retail distribution system and are vital to attracting and retaining deposits. Aliata *et al.* (2012) agree that new bank clients are mostly acquired through personal communications at the branch locations. Islam and Rahman (2015) also suggest that for the banks that work in markets where the proportion of the unbanked population are high, the service delivery of the branches requires more strategic thinking. Therefore, the choice of branch locations, the staffing and the provision of branch services are significant to attract those who are currently unbanked and to create accessibility.

The findings of this research also revealed that, besides the branch expansion strategies, the banks in Ethiopia employ electronic banking strategies to create accessibility through electronic devices, like mobile phones, internet, Automated Teller Machines (ATMs) and Point of Sales (POSs). However, further analysis indicated that the use of e-banking to create the accessibility to banking services is very limited in Ethiopia. Shaikh (2014), Belay et al. (2016) and Bultum (2014) support this finding by suggesting that the adoption of e-banking in Ethiopia is poor and further identify a lack of trust, security risks, a lack of ICT infrastructure, and the legal and regulatory framework as major hindrances that the Ethiopian banking sector faces in the expansion of banking services through e-banking. Similarly, Worku (2010) identifies the Ethiopian banking sector as one of the most underdeveloped and that cash is still the main medium of exchange and electronic banking is not well known.

However, many researchers (Teka, 2017; Belay *et al.*, 2016; Gashayie & Singh, 2016; Ramavhona & Mokwena, 2016; Cudjoe, Anim & Nyanyofio, 2015; Nasri, 2011) identify e-banking as a driving force that is shifting the landscape of the banking sector, as it has indistinctly changed the boundaries among different banking firms, enabled new financial services or products and made banking services available in different packages for different customer groups. Particularly, it plays a significant role in creating the accessibility of financial services for the wide population where the opening of physical branches is difficult. Therefore, considering e-banking strategies to bank the unbanked by creating accessibility is an important matter for the banking sector.

5. People strategy

In the banking industry, the customers rely on the employees of the bank for advice, complaints and direction towards some of the banks' services and channels of distribution; thus, the interaction quality of the employees and the customers is an important factor (Lena & Monika, 2011). Kaura (2013) suggests that the participation of the employees and customers is unavoidable in the banking sector since both participate in the delivery of service. The results from this study identified that the banks regularly collect information on the customers' needs and requirements, interactive behaviour and if the appearance of the employees is good enough to attract customers. The interaction quality of the employees and customers must be high, and the employees of the bank must always look at ways to create customer value in its services. This strategy of the banks contributes significantly to quality service delivery, and attracting and retaining consumers to use banking services. In addition, good people strategy plays a dominant role in lobbying the unbanked individuals to use banking services.

Hadiasgari (2015); Bose *et al.* (2012) and Judd (2003) support the notion that the personnel-consumer contact is a critical constituent in providing a high-quality service and creating overall customer satisfaction. Gronroos (2000) also identifies the interaction between two parties as being an essential and central notion in service marketing and management. Therefore, giving attention to the interaction of the

employees and customers is an important strategy for the banking firms to meet customer satisfaction and attract them.

Even though there are strengths in the implementation of people strategies in the Ethiopian banking sector, the strategies related to the level of training of the banks' employees to deliver services effectively is relatively the lowest on the agreement scale and, while in place, is not as good as other people strategies. However, Mohammad (2015) identifies that the employees' level of training, interactive behaviour and appearance matter a lot in customer satisfaction. According to Ahmad (2007), the employees' training is critical for service firms, as the customers expect to receive concentrated attention from the personnel involved and presume them to be attentive, competent and professional. Moreover, Kaura (2013) identifies that hospitable employees with smiling faces, politeness, friendliness and understanding their problems have a remarkable effect on the customer's perception of the product or service. Therefore, providing sufficient training for the employees may significantly influence the attraction of consumers to use their products or services.

6. Service delivery process strategies

Booms and Bitner (1981) argue that service process strategies are critical components of marketing strategies, justifying that the process can affect the initial decision of customers to buy a service and influence the level of customer satisfaction. As a result, service offering firms need to recognise the significance of service delivery process strategies.

Results from this study indicate that managers significantly agreed that while all service delivery process strategies are in place, the use of information technology to process their work is significantly higher than all the other components. This result may appear positive as it is believed that using technology allow the banks to deliver quality and prompt services. Shem (2009) identifies technology-based services as capable of helping to offer constant, reliable and quality service. Moreover, Belay *et al.* (2016) and Maitlo *et al.* (2015) suggest that information technology is able to

help the banking firms to improve their service processes and customer satisfaction, as it is suitable to access and use.

Given the above positive aspect of the banking sector's service delivery process strategies, the findings of this research also show that strategies related to the time customers wait in the queue, which is not more than the standard set, and the existence of flowcharts or diagrams, which describes the steps and activities required to deliver services to customers, are the lowest on the agreement scale, according to the managers, and, while in place, is not as good as others. However, Ahmad (2007) suggests that flowcharts and diagrams make the flow of activities clear for the consumers, which, in turn, force the banks to follow certain rules and principles. Wang and Lu (2014) also believe that using standardised procedures to process typical transactions saves a lot of time for individual transactions. Ladeira *et al.* (2016) support the use of flowcharts and diagrams to explain and identify the procedures to the customers in a simple manner. Thus, posting diagrams and flowcharts facilitate an easy way of service delivery to the customers. Since the customers are part of the delivery process in service sectors, like banks, they can simply follow the procedures to get the required services without the help of others.

7. Service physical evidence strategies

Several service researchers (Mohammad, 2015; Kalaimani, 2013; Shameem, 2012; Önce, 2000; Booms & Bitner, 1981) have distinguished the significance of the physical surroundings of services. Mohammad (2015) states that the physical surroundings can have a significant effect on the consumers' perception of the overall service quality. Kotler (2004) acknowledges that one of the important characteristics of the entire product is the place where it is consumed; even sometimes, the physical surroundings are more important than the product itself in influencing the purchasing decision. The empirical findings of this study regarding the service physical evidence strategies of the banks in Ethiopia indicate that the banks design their facilities and layout to achieve specific marketing or image objectives, like high-quality service and customer satisfaction. In addition, the result indicates that the banks have customer contact employees dressed in a certain way to portray their company's

image, for example, using uniform colours and the firm's logo. This action of the banks can affect the behaviour of both the consumers and the employees during service delivery. In support of this, Kumar (2013) identifies that the physical setting of a service can either help or deter the company's capability to attain its objectives in service delivery. Saritha (2011) also strengthens the argument that tangible and physical surroundings of the service setting can have a significant effect on the consumers' emotional reactions and their behavioural intentions. Therefore, the implication for the management is that they should create a more encouraging environment for banking services, such as the ambience, parking space, background music and air conditioning, the comfort of the seating and the physical layout of a service facility (Booms & Bitner, 1981).

However, the existence of a comfortable physical environment, furnishings and colours to create a friendly atmosphere in the banks are the lowest on the agreement scale of service physical evidence strategy and, while in place, is not as good as others. Many scholars (Mohammad, 2015; Pour *et al.*, 2013; Kumar, 2013; Ketabi, 2012; Booms & Bitner, 1981) point out that the customers make conclusions about the quality of service on the basis of tangibles, like buildings, physical layout, parking area, furnishings, colour, noise level and air conditioning system, that surround the service surroundings. Moreover, Kalaimani (2013) suggests that the banking institutions should design these matters with great care since they will play a key role in influencing the consumers' perception of the firm and services.

5.3. Macro-environmental factors affecting bank marketing strategies

Research question 2: How do the macro-environmental factors affect bank marketing strategies?

The significance of analysing the macro-environments arises from the critical role it plays in the success of the organisations (Dauda & Ismaila, 2013). According to Koumparoulis (2013), an organisation's choice of action, structure, direction and internal processes are influenced by the macro-environmental factors. For the banking sector in Ethiopia, the result of this study shows that while all the political or legal environment components have a significant effect on the marketing strategies

of the banks, the effect of competitive regulation, the extent of government intervention and regulatory bodies and processes are greater. This result indicates that the marketing strategies of the banks in Ethiopia are more significantly affected by government regulation than other components of the political or legal factors. Bekana (2016), Gashayie and Singh (2016), Bezabeh and Desta (2014), and Geda and Addison (2003) support this finding by identifying that government regulation is a significant factor affecting the operation of the banks in Ethiopia, particularly, the expansion of services and branches. Therefore, as the bank's service portfolio depends on the government regulation, it limits their strategies of service expansion and operation.

In addition to the political or legal environment, the economic environment also has a significant influence on the banking sector's operations (Jima & Raju, 2015). The overall results indicate that the participants believe that all the economic, environmental components had a significant effect on their marketing strategies. The findings also indicate that while the effects of all the components of the economic environment are in place, the effects of interest rates and monetary policy are significantly greater than all the other components. Shuremo (2016) also identifies the interest rate as a significant factor that influences the banking institutions' activity of attracting depositors. This is further confirmed by Bekana (2016); Gashayie and Singh (2016); Jima and Raju (2015); Abdu (2010) and Geda and Addison (2003) who identify economic activity, particularly interest rates, as directly or indirectly affecting the banks' operations, like deposit mobilisation and expansion of business in the country.

Likewise, the different sociocultural backgrounds of the population have an impact on the banking sector's marketing strategies (Jima & Raju, 2015). Bhardwaj and Kumar (2014) identify that the different sociocultural backgrounds of the population, like race, language, education level, culture, age distribution, gender, lifestyle and buying habit, significantly affect the operations of the banking institutions. Similarly, in this research, the bank managers significantly agreed that the sociocultural environment has a greater effect on their bank marketing strategies practice. However, further analysis indicates that among all other identified sociocultural

environment components in the study, the effect of the population's educational level is significantly greater. Similar to this finding, Gezae (2015) and Bultum (2014) identify that sociocultural factors affect the banking industry of Ethiopia, like customs, lifestyles and values, education, language, religion and social organisations. Furthermore, Sarker *et al.* (2015) and Bhardwaj and Kumar (2014) suggest that the community's level of education and language significantly affect the marketing strategy practice of the banking institutions. Particularly, while designing promotional strategies, the educational level and language affect the details and language to be used.

Moreover, the technological environment was found to be one of the macro-environmental factors affecting the marketing strategies of banks (Bhardwaj & Kumar, 2014; Moyo *et al.*, 2014; Birhanu, 2014). Similarly, the findings of this research show that there is a significant agreement by the bank managers that the technological environmental factors affect their banks' marketing strategies. Furthermore, the findings indicate that all the technological environmental factors are in place and the effect of new technology on the marketing strategies of banks is significantly greater than all the other technological environments. Jima and Raju (2015) identify that progresses in technology innovation affect the services offered by the banks and the processes needed to deliver the services. Dauda and Ismaila (2013) believe that most of the time new technologies result in new markets and opportunities. Thus, the technological environment is considered to play an important role in the banking industry in reducing the challenges directed at delivering banking services for the unbanked population.

5.4. Level of awareness and reason for being unbanked

Research question 3: What is the level of awareness of banking services by unbanked individuals and what reasons contribute to being unbanked?

It is believed that the banking business plays a key role in enhancing the economic growth by directing financial resources from surplus units to more productive areas (Eshete *et al.*, 2013). The banks play a vital role in enhancing development, as the distributors of funds from savers to borrowers (Cheng, 2006). It also offers the

required financial services to individuals and firms, which include the collection, custodianship and safeguarding of savings made by depositors and the delivery of disbursement services (Saritha, 2011). However, it is observed that most of the households in developing countries transact business out of the banking system, where money circulation largely happens outside the formal financial mainstream.

Knowing the unbanked individuals' reasons for being unbanked and their level of awareness of banking services helps the banking firms to design appropriate marketing strategies to attract the unbanked to the banking system. Therefore, this study identified the level of awareness of banking services by the unbanked individuals and their reasons for being unbanked in Ethiopia. The following section discusses the findings of the study.

5.4.1. Level of awareness of banking services

Barr (2002) believes that the demographic factors of households are not the only significant factors causing banking participation but also the households' level of awareness of banking services plays a key role as a determinant in predicting whether a household is unbanked. Researchers (Lusardi *et al.*, 2014; Rhine & Greene, 2013; Bernheim *et al.*, 2003) have identified that the households with a lower level of awareness of banking services are more likely to be unbanked. However, the people with a higher awareness and knowledge are significantly less likely to be unbanked. In support of this, the result of the current research indicates that the unbanked individuals' level of awareness of banking services was significantly low. Specifically, while there is a generally low awareness of all the banking services, the unbanked individuals' level of awareness on agency banking, point of sales services, investment advice and mobile banking services are significantly lower than others.

Furthermore, the factor analysis results indicate that the unbanked individuals have a significantly low awareness of e-banking services compared to conventional banking services. However, while the knowledge of the unbanked individuals on both service categories are significantly low, their knowledge of e-banking services is lower than conventional banking services. This result is supported by Uvaneswaran *et al.*

(2017); Worku *et al.* (2016); Belay *et al.* (2016); Elavarasi and Surulivel (2014) and Dar (2014) who have recognised the importance of e-banking to create the banking services' accessibility and attract those who are unbanked to the banking system and identify the significant influence of a lack of the individual's proper awareness to its adoption.

5.4.2. *Reasons for being unbanked*

Inganga *et al.* (2014) state that individuals select to remain unbanked due to various complex reasons. Thus, without understanding them, it would be difficult to overcome the barriers to being banked (Gupta & Negi, 2014). The reasons for being unbanked were explored and identified differently by different researchers. Hogarth *et al.* (2003) identify some of the individuals' reasons to be unbanked as a high minimum balance required, high service fees, a lack of money and no convenient hours or location. Anderson and Huerta (2014) believe that language barriers or cultural differences may also cause some individuals to remain unbanked. The studies of Djankov *et al.* (2008) also identify that the employment status of the individual is a strong predictor of whether individuals are banked or unbanked. In addition, the study of Bloomberg and Mintz (2008) identify a lack of sufficient income, costs related to using a bank account, required documents, convenient location and business hours as being the main barriers faced by the unbanked. Moreover, Rhine and Greene (2013), Djankov *et al.* (2008) Bernheim *et al.* (2003) and Caskey (2002), also suggest that lower levels of education and a lack of access to proper information channels could lead to lower participation of households in the financial mainstream.

The findings of this research are in line with the above results. It indicates that there is a significant agreement that language barrier, financial literacy, a lack of physical access to banking, low income relative to the cost of services, limited services offered, no proper networking and a lack of awareness are the main reasons for being unbanked.

Moreover, based on the average agreement score, the order of the reasons for being unbanked from strongest reason to weakest reason indicates that the unbanked

individuals' knowledge of banking services (awareness and financial literacy) plays the greatest role in keeping individuals out of the banking system, followed by the physical accessibility of banking services. This clearly shows that while there are several factors limiting individual participation in the banking system, the contribution of the individual's knowledge of banking services take the lion's share of being unbanked. This is supported by Wambua and Datche (2013), suggesting that the effect of financial literacy will become stronger as the level of banking participation moves to the unbanked.

The findings of this research also identified a lack of identification documents, rejected in the past, cost is too high, cultural barriers, such as religion, length of time to receive money from a payroll check, minimum required balance, poor time management, and large number of dependents are not the main reasons for the unbanked individuals for being out of the banking system. This may encourage the banking institutions to focus on awareness creation and service offering channel expansions than exerting their resources on the above matters to bring the unbanked to the banking system.

5.5. Demographic factors and intention to use banking services

Research question 4: To what extent do the unbanked individuals' demographic factors influence their intention to use banking services?

Different studies reveal that the individuals' banking involvement mainly depends on their demographic and socioeconomic variables (Krishanan *et al.*, 2017; Nguyen, Cao, & Dang, 2016; Breitbach & Walstad, 2014; Goodstein & Rhine, 2013; Bernheim *et al.*, 2003). Additionally, Rhine and Greene (2013) concluded that the demographic factors of individuals contribute to being unbanked. Many researchers describe the demographic characteristics of the unbanked as more likely to be unmarried (Abdinoor & Mbamba, 2017; Rhine & Greene, 2013; Liew, 2006; Matul *et al.*, 2006), low-income earners (Grinstein-Weiss *et al.*, 2010; Anderson & Huerta, 2014), have an increased number of dependents (Coetzee, 2009; Inganga *et al.*, 2014; Rhine & Greene, 2013) and those with a maximum educational level of a high school degree or less (Talafha & Abu-shanab, 2015; Breitbach & Walstad, 2014). Likewise,

179

the findings of this research indicate that most of the unbanked are of a young age, have dependents, earn lower total monthly incomes; most of them are employees of non-government organisations and farmers and the majority of them possess a maximum educational level of a diploma, high school certificate or less.

However, the results indicate that there is no significant difference in the unbanked people's intention to use banking services regardless of different age groups, gender, total monthly income, employment sector, marital status and having a different number of dependents since the p significance values are greater than 0,05. Similarly, studies conducted by Krishanan, Teng and Khalidah (2017); Yadav (2016) and Ahad, Dyson and Gay (2012) on the effect of age, determining the individuals' intention to adopt different banking services, found the result is insignificant. Furthermore, Yadav (2016); Inganga et al. (2014); Huerta (2014); Breitbach and Walstad (2014); Hogarth, Anguelov and Lee (2005); and Anderson and Barr (2002), found that gender and marital status have an insignificant effect on the individuals' intention.

As a matter of fact, Breitbach and Walstad (2014); Alafeef, Singhand Ahmad (2012); Djankov *et al.* (2008) and Bernheim *et al.* (2003) identify that demographic factors, like income, employment sector and number of dependents, are contributing to the likelihood that individuals are banked or unbanked. However, Abdinoor and Mbamba (2017) and Yadav (2016) identify that even if there is a relationship between the income of individuals and their intention to use banking services, the effect of the factor is not significant. This supports the present study's findings. This may be due to the fact that most people consider saving money in banks is like making payments for other bills. It is used as one of the best saving strategies by many people, where individuals designate a certain amount of their income to savings, which they pay before paying any other bills. Hence, a considerable amount of their income will be saved in banks. Therefore, such facts cannot be affected by the amount of income earned, size of family or employment sector. These factors may have an insignificant impact on the individual's intention to use banking services.

Moreover, the findings of this research singled out that there is a significant difference in the intention to use banking services for the different levels of education and categories of occupation. This implies that the unbanked individuals' level of education and occupation has a significant influence on their intention to use banking services. In line with these findings, Wambua and Datche (2013) also identify that the effect of the individuals' level of education will become stronger as the level of banking participation moves to the unbanked. In addition, Djankov *et al.* (2008) and Bernheim *et al.* (2003) also identify variables like the level of education and workforce participation to be strong determinants of whether households are unbanked or not. On top of this, Abdinoor and Mbamba (2017); Painoli and Singh (2017); Talafha and Abu-shanab (2015); and Marumbwa (2014) conclude that the people's level of education significantly determines their decisions to use or not to use various banking services. The reason for this may be because initially, people with low level of education find the banking service unsuitable from a literacy viewpoint and, also, they may not understand the importance of banking. On the other hand, people with higher educational levels may better understand the usefulness of banking and how to deal with banks, and, therefore, may exhibit a positive intention to use.

5.6. Consumer characteristics and intention to use banking services

Research question 5: What is the impact of the consumer's characteristics (cultural, psychological, social and personal factors) on the individual's intention to use banking services?

According to Kotler and Armstrong (2012), the first step for a marketer is to identify the factors that determine the buyers' characteristics in the black box model, which constitute the buyers' behaviour. Lewis *et al.* (2008) also mention that by finding and understanding the factors that influence the consumers' behaviour, marketers have the prospect to develop marketing strategies that affect the behaviour. Moreover, Khaniwale (2015) believes that the consumers' decision to buy or use certain products or services results from the multifaceted interaction of these factors. Even though the marketers cannot control many of these factors directly, understanding

their impact is important in order to develop suitable marketing mix strategies to appeal to the target market (Lewis *et al.*, 2008). The findings of this research identified the characteristics that affect the individuals' intention to use banking services through applying the factor analysis and SEM. The results indicate that the impact of psychological factors (perceived ease of use), social influence and personal factors (external) on their intention to use banking services are significant. This means that the unbanked individuals' intention to use banking services is significantly influenced by the perceived ease of use (0.384), social influence (0.312) and personal (external) factors (0.278), whereas the cultural factors and social support influence on the individuals' intention to use banking services are not significant in Ethiopia.

In line with this finding, Fong and Wong (2015) identify that the perceived ease of use is a significant determinant of the intention to use banking services. Similarly, Munoz-Leiva *et al.* (2017); Golsefid and Kiakalayeh (2016); Shanmugam *et al.* (2014); Solomon *et al.* (2013); and Ali and Athambawa (2008) also determine that the perceived ease of use and social influence have a positive, significant impact on the individuals' intention to use banking services. In addition, Yu (2012) empirically conclude that the individuals' intention to use banking services was significantly influenced by social influence and perceived ease of use, among others. Furthermore, Vidyakala *et al.* (2015); Shanmugam *et al.* (2014); and Miremadi and Faghani (2012) support that the personal factors related to the individuals' economic situation or income have a significant influence on their decision to use banking services.

In general, the perceived ease of use, social influence and personal (external) characteristics significantly influence the unbanked individuals' intention to use banking services, which the marketing strategies developed by the Ethiopian banks should consider.

5.7. Summary

This chapter highlighted what is viewed as the main findings of this study. It can be concluded that the marketing strategies employed by the Ethiopian banks are not doing well in attracting the unbanked individuals to the banking system, as it was

observed that there are significant limitations on service variety, interest rate manipulation, accessibility creation through physical branching and e-banking, availability of financial educational programmes, and employee training, among others. In addition, the unbanked individuals' level of awareness of banking services was observed to be very low, particularly on e-banking. Financial literacy and awareness take the lion's share of reasons for being unbanked followed by the accessibility of banking service facilities. Moreover, the findings indicate that the unbanked individuals' level of education and occupation has a significant effect on their intention to use banking services. Similarly, the study found that the perceived ease of use, social influence and personal factors are significant predictors of the unbanked individuals' intention to use banking services. Based on these findings, the next chapter attempts to develop the marketing strategies best suited for Ethiopian banks to bank the unbanked, which addresses the sixth research question: "What marketing strategies are best suited to bank the unbanked in Ethiopia?"

CHAPTER SIX : PROPOSED MARKETING STRATEGIES TO BANK THE UNBANKED IN ETHIOPIA

6.1. Introduction

The banking sector development is one of the basic constituents needed for the economic growth of a country (Gashayie & Singh, 2016). This is due to the fact that the development of the banking sector determines the level of local savings directed at productive investments in local business (Bekana, 2016). The ability of the banks to make capital available for investment is also a significant determinant of economic growth and transformation (Aurangzeb, 2012). According to Petkovski and Kjosevski (2014), the banking sector also contributes to the growth of the country through mobilising savings for investment and guaranteeing that funds go to its most productive use. By this, while facilitating the intermediation function to channel saving to its productive uses, the banks are promoting the saving culture by encouraging individuals to be banked.

In order to achieve sustainable development and become free from dependence on outside resources for financing investment, mobilising domestic financial resources and its efficient uses are vital for a developing country, like Ethiopia. However, it is observed that there is an extensive use of cash outside the banking system in Ethiopia, which limits the domestic financial resource mobilisation and the contribution of the banking sector to the economic growth of the country. In order to overcome this challenges, the banking sector in the country needs to focus on enhancing banking services to bank the unbanked population (Wale *et al.*, 2013). This could be possible through designing and implementing proper marketing strategies that influence the factors impeding the population to utilise banking services (Abubakar, 2014).

Marketing strategies in the banking sector play an important role to make its services accessible to attract consumers (Kumar, 2013). Therefore, it is recommended for banking institutions to design and implement proper marketing strategies that enable

them to influence the consumers' behaviour and bringing them to the banking system.

In this study, it was found that the marketing strategies employed by the banks in Ethiopia have some limitations in influencing the unbanked individuals to use banking services. The major weaknesses identified include a variety of services delivered by the banks, a lack of planned educational programmes to create awareness for the consumers on banking services, accessibility of banking services to different customer groups in terms of location, the use of mobile branches, intermediaries and agents are not in place; high population per bank branch, long waiting periods of customers to get services which discourage them, higher concentrations of bank branches in the capital city, Addis Ababa, than in the regions of the country, limited use of e-banking to create banking service accessibility, among others.

These weaknesses clearly impede the banking institutions' ability to expand services, create accessibility and educate households to create financial knowledge, which, in turn, result in the fact that several households transact out of the formal financial mainstream with the attendant consequence of limiting resource mobilisation and injection of productive financial resources into the economy. Therefore, designing marketing strategies that alleviate the above limitations are necessary for the banking sector in Ethiopia to attract an adequate number of households to the banking system and mobilise domestic resources.

Besides, identifying the weaknesses of existing marketing strategies and understanding the characteristics of the unbanked individuals are significant factors in determining the marketing strategies best suited to bring them to the banking system. Accordingly, this study identifies most of the unbanked individuals in Ethiopia as being young, have dependents, earn lower total monthly incomes, most of them are employees of non-government organisations and farmers in occupation, and majority of them have a maximum educational level of diploma, high school certificate or less. Their awareness level of banking services was observed to be very low, particularly on e-banking services. Financial literacy and awareness take the

lion's share of their reasons for being unbanked followed by the accessibility of banking service facilities. Moreover, the level of education and occupation has a significant effect on their intention to use banking services. Similarly, the perceived ease of use, social influence and personal factors are also found to be a significant predictor of their intention to use banking services.

Considering the weaknesses of marketing strategies currently employed by the banks and the identified behaviour of the unbanked individuals, this chapter addresses the sixth research objective of the study and proposes marketing strategies considered best suited to bring the unbanked households to the banking system in Ethiopia.

6.2.The proposed marketing strategies

As distinguished in the introduction section, this chapter proposes the most effective and cost-efficient marketing strategies to bring the unbanked individuals to the banking system based on evidence pursued in the previous chapters about marketing strategies employed by the banks in Ethiopia and the unbanked individuals' characteristics. The explanation of each of the proposed strategies and their rationales are presented below:

I. Banking beyond bank branches

The traditional way of opening branches and installing ATMs to cover new geographical locations is too costly for banking institutions (Barasa & Mwirigi, 2013; Jun & Cai, 2001). According to Wambua and Datche (2013), banking service accessibility and financial inclusion will be achieved if banking institutions operate through cheaper distribution channels. For instance, if a population is dispersed in a wide geographical area and have low incomes, it would not be profitable for banks to just deploy banking facilities and deliver financial services. Particularly, in Ethiopia, where the settlement of populations in the regions and rural areas of the country is dispersed over large geographical areas, creating banking services through branch expansion is very difficult. In addition, it is too costly for the banks to collect small amounts of deposit and make payments to millions of households. On the other hand, there are households who demand banking services without success due to the

geographical inaccessibility and high costs of accessing the services. Therefore, finding other profitable alternatives to reach such location is a critical point for the banking sector. Hence, this scenario requires the development of a marketing strategy that would significantly minimise the transaction costs, for both the users and the banks, and enhance banking service accessibility.

As a result, in this research, the Ethiopian banking institutions are recommended to consider the option of banking beyond bank branches to create bank service accessibility and bring the unbanked into the system. For such practice, the banking firms can use technology innovations, as it helps them to deliver banking services to the bulk population and make them accessible to a wide geographical area. It is also recognised that the availability of technological platforms through mobile phones and other service outlets can potentially give the customers access to banking services and manage their accounts. Therefore, banking beyond bank branches can take place through the utilisation of existing technological platforms.

However, recommending banking beyond bank branches does not mean that bank branches are not needed. Instead, bank branches remain important to handle the deposit and distribution of cash while retail outlets and agents collect bulk cash on behalf of the banks from the customers, who need places to deposit. In addition, bank branches provide the infrastructure and necessary skills to deliver banking services to the outlets and agents who have neither the skill nor the infrastructure. Moreover, the bank branches are required to handle complex customer matters, which cannot be solved by agents or outlets. Currently, banks struggle to innovate new services and widely serve its customers and non-bank retail outlets, therefore, it is difficult for banks without branches to control its destiny. On the other hand, it is challenging for the banks to continue to be dependent on their branch networks to access the untapped market. Thus, it is important for the banking institutions to consider both opening specialised branches and expanding services to a wide area without bank branches. This can be realised by implementing the following proposed strategies for the banking sector in Ethiopia:

II. Opening specialised bank service outlets

This measure demands the banks to open service outlets that offer banking services for the population. It is recommended that the banks open such outlets in the rural areas and suburbs where the local markets take place once or twice a week.

The economy of Ethiopia is based on agriculture, in which 85 percent of the population participates. Thus, agriculture is the major commercial activity in the country and the open traditional markets are the places where transactions happen. Most of the time, market days in Ethiopia are on Wednesdays and Saturdays and several people come from different villages to sell and buy cattle, cloth, jewellery, grains, spices, honey, sandals and agricultural products. In order to reach this market, the people walk about four to five hours from the small villages around the area to sell their products and at the end of the market day, they walk back to their towns. Perhaps they engage in the market activities eight to nine hours that day, which may possibly be the only transactional activity in a week. During this market day, huge amounts of cash transactions take place. However, due to a lack of banking facilities in the area, the marketers are forced to hold the cash with them. This may result in the risk that the household could lose their cash, which may be stolen or become unproductive, as the cash may be kept with them for a long period of time without adding value. This, in turn, will, on aggregate, affect the economy as it contributes to a shortage of cash and the distribution of funds from surplus to deficit units. Therefore, the availability of banking service outlets during these market days helps both the households and the banking institutions, as the marketers get access to banking services, like deposits and making payments, whereas the banking institutions get the chance of bringing the unbanked individuals to the banking system and mobilise deposits.

Owing to the above fact, in this study, the banks in Ethiopia are recommended to open specialised banking services outlets, which could deliver banking services to the population during the market days, probably two days a week. Therefore, the banks should locate these service outlets at places where it would probably be convenient for the large population to transact at the location where the market days

take place and open only for those days in a week. This type of outlet has three major advantages in terms of its ability to reach the unbanked and contribute to the economy:

- (i) By offering banking services through such outlets, the banks will be able to establish direct contact with the unbanked population. This may make the unbanked individuals comfortable to deal with the banks. Through time, the banks could build good relationships with such unbanked individuals, which would, in turn, encourage them to take action to save their money and use the banking system for their transactions.
- (ii) The establishment of the outlets in such areas helps the banks to mobilise cash in circulation outside the formal financial mainstream. As noted, the banking institutions play an intermediation role through channelling cash flow from surplus units to deficit economic units. Therefore, mobilising deposits from each corner of the country helps the banking firms to pool sufficient funds to finance small-scale entrepreneurs and investments.
- (iii) Banking with fully operating branches in such areas often prove difficult to cover the costs of the branches with traditional services since the transaction period is limited to one or two days a week. Therefore, opening specialised banking service outlets, which may be opened only for the market days by affiliating with the existing bank branch helps the banking institutions to reduce the overhead costs and could contribute towards making these branches profitable and might encourage more unbanked individuals to open accounts.

III. Enhancing banking services through agents

Agency banking is an activity of offering banking services to a population through contracting third-party retail outlets, called banking agents (Barasa & Mwirigi, 2013). The agents are authorised by the banking institutions to deliver selected services on behalf of the banks to their clients. Such model of banking is capable of providing the opportunity for the individuals to access banking services the nearest to

their locations, and consequently, removing the barrier to being unbanked by increasing accessibility and reducing costs.

The rapid growth of technology in developing countries, like Ethiopia, has activated new innovations in the banking sector, particularly agency banking (Dagne, 2015). Mas and Siedek (2008) believe that agency banking has become a significant tool in creating accessibility to banking services for the unbanked population. Moreover, it is a scheme by which a banking institution expands its service offerings without opening a branch directly. It is thought to be one of the most cost-effective and accessible forms of offering banking services for the population. As a result, individuals may make deposits, withdrawals, pay bills, transfer funds and other banking services through agency banking.

The National Bank of Ethiopia launched a regulation on agency banking in 2015, which directs the banking institutions in the country to expand their banking services through this mechanism. Yet, its development is at a standstill in the country. As identified in this study, it is adopted by a few private banks and implemented in the major cities where bank branches are widely opened. Similarly, this research finds that while accessibility is the main reason for individuals being unbanked, most banks in the country do not participate in the agency banking service, but it may become necessary since it is a crucial tool to serve the unbanked population in a wide area. Moreover, the ratio of bank branches to population is too small in the country and resulted in a lack of accessibility. Therefore, this research highly recommends the banking sector in Ethiopia to enhance the use of agency banking to reach the unreached market and improve banking service accessibility. Adopting this strategy is advantageous in many ways.

For the banks, it helps to be accessible in terms of location and time and drives growth in banking. This is because agency banking is easy and fast to set up, and requires a minimum capital expenditure for expansion, which, in turn, makes banking services available to the previously unbanked people in distant areas. At the same time, the banks gain high volumes of transactions that give them more resources to leverage.

It is useful for the customers, as they get access to the services for the first time. It allows them to reduce the time and cost that would otherwise have been incurred travelling long distances to visit a bank branch each day. It also allows them the ease and familiarity of dealing with a local agent in a situation to which they are accustomed. This encourages them to bring their money into the banking system every day.

It is a source of income for the agents, as they receive commissions from the bank. It increases walk-in business for them due to the additional banking services they offer, with which they may be able to cross-sell their major business to the walk-in customers. It also helps the agents to gain good reputation from the banks with which they are affiliated and possibly, get some favoured privileges, like loans.

Therefore, considering the above advantages of utilising agency banking and the problem of bank service accessibility in the country, the Ethiopian banking institutions should adopt this model of banking widely. By using small shops, gas stations, cooperative unions, state corporations, public entities and other retail outlets in the country as agents, the banks can make a dramatic impact on improving access to banking services, particularly in untapped areas. For instance, the Ethiopian postal service has more than 1200 branch offices in the country and most of the offices are in the regions where bank branches are limited. Therefore, using these offices as agencies to provide banking services on behalf of the banks will help the banks to reach the unreached areas and improve financial service accessibility in the country. Similarly, the banks can carefully recruit other business outlets as agents and train them on the basic skills required to provide banking services, like new account opening, cash deposits and withdrawals, payment of salaries, disbursement and repayment of loans, transfer of funds, pension and issuance of bank statements, among others. As a result, accessibility will be enhanced and there is a possibility of taking banking services to the areas that would have remained unbanked for a long time.

IV. Enhancing technology-based banking services

The advancement of technology in the banking sector provides a more flexible channel for offering banking services and making the services accessible in a wide geographical area (Akinci *et al.*, 2004). It also makes banking services more user-friendly. The development and diffusion of technology by the banking institutions will result in a more efficient banking system and it offers alternative channels of delivering bank products and services to the population more conveniently and economically (Karthikeyan & Soniya, 2016). Thus, the adoption of technology-based banking services will help the banking sector to breach the geographical barriers, create new services and market opportunities (Kolodinsky *et al.*, 2004).

The current status of technology-based banking in Ethiopia is at an infant stage. This research identified that currently, the banks in Ethiopia use technology, like mobile banking, internet banking, Automated Teller Machines (ATMs) and Point of Sales (POSs), to offer banking services to the community. However, the application is very limited due to several reasons: language barrier, low penetration rate of mobile phones, poor state of internet facilities, rates of illiteracy and absence of suitable legal and regulatory frameworks for e-commerce and e-payment, among others.

In addition to the above reasons, the number of ATM and POS machines distributed in the country is very limited, which contribute to the limitation of poor technology-based banking services offered in the country. The 1 044 ATM machines and 1 411 POS machines distributed are grossly inadequate, considering the population of the country. This limited number of ATM and POS machines resulted in a limited number of bank cardholders. From the 2014/2015 reports of the National Bank of Ethiopia, there are only 1 546 529 cardholders in the country, given that the population stands at more than 94 million. For instance, from the 8 186 989 customers of the Commercial Bank of Ethiopia, only 973 762 customers hold bank cards, which means only about 12% of the bank's customers access banking services through the use of ATM and POS machines. This is a gloomy report from one of the largest banks taking more than 60% of the bank market share in Ethiopia. It is also observed that distributing ATM or POS machines around supermarkets, gas stations,

most populated areas, colleges, markets or recreation areas are difficult in the country, which limit the people's decision to keep their money in the bank, as they have difficulty to get the money back when and where they need due to a lack of accessibility.

Owing to this, enhancing technology-based banking is proposed for the banking sector in Ethiopia, which would increase the accessibility of banking services and bring the unbanked to the banking system. This may require the banking institutions to exert their efforts on expanding the distribution of ATMs, POSs, mobile banking and internet banking to ensure that existing products are extended to new markets, alternative distribution channels are opened, and the unbanked individuals are attracted to the formal financial mainstream.

This strategy further requires the banking institutions to develop or adopt a technology that could help cardholders to access their accounts from any ATM and POS machine distributed in the country regardless of the type and customers of the bank to which they belong. Furthermore, this research suggests that the banks should make mobile banking and internet banking applications user-friendly in terms of language and ease of use.

V. Designing and offering financial educational programmes

As identified in this research, the unbanked individuals in Ethiopia are young, have lower levels of education, earn lower monthly incomes and have low levels of awareness of banking services. The financial literacy and awareness are among the major reasons for being unbanked. Moreover, the level of education, perceived ease of use and social influence are also found to be significant determinants of the intention to use banking services in the country. Therefore, these findings necessitate the recommendation that the banking sector should design and offer financial, educational programmes for the population that would help to raise awareness of the available banking services and financial management, to improve their skills on how to use the services and to persuade them to become users of such banking services.

Financial education improves the consumers' knowledge and understanding of financial services, concepts, risks and opportunities. It can enhance the people's financial literacy, which allows them to make informed and effective decisions on their financial resources. Financial resources are one of the scarce resources that people should optimally utilise. However, a lack of knowledge and a low level of literacy will result in unbanked people who save too little, miss opportunities for investing or are unproductive. Therefore, offering financial education can afford these people the means to use their limited financial resources more efficiently and to choose banking services that best meet their requirements.

Financial institutions use financial education to achieve different objectives. Mostly, financial education is used by the banking sector as a means of introducing individuals to knowledge, skills and attitudes required to manage their financial matters, like earning, spending, saving, borrowing and investing. It is also used to broaden the individuals' understanding of banking services and influence their attitudes and behaviour that help them to become banked. However, in this research, the objective of recommending financial education is to introduce the unbanked population to basic financial knowledge and promote their financial situation.

Offering financial education to the population in a wide area is not an easy task and funds are needed to run the programme. Therefore, to effectively implement it, it is suggested that the banking sector in Ethiopia form a network of financial institutions with similar objectives linked together for mutual benefit that they can share the funds and promote financial education to bring the unbanked people into the banking system.

Identifying the target audience is important in financial education. In the case of the Ethiopian banks, this research suggests that young people, low-income populations, low levels of education, non-government organisation employees and farmers should be primarily targeted. As these diversified groups offer significant challenges to design and offer financial educational programmes, it is suggested that the banking sector segments the population to ensure that their programmes consider the individuals' lifestyles and the cultural and demographic differences between the

groups since all the factors have an influence on the appropriateness and success of the financial, educational delivery.

Similarly, three possible channels are proposed for the banks to deliver financial education: face-to-face training, mass media and tools. Face-to-face training allows them to develop a close relationship with the unbanked individuals and influence their behaviour. Particularly, when distrust and fear hinder the use of banking services, face-to-face training is a suitable technique to handle these challenges. Through mass media, the banks have the ability to reach large numbers of people and cover wide geographical areas. In this case, the mass media, such as radio, television, public campaigns and different shows, can be used to promote the general awareness of financial literacy for the unbanked. Moreover, tools, like flyers, brochures, posters and training videos, can be used by the banks to offer financial education for the unbanked population.

By implementing this strategy, it is expected that the banking sector will attract the unbanked households into the formal financial mainstream, improve the individuals' interest in banking, increase people's awareness of banking services, as well as their rights and obligations, make the service easy to use for the individuals by enabling them to make transactions without the help of bank employees and influence the unbanked to start using banking services, among others.

Therefore, it is suggested that the banking sector should have a well-designed financial, educational program, which could be used to enhance the unbanked individuals' level of awareness of banking services and bring them to the formal financial mainstream to allow the banking sector in Ethiopia to generate high deposits and finance different investment requirements to support the development of the country and well-being of the society.

6.3. Conclusion

The implementation of the proposed strategy benefits not only the unbanked individuals but also the banking institutions by making their services available to a wide geographical area at a lower cost. It also helps to increase the financial

resources of the banking institutions through deposit mobilisation by bringing more people to the banking system. Moreover, different actors, like agents, may benefit from this strategy. However, the implementation of this strategy does not mean that all the unbanked in the country are reached nor will it prosper in assisting all the people that it reaches to develop savings, improve credit histories and lower the cost of banking services. However, even a modest rate of achievement could mean a significant progress in creating banking service accessibility and improve the economic growth of the country.

CHAPTER SEVEN : SUMMARY, RECOMMENDATIONS AND CONCLUSION

7.1. Introduction

This chapter highlights the summary and conclusions drawn from the findings of the research objectives. This helps to recapitulate the main points of the research. The recommendations that may be useful for banking sector practitioners and policymakers were pointed out, the limitations of the study were presented and the contribution of the research for theory and practice were outlined. Finally, areas for future research were highlighted and concluding remarks were made.

7.2. Summary of research findings

Unarguably, the banking sector plays a vital role in the country's economy. Banks play a significant role in the expansion of trade and industry. Moreover, they are serving not only as the guardians of the wealth of the country but also as resources of the country, which are essential for the economic growth of a country. The banks' contribution provides for the economy in the following ways: capital formation, credit creation, channelling funds to productive investments, facilitating the fuller utilisation of financial resources and providing finance to the government. This demands banking institutions to mobilise the savings of the people dispersed over a wide geographical area through creating banking service accessibility all over the country.

In Ethiopia, due to high numbers of unbanked people, there is an extensive use of cash outside the banking system. This calls for banking institutions to concentrate on designing marketing strategies that can bring the unbanked people to the banking system. As the marketing strategies used by the banks determine the action of bringing the unbanked to the banking system, it is vital to identify the marketing strategies currently employed by the banking institutions and the factors influencing the unbanked peoples' intention to use banking services. Hence, a proper marketing strategy can be developed to enhance banking services for the unbanked. The general purpose of this research is to propose the marketing strategies that would enhance the

banking services for the unbanked in Ethiopia. This purpose was further broken into five research objectives. The findings of these research objectives are summarised in the subsequent sections.

7.2.1. Research objective 1

This objective of the study is to explore the marketing strategies currently being employed by the banking institutions in Ethiopia. In order to achieve this objective, the 7Ps of the service marketing mix framework were used and the analysis was made on the data collected from the bank managers through the questionnaires. Moreover, the secondary data were used to analyse the marketing strategies employed by the banks.

The results of the analysis of the service strategies indicated that the banks use new services as a major strategic tool for attracting and retaining customers. However, it is observed that all the customers who come in to the bank will not get the services they require, which implies that the service variety offered by the banks are not good enough to accommodate the needs of the existing customers and which, in turn, may limit the participation of people in the banking system.

The study found that the pricing of banking services is predetermined by the National Bank of Ethiopia, in other words, the banking service fees, interest rates and different commissions are not determined based on the customers' will, but it is rather based on the National Bank's regulations. It is understood that pricing is one of the attractive schemes that the banks can use to attract the individuals to save their money with them and mobilise savings. Using varied pricing strategies for different groups of people based on their willingness will motivate them to open a bank account and consider savings. Therefore, if the banks fail to provide this function, the savings either remain idle or is used in building assets, which are low on the scale of planned priorities.

The analysis of the promotional strategy practice of the banks shows that there is an extensive use of advertising media, such as television, radio, newspapers and magazines. It is understood that the banks use multiple promotional tools to create

awareness and persuade individuals to consider using banking services, which may help them to take the advantage of one and reduce the disadvantage of the other. However, it is identified that the banks send a unified message to different segments of the consumer groups through these forms of promotional media. It is believed that sending a unified message to the different customers' segments makes the promotion strategy ineffective since all the affected individuals may be unable to understand and react to the message equally. Therefore, sending customised marketing messages to different target audiences is important to influence and acquire new customers. The findings also indicate that the banks do not have planned financial education programmes to create the consumers' awareness of banking services. However, the existence of planned financial education programmes plays a critical role in creating financial knowledge and bringing the unbanked to the banking system.

Branch expansion is used as the major distribution strategy by the banks to make their services accessible to the communities. However, it is observed that the population per bank branch was still high (i.e. one branch of the bank serves a high number of customers) and branches are more concentrated in the capital city, Addis Ababa, than in the regions of the country. Besides branch expansion strategies, electronic banking strategies are also employed by the banks to create accessibility through electronic devices, like mobile phones, internet, Automated Teller Machines (ATMs) and Point of Sales (POSs). Nevertheless, further analysis indicated that the use of e-banking to create banking service accessibility is very limited in the country.

While there is a lack of banking service accessibility in a wide geographical area in the country, this research identified that the agency banking strategy is adopted by a few private banks and concentrate on the areas where there is fierce competition and the customers have many other alternatives of getting banking facilities, rather than focussing on the untapped areas. Furthermore, it is identified that most of the banks in the country, particularly public banks, overlook the possibility of creating banking service accessibility in the untapped areas through the agency banking strategy. For the banking institutions, the strategy of using e-banking and agency banking makes the services available for different customer groups in different packages and wide geographical areas, whereas it is difficult to open physical branches.

Moreover, the results indicate that the employees' level of training, to deliver banking services effectively, was the lowest on the agreement score. Similarly, the existence of flowcharts or diagrams, which describes the steps and activities required to deliver services, and the availability of comfortable physical environments, furnishings and colours for creating a friendly atmosphere were the lowest on the agreement scale and, while in place, is not as good as the others.

In the banking sector, the level of training, interactive behaviour and appearance of the employees matter a lot in engendering customer attraction and satisfaction. Particularly, the employees' training is critical as people expect to receive concentrated attention from the employees and presume them to be attentive, competent and professional. Similarly, the existence of diagrams and flowcharts facilitate easy services delivery processes since the customers are part of the delivery process in the service sectors, like banks. They can simply follow the procedures to obtain the required services without the help of others. Moreover, the physical environment of the banks also influences the customers' decision of the bank as they make conclusions about the quality of service on the basis of tangibles, like buildings, physical layout, parking areas, furnishings, colours, noise levels and air conditioning system that surround the service surroundings. Therefore, the banks need to consider these factors since, in one way or another, they influence the banking habits of the people.

7.2.2. Research objective 2

The second objective of the research was to determine the extent of the macro-environmental factors affecting the banks' marketing strategies in Ethiopia. In order to realize this objective, quantitative data were collected from the bank managers by using structured questionnaires. The political or legal, economic, sociocultural and technological (PEST) framework was employed to analyse the macro-environmental factors. The marketing managers were requested to rate the extent to which these factors affect their marketing strategy practice on a five-point Likert scale.

The results of the study indicated that all the macro-environmental constructs have significant but relatively similar effects on the banks' marketing strategies (i.e. there

is no significant difference observed between the macro-environmental factors affecting the banks' marketing strategies).

Furthermore, the results indicated that, among the political or legal, environmental components, government regulation and intervention have a greater effect on the banks' marketing strategy practice than others. Similarly, the study found that the interest rates and monetary policy, educational level of the population and new technology has significantly greater effects on banks' marketing strategies. This implies that banking institutions need to consider these factors while developing their marketing strategies since these environments limit the banks' strategies to expand their services and to operate effectively.

7.2.3. *Research objective 3*

This objective of the study was to determine the unbanked individuals' level of awareness of banking services and the reasons for being unbanked. Understanding the unbanked people's knowledge of the banking services and their reason for being unbanked may help banking institutions to design the appropriate marketing strategies. Therefore, to achieve this objective, the quantitative data was collected from the unbanked people through structured questionnaires to identify their level awareness of banking services and why they are not banked.

An independent one-sample *t*-test was conducted to compare the average scores of the unbanked individuals' level of awareness of banking services and the results indicated that their level of awareness of banking services was significantly lesser known. Thereafter, a factor analysis was done to determine on which group of items the unbanked individuals' level of awareness was worse and vice versa. Accordingly, the result shows that while there is a significantly lower awareness of both the conventional and e-banking services, their knowledge of e-banking services is worse than of conventional banking services. These findings indicate that the banking institutions in Ethiopia have a lot of work to create the awareness of the banking services they provide for the population.

Similarly, a one-sample independent *t*-test was conducted and the reasons why the respondents significantly agreed and disagreed were identified. The results showed that language barrier, financial literacy, a lack of physical access to banking, a low income relative to the cost of services, limited services offered, no proper networking and lack of awareness are the main reasons for being unbanked. Moreover, the reasons were ranked based on the average score of the respondents' level of agreement and the results indicated that the unbanked individuals' knowledge of banking services (awareness and financial literacy) plays the greatest role in preventing them from entering the banking system followed by the physical accessibility of banking facilities.

7.2.4. Research objective 4

The fourth objective of the study was to determine the influence of the unbanked individuals' demographic factors on their intention to use banking services. The descriptive frequency results show that most of the unbanked individuals are young (age-wise), have dependents, earn lower total monthly incomes, most of them are employees of non-government organisations and farmers in occupation and the majority of them possess a maximum educational level of a diploma, high school certificate or less.

Moreover, to test the influence of these demographic factors on their intention to use banking services, the one-way ANOVA was conducted, and the results indicated that there is no significant difference in the unbanked individuals' intention to use banking services regardless of different age groups, gender, total monthly income, employment sector, marital status and having a different number of dependents. However, it is singled out that the unbanked individuals' level of education and occupation significantly influence their intention to use banking services. Therefore, the banking sector in Ethiopia needs to understand these factors while taking measures to bring the unbanked to the banking system.

7.2.5. Research objective 5

The fifth objective was to determine the impact of the consumers' characteristics (cultural, psychological, social and personal factors) on their intention to use banking services. In order to achieve this objective, the unbanked individual respondents were asked to indicate their level of agreement about cultural, psychological, social and personal factors that affect their intention to use banking services. The analysis of the data involved two stages, the descriptive statistical analysis and the multivariate correlational data analysis, including the Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA).

Using the principal axis factoring with the oblimin rotation method for the rotated factor loadings, eight factors, namely culture, perceived ease of use, perceived usefulness, social support, social influence, personal external, personal internal and intention to use were extracted. Using these extracted factors Structural Equation Model (SEM) was developed and tested.

The result indicates that the unbanked individuals' intention to use banking services is significantly influenced by the perceived ease of use (0,384), social influence (0,312) and personal (external) factor (0,278), whereas the influence of culture and social support on the individuals' intention to use banking services were not significant.

7.3. Recommendations

In addition to the marketing strategies proposed in Chapter Six, the following recommendations are made to the banking sector of Ethiopia to bring the unbanked population to the banking system based on the discussion of the results and the conclusions drawn from the findings of the research objectives and questions.

- I. The study identified that the service variety currently offered by the banks are few and due to this, all the customers who come into the bank are unable to get the services they require. This limits the participation of the people in the banking system. Therefore, this study recommends that the banking institutions

in Ethiopia design and offer a comprehensive range of services for the different segments of potential and existing customers, like the individuals, businesses, young professionals, women and different religious groups. It is understood that if the banks fail to offer the services that the customers need, the customers may refuse to enter the banking system, which, in turn, results in more unbanked people. Thus, the banks in Ethiopia should design their services based on the needs of the customers, which will be identified through conducting market need assessments. In order to achieve this, the banking institutions should strengthen their research and development units to identify and decide on the services that best suit the customers' needs.

- II. The accessibility of banking services is one of the major reasons why the unbanked individuals are transacting out of the banking system and similarly, it was identified that there is a limitation of banking facility accessibility in the country. Particularly, bank branches are more concentrated in the capital city than in the regions. The use of technology to create banking service accessibility is also limited. Thus, the banking institutions in the country should work extensively on creating accessibility for the community. In order to achieve this, the study recommends that the banking sector in Ethiopia should expand their branches to the regions, where the previously unreached areas, particularly the rural areas, strengthen the use of technology, like mobile banks, agencies and internet banking, to tap the untapped areas. Bank card and ATM and POS machines should be distributed to the areas where the people transact, like gas stations, colleges, supermarkets and city centers. Moreover, the banks should focus more on the employees in the non-government organizations and the farmers to create accessibility for them since most of them were found to be unbanked.
- III. It was identified that the banks send a unified message to the different segments of the consumer group through different promotional media platforms, which they cannot understand or react to equally. Therefore, the banking institutions should send customised (like language, user-friendly, etc.) marketing messages to the different target audiences to influence and bring them to the banking system.

- IV. The unbanked individuals' level of awareness of banking services was found significantly lower in this study. Similarly, the respondents rated their knowledge of banking services (awareness and financial literacy) as the top reason for being unbanked. It was also identified that the banking institutions do not have planned financial, educational plans to create awareness for the community. Therefore, it is recommended that the banking sector should develop financial, educational programmes and provide for the community to enhance their banking services awareness. Providing financial education for the community will help them to know how to use banking services and have the skills and confidence to manage their money. The banking institutions can achieve success in bringing the unbanked people into the financial mainstream through offering them financial education. Thus, the banks should meet the unbanked where they are – at their workplaces, schools, gatherings in the community – and train them on the grounding skills of the basics of managing their finances and banking services. In order to realize this, the banks should collaborate with the educational service providers, government agencies, schools, private sector employers, community service providers and other financial institutions.
- V. The employees' level of training to deliver banking services was found to be the lowest on the agreement score. The employees within the banking sector, from the tellers to the senior executives, must remain qualified for their jobs and always in compliance with specific bank regulations. This helps the banking sector to keep the employee and organisational goals aligned with each other and customer satisfaction will be achieved. Thus, the banks should ensure that their employees have the required knowledge and skills to offer the services.
- VI. This study also empirically identified that the unbanked individuals' intention to use banking services is significantly influenced by the perceived ease of use, social influence and personal external (personal and family income, occupation, personality and lifestyle) factors. As a result, the implication for the banking sector is that the banks should develop a customised and simple banking system that allows the customers to understand and use the services without difficulty. In addition, the banks should consider promoting the people's awareness about

the usefulness and the procedures of using banking services to enhance the consumers' confidence in the services. The banks should emphasise the compatibility between the offered banking services and the personality and the living or working style of the target consumer. This may require from the banks to exert their efforts on designing the appropriate services that meet the explicit needs of the different customer segments. As social influence is also found to have a significant influence on an individual's intention to use banking services, it is vital for the management of the banking institutions in Ethiopia to make good use of social pressure to promote their services. The banks should focus their promotional activities on creating positive peer group opinions through advertising on different social forums and discussion groups. The banks should also exert their efforts to satisfy their current consumers so that they are willing to provide positive word-of-mouth advertising of their services and influence potential banking service users positively. Moreover, the banking institutions in Ethiopia are recommended to have customer loyalty programmes that can be used to create social pressure.

VII. This study also identified that the extent of the effect of the macro-environmental factors on the bank marketing strategies has been significantly greater. It is further observed that there is no significant difference in the effect of the macro-environmental factors on the bank marketing strategies. Therefore, the banking sector should consider these macro-environmental factors while developing their marketing strategies. As these environments are beyond the control of the banking firms, it demands the banking institutions to develop marketing strategies that are more flexible to accommodate changes in the external environment. This may be achieved through drafting the banks' marketing strategies based on the macro-environmental conditions, which determine the appropriateness of the marketing strategies. Particularly, the banking sector in Ethiopia should pay attention to the government regulations, interest rates and monetary policy, educational level of the population and existence of new technology while developing marketing strategies.

VIII. Moreover, the study singled out that the unbanked individuals' level of education and occupation significantly influence their intention to use banking

services. Therefore, it was recommended, among others, that the banks in Ethiopia should consider the level of education of the people while designing and introducing the services. Similarly, the banks should also consider the occupation before the introduction of the services to ensure the services meet the requirements of the people in different occupations.

7.4. Implication of the study

The study provides a significant contribution to the academics and practitioners in the area of marketing strategies to bank the unbanked, specifically, in the context of developing countries. As indicated in this study, the interventions required to enhance the banking services for the unbanked population were provided for the practitioners, which can be replicated in other countries with similar situations. If the recommendations of this study are considered, they could help the banking sector to enhance the banking services for the unbanked and bring them to the banking system. The study also identified the factors that impede the unbanked individuals' intention to use banking services, which contribute to the existing theoretical and conceptual matters in the area of consumer behaviour. The following are summarised contributions of this study to the academics and the practice:

7.4.1. Academic contribution

This research contributes to the body of knowledge in the fields of financial service marketing, financial inclusion and consumer behaviour. Since the study is conducted in the banking sector of Ethiopia, it is expected to extend the existing body of knowledge related to the banking service marketing strategies in the developing countries. As this study empirically tests the factors that influence the unbanked individuals' intention to use banking services, it will provide an additional understanding of the literature on the factors that affect the intention to use banking services. This study also contributes to the body of literature in terms of identifying the characteristics of the unbanked individuals in the context of a developing country. Furthermore, the study places a foundation for further research in the areas of banking the unbanked.

7.4.2. *Practical contributions*

In the first place, this study has contributed to the banking institutions in Ethiopia to frame their marketing strategies to bring the unbanked population to the banking system. It helps them to understand the characteristics of the unbanked individuals and the factors that influence their intention to use banking services, which will be considered while developing marketing strategies to bank the unbanked. This study also benefits and gives direction to the banking institutions as it explored the current marketing strategies employed by the banks and pointed out the strengths and weaknesses of the strategies. The proposed marketing strategies in this research, which the banks can consider in their decisions, also help the banking institutions to enhance the banking services for the unbanked population in Ethiopia.

Furthermore, this study gives direction to the policy-makers, managers and relevant statutory organs to develop appropriate guidelines, regulations and policies to ensure the accessibility of banking services for the unreached population.

7.5. Limitations and suggestions for further studies

In this study, the marketing strategies currently being employed by the banks are assessed from the point of view of the bank managers, while the researcher thought they had extensive experience, good knowledge and were able to provide excellent information on the matter. However, to explore the strengths and weaknesses of the marketing strategies currently adopted by the banks more, including the perception of the existing customers about the strategies employed, are important. Thus, future studies may explore the marketing strategies employed by the banks in Ethiopia from the customers' point of view.

This study focused on the banking institutions' marketing strategies to bring the unbanked to the financial mainstream. However, the role of microfinance institutions in creating accessibility to the financial services in the country was not considered. Future studies may consider microfinance institutions, which provide financial services for the population, not included in this study, in order to explore their role in bringing the unbanked into the financial mainstream of the country.

This study was conducted based on the data collected from the unbanked respondents selected from three regions of the country. However, the respondents from the rest of the regions, which are not included in this study, may have different characteristics and views about banking services. Therefore, future studies should include the unbanked individuals from the other regions of the country to determine whether they have similar or dissimilar viewpoints regarding the level of awareness of banking services, the reasons for being unbanked and whether the identified factors affect their intention.

Another limitation is that the demographic characteristics of the unbanked respondents in this research are determined based on the data collected from them. However, to make conclusions compared to the demographic characteristics of the existing customers may lead to a confident conclusion. Thus, in the future, researchers may include the existing customers' demographical factors and may clearly distinguish whether there is a difference between the two groups in the country.

Finally, the proposed marketing strategies in this study for the banking institutions in Ethiopia to bank the unbanked did not analyse its feasibility. Therefore, future studies should focus on conducting the feasibility study of those proposed marketing strategies from the different perspectives in the country.

7.6. Concluding remarks

This study has attempted to propose marketing strategies that may enhance banking services for the unbanked population in Ethiopia. This was achieved through exploring the current marketing strategies employed by the banking institutions in the country and investigating the unbanked population's demographic characteristics, knowledge of banking services and factors that may impede their intention to use the services.

Therefore, it was detected that the banking sector's efforts in making the services accessible were very limited, specifically, the utilisation of technology platforms to reach wide geographical areas were found to be poor. The level of awareness of

banking services of the unbanked individuals was lower for both conventional and e-banking services. Among the reasons that contributed to being unbanked, the financial literacy of an individual took the lion's share followed by the accessibility of banking service facilities. The individuals' level of education and occupation significantly influenced their intention to use banking services. Moreover, the structural equation model results revealed that the perceived ease of use, social influence and personal external factors significantly determined the unbanked individuals' intention to use banking services in Ethiopia.

Finally, based on the findings of the study, marketing strategies that may enhance the banking services for the unbanked were proposed and several recommendations were made. The study also advanced its implication to the practice and the academics, as well as the limitations, indicated and the areas for further research were recommended.

REFERENCES

- Abdinoor, A., & Mbamba, U. O. L. (2017). Factors influencing consumers' adoption of mobile financial services in Tanzania. *Cogent Business & Management*, 4(1), 1–19.
- Abdu, G. (2013). Analysis of consumer behavior affecting consumer willingness to buy in 7-eleven convenience store. *Universal Journal of Management*, 1(2), 69–75.
- Abdu, Y. L. (2010). *Performance evaluation of the commercial bank of ethiopia:- pre and post liberalization*. Unpublished MSc Thesis, Mekelle University, Ethiopia.
- Abubakar, H. S. (2014). Impact of marketing communication on financial performance of banks: A study of first bank of Nigeria Plc. *Research Journal of Finance and Accounting*, 5(24), 139-147.
- Addison, T., & Geda, A. (2001). Ethiopia's new financial sector and its regulation, in T. Addison (ed), *From Conflict to Reconstruction in Africa*, UNU/WIDER.
- Ahad, T., Dyson, L. E., & Gay, V. (2012). An empirical study of factors influencing the SME's intention to adopt m-banking in rural Bangladesh. *Journal of Mobile Technologies, Knowledge & Society*, 2012(2012), 1–16.
- Ahmad, A. M. K. (2007). *The impact of competitive environment on the service marketing mix strategy of health organisations in developing countries: Jordanian private sector hospital senior managers perspective*. Unpublished PhD Thesis, University of Huddersfield, UK.
- Ahmad, A. M. K., Al-Qarni, A. A., Alsharqi, O. Z., Qalai, D. A., & Kadi, N. (2013). The impact of marketing mix strategy on hospitals performance measured by patient satisfaction: An empirical investigation on Jeddah private sector hospital senior managers perspective. *International Journal of Marketing Studies*, 5(6), 210–227.
- Ajzen, I. (1991). The theory of planned behavior. *Organizational Behavior and Human Decision Processes*, 50, 179–211.
- Akanbi, P. A., Ayodele, T. D., & Adedipe, O. A. (2014). An investigation into some factors influencing the intention to use internet banking among undergraduates in Nigeria. *Research Journal of Finance and Accounting*, 5(8), 1–10.
- Akeem, L. B. (2014). Effect of strategic marketing of financial services on organization performance. *European Journal of Accounting Auditing and Finance Research*, 2(9), 66–83.
- Akinci, S., Aksoy, Ş., & Atilgan, E. (2004). Adoption of internet banking among sophisticated consumer segments in an advanced developing country. *International Journal of Bank Marketing*, 22(3), 212–232.

- Akroush, M. N. (2011). The 7Ps classification of the services marketing mix revisited: An empirical assessment of their generalisability, applicability and effect on performance-evidence from Jordan's services organisations. *Jordan Journal of Business Administration*, 7(1), 116–147.
- AL-Majali, M. (2011). The use of theory reasoned of action to study information technology in Jordan. *Journal of Internet Banking and Commerce*, 16(2), 1–11.
- Al-Qasa, K., Isa, F. M., & Othman, S. (2013). Factors affecting intentions to use banking services in Yemen. *Journal of Internet Banking and Commerce*, 18(2), 1–14.
- Alafeef, M., Singh, D., & Ahmad, K. (2012). Influence of demographic factors and user interface on mobile banking adoption: A review. *Journal of Applied Sciences*, 12(20), 2082-2095.
- Alalwan, A. A., Rana, N. P., Dwivedi, Y. K., Lal, B., & Williams, M. D. (2015). Adoption of mobile banking in Jordan: Exploring demographic differences on customers' perceptions. In *e-Business, e-Services, and e-Society conference Proceedings* (Vol. 9373, pp. 13–23). Netherlands.
- Alao, A. E., Diyaolu, G. O., & Afuape, A. M. (2014). The changing trend in marketing of financial services: an empirical study on bank performance in Nigeria. *International Journal of Business and Economic Development*, 2(2), 85–96.
- Ali, M. S. I., & Athambawa, S. (2008). Determinants of customers' intention to use Islamic financing services- The case of Islamic bank in Sri Lanka. In *Proceedings of the Second ARC, FMC, SEUSL* (pp. 91–99).
- Aliata, V. L., Odonde, A. J., Aila, F. O., Ojera, P. B., Abong'o, B. E., & Odera, O. (2012). Influence of promotional strategies on banks performance. *International Journal of Business, Humanities and Technology*, 2(5), 169–178.
- Alsamydai, M. J., Yousif, R. O., & Khasawneh, M. H. Al. (2012). The factors influencing consumers' satisfaction and continuity to deal with e-banking services in Jordan. *Global Journal of Management and Business Research*, 12(14), 129–142.
- Alsamydai, M., Yassen, S., Alnaimi, H., Dajani, D., & Al-Qirem, I. (2014). The factors influencing customer usage of mobile banking services in Jordan. *International Journal of Business Management & Research*, 4(2), 63–78.
- Anand, S., & Murugaiah, V. (2004). Marketing of financial services: Strategic issues. *SCMS Journal of Indian Management*, (July-September,2004), 41–60.
- Anderson, M., & Huerta, I. (2014). Literature on the unbanked. *UC Merced Undergraduate Research Journal*, 7(2), 4–15.
- Aregahegne, E. (2015). *The challenges and prospects of mobile and agent banking in*

- Ethiopia*. Unpublished MSc thesis, Saint Mary's University, Ethiopia.
- Arina, M. V. (2015). Promotion banking services and products - factors influencing bank offer promotion among consumers. *Journal of Knowledge Management, Economics and Information Technology*, *V*(1), 1–13.
- Ateba, B. B., Ohei, K., Maredza, A., Deka, P., & Schutte, D. (2015). Marketing mix: it's role in customer satisfaction in the South African banking retailing. *Banks and Bank Systems*, *10*(1), 83–91.
- Aurangzeb. (2012). Contributions of banking sector in economic growth: A case of Pakistan. *Economics and Finance Review*, *2*(6), 45–54.
- Bagga, T., & Bhatt, M. (2013). A study of intrinsic and extrinsic factors influencing consumer buying behaviour online. *Asia-Pacific Journal of Management Research and Innovation*, *9*(1), 77–90.
- Barasa, D. A., & Mwirigi, F. M. (2013). The role of agency banking in enhancing financial sector deepening in emerging markets: Lessons from the Kenyan experience. *European Journal of Business and Management*, *5*(21), 27–35.
- Barbu, A. M., & Orzan, M. (2012). Macro and micro influences on organizational marketing of Romanian public institutions. *Journal of Eastern Europe Research in Business & Economics*, *2012*(2012), 1-13.
- Barr, M. S. (2002). Banking for the unbanked. *Law Quad. Notes* *45*, *2*(2), 60–63.
- Bashir, S., Zeeshan, M., Sabbar, S., Hussain, R. A. I. I., & Sarki, I. H. (2013). Impact of cultural values and life style on impulse buying behavior: A case study of Pakistan. *International Review of Management and Business Research*, *2*(1), 193–200.
- Beckett, A., & Howcroft, B. (2000). An exposition of consumer behaviour in the financial services industry. *International Journal of Bank Marketing*, *18*(1), 15–26.
- Bekana, D. M. (2016). Does financial sector development drive economic growth in a post-communist economy? Evidence from Ethiopia. *Economic Insights–Trends and Challenges*, *5*(1), 15–38.
- Belay, M., Mengesha, T., & Gebreal, D. H. (2016). Perceived benefits and challenges of electronic banking adoption in Ethiopian private commercial banks. *European Journal of Business and Management*, *8*(19), 22–31.
- Bernheim, Douglas, B., & Garrett, D. M. (2003). The effects of financial education in the workplace: evidence from a survey of households. *Journal of Public Economics*, *87*(7–8), 1487–1519.
- Bezabeh, A., & Desta, A. (2014). Banking sector reform in Ethiopia. *International Journal of Business and Commerce*, *3*(8), 25–38.

- Bhardwaj, S. S., & Kumar, D. (2014). Environmental scanning by banks in India: A comparative study. *Global Journal of Finance and Management*, 6(7), 637–648.
- Birhanu, T. (2014). Determinants of commercial banks profitability: An empirical evidence from the commercial banks of Ethiopia. *Journal of Management Research*, 3(4), 5–10.
- Blackwell, R., Miniard, P., & Engel, J. (2006). *Consumer behavior* (10th ed.). Boston: Thomson South-Western.
- Blankenship, D. C. (2010). *Applied research and evaluation methods in recreation*. Human Kinetics Publishers, Champaign, Illinois.
- Bloomberg, M. R., & Mintz, J. (2008). *Neighborhood financial services study. An analysis of supply and demand in two New York city neighborhoods*. New York City.
- Booms, B., & Bitner, M. (1981). Marketing strategies and organization structures for services firms. *Marketing of services: 1981 special educators' conference proceeding* (pp. 46–51). Chicago: American Marketing Association.
- Bos, J. W. B., & Kool, C. J. M. (2006). Bank efficiency: The role of bank strategy and local market conditions. *Journal of Banking & Finance*, 30, 1953–1974.
- Bose, T., Khan, A., & Sarker, S. (2012). Attitudes of customers towards the financial institutions: A comparison between private commercial banks and nationalized commercial banks in Bangladesh with implications of Fishbein model. *International Journal of Managing Value and Supply Chains*, 3(4), 13–25.
- Brakaj, E. P., & Kume, V. (2013). How the Albanian external environment affect the construction industry. *Annales Universitatis Apulensis Series Oeconomica*, 15(1), 295–309.
- Breitbach, E., & Walstad, W. B. (2014). Financial literacy and banking affiliation: Results for the unbanked, underbanked, and fully banked. *Perspectives on Economic Education Research*, 9(1), 20–35.
- Bruhn, M., & Love, I. (2009). The economic impact of banking the unbanked evidence from Mexico, *World bank research policy working paper 4981*.
- Brunner, G. (1989). The marketing mix: time for reconceptualization. *Journal of Marketing Education*, 11(Summer), 72–77.
- Bryman, A., & Bell, E. (2007). *Business research method*, (2nd ed.) New York: Oxford University Press Inc.
- Bultum, A. G. (2014). Factors affecting adoption of electronic banking system in Ethiopian banking industry. *Journal of Management Information System and E-Commerce*, 1(1), 1–17.
- Cangur, S., & Ercan, I. (2015). Comparison of model fit indices used in structural equation

- modeling under multivariate normality. *Journal of Modern Applied Statistical Methods*, 14(1), 152-167.
- Caskey, J. P. (2002). Bringing unbanked households into the banking system. *A Capital Xchange Journal*. Centre on urban and metropolitan policy, The Brookings Institution: Washington, DC.
- Chansaenroj, P., & Techakittiroj, R. (2015). Factors influencing the intention to use mobile banking services in Bangkok, Thailand. *International Journal of Management and Applied Science*, 1(9), 165–169.
- Cheng, C. S. (2006). *Financial services marketing: Empirical evidence on the impact and effectiveness of marketing events*. Unpublished PhD thesis, University of St. Gallen, Switzerland.
- Chepkangor, D. K., Rotich, E. K., & Omware, Q. (2015). Effects of sociocultural factors on consumer choice of commercial banks: A case of Kenya commercial bank in Nakuru Town. *Journal of Finance and Accounting*, 3(1), 1–9.
- Chinakidzwa, M. (2014). Impact of marketing communications on consumer attitudes towards internet banking adoption by university students in Zimbabwe - Case of Harare Institute of Technology (HIT). *Journal of Business Administration and Education*, 6(1), 1–14.
- Chirica, C. (2013). Relationship marketing - best practice in the banking sector. *Amfiteatru Economic*, 15(33), 288–300.
- Churchill, G. A. (1996). *Basic marketing research* (3rd ed.). Orlando: The Dryden Press.
- Claessens, S. (2006). Access to financial services: A review of the issues and public policy issues. *World Bank Research Observer* 21, 207-240.
- Coccoresse, P. (2004). Banking competition and macroeconomic conditions: A disaggregate analysis. *Journal of International Financial Markets Institutions & Money*, 14, 203–219.
- Coetzee, J. (2009). Personal or remote interaction? Banking the unbanked in South Africa. *SAJEMS NS*, 12(4), 448–461.
- Cooper, D. R., & Schindler, P. S. (2006). *Marketing research*. New York: McGraw-Hill.
- Cudjoe, A. G., Anim, P. A., & Nyanyofio, J. G. N. T. (2015). Determinants of mobile banking adoption in the Ghanaian banking industry: A case of Access Bank Ghana Limited. *Journal of Computer and Communications*, 3, 1–19.
- Amutha, D. (2016). A study of consumer awareness towards e-banking. *International Journal of Economics & Management Sciences*, 5(4), 4–7.
- Daft, R., & Armstrong, A. (2012). *Organization Theory & Design*. (2nd Canadian Edition).

Toronto: Nelson Education Ltd.

- Dagne, S. Powers of agent banking. *Addis Fortune*, 16 Nov. 2015, Vol. 16, No. 811. addisfortune.net/columns/powers-of-agent-banking/.
- Daniel, E. (2013). Factors affecting the adoption of online banking in Ghana : Implications for bank managers. *International Journal of Business and Social Research*, 3(6), 94–108.
- Dar, N. A. (2014). Awareness of electronic banking in pakistan. In *Proceedings of 2nd International Conference on Business Management*, Lahore, Pakistan.
- Dauda, A., & Ismaila, M. Y. (2013). Influence of technological environmental factors on the strategic choice of quoted manufacturing firms in Nigeria’s food and beverage industry. *International Journal of Business, Humanities and Technology*, 3(8), 159–169.
- Degefe, B. (1995). The development of money, monetary institutions and monetary policy in Ethiopia, 1941-75’ in Shiferaw Bekele (1995). *An economic history of Ethiopia: Volume 1: The Imperial Era 1941-74*. Dakar: CODESERIA.
- Demirgüç–Kunt, A., Klapper, L., & Singer, D. (2015). *The global finindex database 2014: Measuring financial inclusion around the world*. Policy Research Working Paper 7255, World Bank, Washington.
- Deribe, B., & Deribie, E. (2012). Evaluation of customer satisfaction on bank services : An empirical analysis. *Basic Research Journal of Business Management and Accounts*, 1(4), 64–71.
- Deribie, E. (2013). Expanding branches of commercial bank of Ethiopia and the position of private banks. *Journal of Business Administration*, 3(5), 120–124.
- Dillon, W. R., Madden, T. J., & Firtle, N. H. (1993). *Essentials of Marketing Research*. Homewood, IL: Irwin.
- Djankov, S., Miranda, P., Seira, E., & Sharma, S. (2008). Who are the unbanked ?, *World Bank Policy research working paper 4647*, Washington, D.C.
- Doronin, D. (2013). Macro-level Market Analysis of Kuwait. Unpublish Thesis, Centria University of Applied Science, Kuwait.
- Durga, M. (2010). Consumers’ buying behaviour of bottled water in Suri-name. *Department of Health New York State*.
- Durmaz, Y. (2014a). The impact of psychological factors on consumer buying behavior and an empirical application in Turkey. *Asian Social Science*, 10(6), 194–204.
- Durmaz, Y. (2014b). The influence of cultural factors on consumer buying behaviour and an application in Turkey. *Global Journal of Management and Business Research*, 14(1), 37-44.

- Duy, N. K. (2012). Factors affecting behavioral intentions toward mobile banking usage: A study of banking customers in Hochiminh City. Unpublished thesis, University of economics Hochiminh City, Vietnam.
- Eddin, A., & Khalaf, M. (2012). Macro-environment influences on health service strategy in Saudi private sector hospitals: An empirical investigation. *International Business Research*, 5(5), 49–64.
- Elavarasi, R., & Surulivel, S.T. (2014). Customer awareness and preference towards e-banking services of banks (A Study of SBI). *International Research Journal of Business and Management – IRJBM*, IV, 59–67.
- Eshete, Z. S., Tesome, K. W., & Abebe, T. K. (2013). Competition in Ethiopian banking industry. *African Journal of Economics*, 1(5), 176–190.
- Familmaleki, M., Aghighi, A., & Hamidi, K. (2015). Analyzing the influence of sales promotion on customer purchasing behavior. *International Journal of Economics & Management Sciences*, 4(4), 1–7.
- Fan, X., & Sivo, S. A. (2007). Sensitivity of fit indices to model misspecification and model types. *Multivariate Behavioral Research*, 42(3), 509–529.
- Fong, K. K.-K., & Wong, S. K. S. (2015). Factors influencing the behavior intention of mobile commerce service users: An exploratory study in Hong Kong. *International Journal of Business and Management*, 10(7), 39–47.
- Fox, J. (2006). Structural equation modeling with the sem package in R. *Structural Equation Modelling*, 13(3), 465–486.
- Furajji, F., Łatuszyńska, M., & Wawrzyniak, A. (2012). An empirical study of the factors influencing consumer behaviour in the electric appliances market. *Contemporary Economics*, 6(3), 76–87.
- Gajjar, N. B. (2013). Factors affecting consumer behavior. *International Journal of Research In Humanities and Social Sciences*, 1(2), 10–15.
- Garcia-Murillo, M., & Annabi, H. (2002). Customer knowledge management. *Journal of the Operational Research Society*, 53(8), 875-884.
- Gashayie, A., & Singh, M. (2016). Development of financial sector in Ethiopia : Literature Review. *Journal of Economics and Sustainable Development*, 7(7), 9–20.
- Geda, A. (2006). *The Structure and Performance of Ethiopia's Financial Sector in the Pre- and Post-Reform Period with a Special Focus on Banking*. Research Paper 2006/112. Helsinki: UNU-WIDER.
- Geda, A., & Addison, T. (2003). The New Financial Sector and Its Regulation: the Case of Ethiopia', in Tony Addison (ed.) *From Conflict to Reconstruction in Africa*, Oxford:

Oxford University Press for UNU-WIDER.

- Geiger, M., & Moller, L. (2015). *Fourth Ethiopia economic update: overcoming constraints in the manufacturing sector*. World Bank, Working paper 97916.
- Gezae, A. (2015). *Determinants of Banking Sector Development in Ethiopia*. Unpublished thesis, Addis Ababa University, Ethiopia.
- Gilbert, D. C., & Choi, K. C. (2003). Relationship marketing practice in relation to different bank ownerships: A study of banks in Hong Kong. *International Journal of Bank Marketing*, 21(3), 137–146.
- Gioko, C. M. (2017). Factors influencing the success of mass marketing strategies in telecommunications industry: A case of orange Kenya limited. *European Journal of Business and Strategic Management*, 2(3), 117–135.
- Girma, K. (2016). *Challenges and opportunities of electronic banking in Ethiopian banking industry (Evidence from selected private commercial banks)*. Addis Ababa University, Ethiopia.
- Golsefid, F. A., & Kiakalayeh, F. D. (2016). Factors affecting the acceptance of mobile banking by customers case study: the branches of Tejarat Bank in Rasht City. *Mediterranean Journal of Social Sciences*, 7(2), 518–525.
- Goodstein, R. M., & Rhine, S. L. W. (2013). The effect of economic and demographic factors on household choice of financial transaction services. *American Council on Consumer Interests*, 59, 1–20.
- Grankvist, A., Kollberg, C., & Persson, A. (2004). Promotion Strategies for Banking Services. *Unpublished Thesis*, Lulea University of Technology.
- Gray, D. E. (2004). *Doing Research in the Real World*. Thousand Oaks, CA: Sage Publications.
- Grimes, P. W., Rogers, K. E., & Smith, R. C. (2017). High school economic education and access to financial services. *The Journal of Consumer Affairs*, 44(2), 317–335.
- Grinstein-Weiss, M., Yeo, Y. H., Despard, M. R., Casalotti, A. M., & Zhan, M. (2010). Does prior banking experience matter? Differences of the banked and unbanked in individual development accounts. *Journal of Family and Economic Issues*, 31(2), 212–227.
- Gronroos, C. (2000). *Services Management and Marketing: Managing the Moments of Truth in Service Competition*. Lexington Books, Lexington.
- Gugsa, A. (2015). *Assesment of adoption of agency banking innovation in ethiopia: barriers and drivers*. Unpublished thesis, Addis Ababa University, Ethiopia.
- Guo, L. (2011). A research on influencing factors of consumer purchasing behaviors in cyberspace. *International Journal of Marketing Studies*, 3(3), 182–188.

- Gupta, K., & Negi, V. (2014). Financial literacy of Himachal Pradesh “A case study of Shimla”. *International Journal of Research in Business Management*, 2(9), 1–14.
- Hadiasgari, M. (2015). The factors affecting customers’ tendency in the use of modern banking services in commerce bank branches in west of Mazandaran. *Visi Journal Akademik*, 1(2015), 7–12.
- Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). *Multivariate data analysis: A Global Perspective*. 7th Edition, Pearson Education, Upper Saddle River.
- Hanna, N., & Wozniak, R. (2001). *Consumer Behaviour: An applied approach*. Prentice Hall International, New Jersey, USA.
- Hanssens, D. M., Pauwels, K. H., Srinivasan, S., Vanhuele, M., & Yildirim, G. (2014). Consumer attitude metrics for guiding marketing mix decisions. *Marketing Science*, 33(4), 534-550.
- Harvey, M., Lusch, R., & Cavarkapa, B. (1996). A Marketing mix for the 21st century. *Journal of Marketing Theory and Practice*, 4(4), 1–15.
- Hogarth, J., Anguelov, C., & Lee, J. (2003). Why households don’t have checking accounts. *Economic Development*, 17(1), 75–94.
- Hogarth, J., Anguelov, C., & Lee, J. (2005). Who has A bank account? exploring changes over time, 1989-2001. *Journal of Family and Economic Issues*, 26(1), 1–30.
- Hox, J. J. & Bechger, T. M. (2010). An introduction to structural equation modeling. *Family Science Review*, 11, 354–373.
- Huong, N. T. (2012). Key factors affecting consumer purchase intention a study of safe vegetable in Hochiminh City. Unpublished thesis, University of economics Hochiminh City, Vietnam.
- IMF (International Monetary Fund). (2014). *Financial access survey. IMF Working Paper Series, No. WP/05/166*. Washington, DC.
- IMF (International Monetary Fund). (2016). *The Federal Democratic Republic of Ethiopia: 2016 Article IV Consultation*. Washington, D.C.
- Inganga, B. W., Ombui, K., Tirimba, O. I., & Njeru, A. (2014). Factors affecting customer demand of financial services offered by commercial banks in Nairobi county. *International Journal of Scientific and Research Publications*, 4(11), 1–25.
- Islam, F., & Rahman, M. (2015). Service marketing mix and their impact on bank marketing performance: A case study on Janata Bank Limited, Bangladesh. *Journal of Worldwide Holistic Sustainable Development*, 1(1), 16–32.
- Jain, N., & Malhotra, P. (2012). Factors affecting consumer attitude towards internet banking in India. *International Journal of Research in IT & Management*, 2(12), 68–79.

- Jeong, B., & Yoon, T. E. (2013). An empirical investigation on consumer acceptance of mobile banking services. *Business and Management Research*, 2(1), 31–40.
- Jima, W. B., & Raju, R. S. (2015). Effects of external environments on bank's operations: A case study of selected commercial banks in Ethiopia. *Asian Journal of Research in Business Economics and Management*, 5(4), 56–71.
- Jisana, T. K. (2014). Consumer behaviour models: An overview. *Sai Om Journal of Commerce & Management*, 1(5), 34–43.
- Joseph, D. (2014). A study on financial inclusion and financial literacy. *International Journal of Business and Administration Research Review*, 2(4), 126–134.
- Judd, C. (2003). Achieving a customer orientation using "people-power", the "5th P". *European Journal of Marketing*, 3(10), 1301–1313.
- Jun, M., & Cai, S. (2001). The key determinants of internet banking service quality: A content analysis. *International Journal of Bank Marketing*, 19(7), 275–291.
- Junadi, & Sfenrianto. (2015). A model of factors influencing consumer's intention to use e-payment system in Indonesia. *Procedia Computer Science*, 59(2015), 214–220.
- Kakazoukis, C. (2011). How macro environmental forces affect business buying behavior after a recession: A case study of the second hand truck business. *Unpublished MBA Thesis*. Blekinge Institute of Technology.
- Kalaimani, G. (2013). 7 P's of services marketing in insurance and banking services. *Journal of Management and Science*, 1(2), 1–3.
- Karthikeyan, P., & Soniya, K. (2016). Technology adoption and customer satisfaction in banking technological services. *Journal of Internet Banking and Commerce*, 21(3), 1-22.
- Kaura, V. (2013). Service marketing mix with special reference to Indian banking. *Pacific Business Review International*, 6(5), 53–57.
- Keatinge, T. (2014). The role of public and private sector banking in Ethiopia's future economic growth. *Policy brief. Global Center on Cooperative Security: Building Strong Partnerships for a more secure world*.
- Ketabi, F. (2012). The effect of the marketing mix of services to attract customers, banks (Case study Tejarat Bank , branches of Kermanshah province). *Journal of Basic and Applied Scientific Research*, 2(9), 8632–8639.
- Khaniwale, M. (2015). Consumer buying behavior. *International Journal of Innovation and Scientific Research*, 14(2), 278–286.
- Kiragu, G. M. (2012). Environmental analysis as a competitive strategic imperative by Barclays Bank of Kenya. *Unpublished MBA Thesis*, University Of Nairobi, Kenya.

- Kolodinsky, J. M., Hogarth, J. M., & Hilgert, M. A. (2004). The adoption of electronic banking technologies by US consumers. *International Journal of Bank Marketing*, 22(4), 238–259.
- Kothari, C. R. (2004). *Research Methodology: Methods and Techniques* (2nd ed.). New Delhi: New Age International.
- Kotler, P. (1999). *Kotler on Marketing: How to Create, Win and Dominate Markets*. New York, Press Free.
- Kotler, P. (2004). *Marketing Management : Analysis, Planning, Implementation and Control* (8th ed.). London: Prentice Hall International.
- Kotler, P., & Armstrong, G. (2005). *Principles of Marketing* (11th ed.). London: Pearson Education, Prentice Hall, Inc.
- Kotler, P., & Armstrong, G. (2012). *Principles of Marketing* (14th ed.). New Jersey, USA: Pearson Education, Inc.
- Koumparoulis, D. N. (2013). PEST Analysis : The case of E-shop. *International Journal of Economy, Management and Social Sciences*, 2(2), 31–36.
- Krishanan, D., Teng, K. L. L., & Khalidah, S. (2017). Effects of age on consumers intention to use mobile banking. *International Journal of Novel Research in Marketing Management and Economics*, 4(1), 1–4.
- Kumar, A. (2013). Bank marketing mix: New strategy in today banking sector. *A Journal of Science, Technology & Management*, 2(1), 17–26.
- Kumar, H. H., John, S. F., & Senith, S. (2014). A Study on factors influencing consumer buying behavior in cosmetic products. *International Journal of Scientific and Research Publications*, 4(9), 1–6.
- Ladeira, W. L., Santini, F. D. O., Sampaio, C. H., Perin, M. G., & Araujo, C. F. (2016). A meta-analysis of satisfaction in the banking sector. *International Journal of Bank Marketing*, 34(6), 798-820.
- Lajuni, N., Wong, W., Ming, P., Yacob, Y., Ting, H., & Jausin, A. (2017). Intention to use Islamic banking products and its determinants. *International Journal of Economics and Financial Issues*, 7(1), 329–333.
- Lancaster, G. (2005). *Research Methods in Management: a concise introduction to research in management and business consultancy*. Elsevier, Butterworth-Heinemann, Oxford, UK.
- Lathang, R., Suthar, B. K., & Pradhan, S. (2014). Impacts of marketing mix and customer perception on brand loyalty. *Global Journal of Finance and Management*, 6(7), 619–636.

- Lawan, L. A., & Zanna, R. (2013). Evaluation of sociocultural factors influencing consumer buying behaviour of clothes in Borno state , Nigeria. *International Journal of Basic and Applied Sciences*, 1(3), 519–529.
- Lee, T. J. (2011). The role of financial services advertising on investors decision-making. *Unpublished PhD Thesis*, University of Tennessee.
- Leiva, F. M., Climent, S. C., & Cabanillas, F. L. (2017). Determinants of intention to use the mobile banking apps: An extension of the classic TAM model. *Spanish Journal of Marketing*, 21(1), 25–38.
- Lena, A. A., & Monika, K. (2011). Marketing mix in banking in the time of a global financial crisis. *Unpublished Msc Thesis*, Halmstad University.
- Lewis, B. R., Soureli, M., & Karantinou, K. M. (2008). Factors that affect consumers' cross-buying intention: A model for financial services. *Journal of Financial Services Marketing*, 13(1), 5–16.
- Li, H., & Lai, M. M. (2011). Demographic differences and internet banking acceptance. *MIS Review*, 16(2), 55–92.
- Liew, J. (2006). Banking the unbanked in Fiji : The ANZ bank and UNDP partnership model. *World Bank Global Conference on Access to Finance: Building Inclusive Financial Systems*. Washington DC.
- Lindholm, O. (2008). The Influence of Sales Promotion on Consumer Behavior in Financial Services. *Unpublished MSc Thesis*, Helsinki School of Economics.
- Lovelock, C., & Yip, G. (1996). Developing global strategies for service businesses. *California Management Review*, 38(2), 64-86.
- Lusardi, Annamaria, & Mitchell, O. S. (2014). The economic importance of financial literacy: theory and evidence. *Journal of Economic Literature*, 52(1), 5–44.
- Lyons, A. C., & Scherpf, E. (2004). Moving from unbanked to banked: Evidence from the Money Smart program. *Financial Services Review*, 13(3), 215–231.
- MacCallum, R. C., & Austin, J. T. (2000). Applications of structural equation modeling in psychological research. *Annual Review of Psychology*, 51, 201–226.
- Machona, V., & Kaseke, N. (2013). Deposit-attracting strategies in the financial sector in a multi-currency setting: The case of commercial banks in Zimbabwe. *University of Zimbabwe Business Review*, 1(1), 32–44.
- Maditinos, D., Chatzoudes, D., & Sarigiannidis, L. (2013). An examination of the critical factors affecting consumer acceptance of online banking. *Journal of Systems and Information Technology*, 15(1), 97–116.
- Magotra, I., Sharma, J., & Kumar, S. (2017). Investigating linkage between customer value

- and technology adoption behaviour: A study of banking sector in India. *European Research on Management and Business Economics*, 25(1), 1–10.
- Maharishi, N., & Bhardwaj, N. (2014). Role played by elements of marketing mix in customer retention in retail banking: An empirical study. *International Journal of Science and Research*, 3(8), 803–806.
- Maitlo, G., Kazi, Z., Khaskheley, A., & Shaikh, F. (2015). Factors that influence the adoption of online banking services in Hyderabad. *International Journal of Economics & Management Sciences*, 4(1), 1–10.
- Malhotra, N. K., Hall, J., Shaw, M., & Oppenheim, P. (2001). *Marketing Research: an Applied Orientation*. (2nd edition). Frenchs Forest, NSW, Australia: Prentice Hall.
- Mamman, M., Ogunbado, A. F., & Abu-bakr, A. S. (2016). Factors influencing customer's behavioral intention to adopt Islamic banking in northern Nigeria: A proposed framework. *Journal of Economics and Finance*, 7(1), 51–55.
- Marcketti, S., & Shelley, M. (2009). Consumer concern, knowledge and attitude towards counterfeit apparel products. *International Journal of Consumer Studies*, 33(3), 327–337.
- Martins, J. H., Loubser, M., & van Wyk, H. deJ. (1996). *Marketing research, a South African approach*. Pretoria: Unisa press.
- Marumbwa, J. (2014). Exploring the moderating effects of socio-demographic variables on consumer acceptance and use of mobile money transfer services (MMTs) in southern Zimbabwe. *American Journal of Industrial and Business Management*, 4(2), 71–79.
- Mas, I., & Siedek, H. (2008). Banking through networks of retail agents. *CGAP Focus Note 47*, Washington, D.C.
- Matul, M., Szubert, D., Cohen, M., & Mcguinness, E. (2006). *Attracting the unbanked: Preliminary guidelines for maximizing existing infrastructure through serving untapped markets*. (Washington, DC, Microfinance Opportunities and Microfinance Centre for Central and Eastern Europe and the New Independent States).
- Mauri, A. (2003). Origins and early development of banking in Ethiopia. *UNIMI Working paper No. 04.2003*, Marzo, Milano.
- Mazhar, F., Rizwan, M., Fiaz, U., Ishrat, S., Razzaq, M. S., & Khan, T. N. (2014). An investigation of factors affecting usage and adoption of internet & mobile banking in Pakistan. *International Journal of Accounting and Financial Reporting*, 4(2), 478-501.
- Meshesha, G. (2015). Determinants of non-performing loans: The case of the Ethiopian Commercial Banks. *Unpublished MSc Thesis*, Addis Ababa University, Ethiopia.
- Mirabi, V., Akbariyeh, H., & Tahmasebifard, H. (2015). A study of factors affecting on

- customers purchase intention case study: the agencies of Bono Brand Tile in Tehran. *Journal of Multidisciplinary Engineering Science and Technology*, 2(1), 267–273.
- Miremadi, A., & Faghani, E. (2012). An empirical study of consumer buying behavior and its influence on consumer preference in Iranian FMCG market: A case study. *International Business and Management*, 5(1), 146–152.
- Mirzaei, H., & Ruzdar, M. (2013). The impact of social factors affecting consumer behaviour on selecting characteristics of purchased cars. *Academic Journal of Research in Business & Accounting*, 2(2), 1–13.
- Mohammad, H. I. (2015). 7Ps marketing mix and retail bank customer satisfaction in northeast Nigeria. *British Journal of Marketing Studies*, 3(3), 71–88.
- Mortimer, G., Neale, L., Fazal e Hasan, S., & Dunphy, B. (2015). Investigating the factors influencing the adoption of m-banking: A cross cultural study. *International Journal of Bank Marketing*, 33(4), 545–570.
- Mouton, J. (2001). *How to succeed in your master's and doctoral studies: A South African resource book*. Pretoria: Van Schaik Publishers.
- Moyo, J., Nandwa, B., Oduor, J., & Simpasa, A. (2014). Financial sector reforms, competition and banking system stability in sub-saharan africa. *Paper presented at the joint RES-SPR conference on "Macroeconomic challenges facing low-income countries"*, IMF: Washington, DC.
- Mpofu, T., & Chigwende, S. (2013). Factors influencing marketing planning and implementation in Zimbabwean SMEs. *International Journal of Sciences: Basic and Applied Research (IJSBAR)*, 12(1), 82–92.
- Muinde, A. (2009). Marketing-mix variables by non – banking financial institutions (NBFI's) in Kenya. *Unpublished Msc Thesis*, University of Nairobi, Kenya.
- Mylonakis, J. (2008). Role, objectives and effectiveness of financial advertizing: An exploratory bank marketing study. *Innovative Marketing*, 4(3), 12–19.
- Nagarkoti, B. (2009). Factors influencing consumer behavior of smartphone users. *Degree Thesis International Business (BBA)*, Arcada University Finland.
- Nasri, W. (2011). Factors influencing the adoption of internet banking in Tunisia. *International Journal of Business and Management*, 6(8), 143–160.
- NBE (National Bank of Ethiopia). (1996). *Review of the evolution and functions of financial institutions in Ethiopia*. Addis Ababa: Memorandum, Economic Research Department, Money and Banking Division.
- NBE (National Bank of Ethiopia). (2014a). *Annual Report: 2013-2014*. Addis Ababa: Federal Democratic Republic of Ethiopia.

- NBE (National Bank of Ethiopia). (2014b). *The overall economic performance of Ethiopia*. Addis Ababa: Federal Democratic Republic of Ethiopia.
- Ndlovu, I., & Ndlovu, M. (2013). Mobile banking the future to rural financial inclusion: Case study of Zimbabwe. *IOSR Journal Of Humanities And Social Science*, 9(4), 70–75.
- Negarit Gazeta. (1994a). Monetary and banking. *Proclamation No 83/1994*, BSPP, Addis Ababa.
- Negarit Gazeta. (1994b). The licensing and supervision of banking business. *Proclamation No 84/1994*, BSPP, Addis Ababa.
- Neuman, W. L. (1997). *Social Research Methods: Qualitative and quantitative approaches* (3rd ed.). Boston: Allyn and Bacon.
- Nguyen, T. N., Cao, T. K., Dang, P. L., & Nguyen, H. A. (2016). Predicting consumer intention to use mobile payment services: Empirical evidence from Vietnam. *International Journal of Marketing Studies*, 8(1), 117–124.
- Nwankwo, S. (2003). *Cross cultural marketing*. London: Thomson Learning Company.
- Oke, M. O. (2012). Marketing strategies and bank performance in Nigeria: A post-consolidation analysis. *Research Journal of Finance and Accounting*, 3(5), 93–103.
- Omotayo, F., & Adebayo, A. (2015). Factors influencing intention to adopt internet banking by postgraduate students of the University of Ibadan, Nigeria. *Journal of Internet Banking and Commerce*, 20(3), 1–29.
- Önce, G. (2000). Service marketing in banking sector and recent perceptions in marketing thoughts of services. *First International Joint Symposium on Business Administration Challenges for Business Administrators in the New Millennium*, Gökçeada - Çanakkale, Turkey.
- Page, C., & Meyer, D. (2000). *Applied Research Design for Business and Management*. Sydney, NSW: McGraw-Hill.
- Painoli, A. K., & Singh, Y. P. (2017). Impact of demographic factors on the buying behavior of the consumers living in the rural areas of Uttarakhand state: An empirical study of detergent powder and cake. *International Journal of Informative & Futuristic Research*, 4(8), 7214–7228.
- Pallant, J. (2013). *A step by step guide to data analysis using IBM SPSS: SPSS survival manual* (5th ed.). New York: Open University Press, McGraw-Hill.
- Parumasur, S. B., & Roberts-Lombard, M. (2012). *Consumer Behaviour* (2nd edition). Cape Town, South Africa: Juta and Company Ltd.
- Peter, J. P., & Olson, J. C. (2005). *Consumer Behavior and Marketing Strategy* (7th ed.).

- New York: McGraw-Hill/ Irwin.
- Petkovski, M., & Kjosevski, J. (2014). Does banking sector development promote economic growth? An empirical analysis for selected countries in central and south eastern Europe. *Economic Research-Ekonomska Istraživanja*, 27(1), 55–66.
- Petra, M. (2012). Research of the behavior of consumers in the insurance market in the Czech Republic. *Journal of Competitiveness*, 4(2), 20–37.
- Phonthanukitithaworn, C., Sellitto, C., & Fong, M. (2015). User intentions to adopt mobile payment services: A study of early adopters in Thailand. *Journal of Internet Banking and Commerce*, 20(1), 1–29.
- Pîndiche, E., & Ionita, R. (2013). The influence of micro and macro environment components on trade companies in Romania. *Journal of Knowledge Management, Economics and Information Technology*, 1(1), 327–337.
- Pour, B. S., Nazari, K., & Emami, M. (2013). The effect of marketing mix in attracting customers : Case study of Saderat Bank in Kermanshah province. *African Journal of Business Management*, 7(34), 3272–3280.
- Raleting, T., & Nel, J. (2011). Determinants of low-income non-users' attitude towards WIG mobile phone banking: Evidence from South Africa. *African Journal of Business Management*, 5(1), 212–223.
- Ramavhona, T. C., & Mokwena, S. (2016). Factors influencing internet banking adoption in South African rural areas. *South African Journal of Information Management*, 18(2), 1–8.
- Rani, P. (2014). Factors influencing consumer behaviour. *International Journal of Current Research and Academic Review*, 2(9), 52–61.
- Rengasamy, R. (2013). Financial Access to Everyone: A Review. In *Proceedings of a Conference on “Loan and Saving: The Role in Ethiopian Socio-economic Development”* (pp. 116–127), Haramaya University, Ethiopia.
- Retnowati, N. (2013). Analytical study of business environments influence to marketing strategy case study cigarette industry in east Java. *European Journal of Business and Management*, 5(26), 109–119.
- Rhine, S., & Greene, W. (2013). Factors the contribute to becoming unbanked. *Journal of Consumer Affairs*, 47(1), 27–45.
- Rilling, S. (2015). Mobile banking acceptance among young consumers in Germany: An empirical analysis. *Unpublished MSc Thesis*, Universidade Católica Portuguesa.
- Sain, M. R. M., Rahman, M. M., & Khanam, R. (2013). Financial exclusion in Australia: An exploratory case study of the Muslim community. In *3rd Malaysian Postgraduate*

- Conference* (pp. 265–280).
- Saleem, S., & Abideen, Z. U. (2012). Effective advertising and its influence on consumer buying behavior. *European Journal of Business and Management*, 3(3), 55–66.
- Saritha, P. (2011). Marketing strategies of commercial banks – A study on SBI and ING Vysya Bank in Kadapa Corporation. *Asia-Pacific Business Review*, 7(1), 120–128.
- Sarker, S., Ghosh, S. K., & Palit, M. (2015). Role of banking-sector to inclusive growth through inclusive finance in Bangladesh. *Studies in Business and Economics*, 10(2), 145–159.
- Sata, M. (2013). Factors affecting consumer buying behavior of mobile phone devices. *Mediterranean Journal of Social Sciences*, 4(12), 103–112.
- Satpathy, A., Behera, S. R., & Dugal, S. K. (2015). Macroeconomic factors affecting the NPAs in the Indian banking system: An Empirical Assessment. *The IUP Journal of Bank Management*, 14 (1), 57-74.
- Saunders, M., Lewis, P., & Thornhill, A. (2000). *Research methods for business students*. (2nd edition). Financial Times-Prentice Hall, Essex.
- Sethi, I., & Chawla, A. (2014). Influence of cultural, social and marketing factors on the buying behavior of telecom users: A comparative study of rural, semi-urban and urban areas in and around Chandigarh. *Journal of Marketing Management*, 2(1), 97–110.
- Shafi, S. I., & Madhavaiah, C. (2014). An investigation on shoppers buying behaviour towards apparel products in Bangalore city. *Pacific Business Review International*, 6(8), 63–68.
- Shaikh, M. A. (2014). Ethiopian banker's perception of electronic banking in Ethiopia – A case of Adama city. *International Journal of Scientific and Research Publications*, 4(9), 1-7.
- Shameem, B., & Gupta, S. (2012). Marketing strategies in life insurance services. *International Journal of Marketing, Financial Services & Management Research*, 1(11), 132–141.
- Shanmugam, A., Savarimuthu, M. T., & Wen, T. C. (2014). Factors affecting Malaysian behavioral intention to use mobile banking with mediating effects of attitude. *Academic Research International*, 5(2), 236–253.
- Shem, B. N. (2009). An investigation of marketing strategies adopted by Barclays bank to respond to company demand in Nairobi. *Unpublished Thesis*, University of Nairobi.
- Shuremo, G. A. (2016). Determinants of banks' profitability: Evidence from banking industry in Ethiopia. *International Journal of Economics, Commerce and Management*, 4(2), 442–463.

- Smith, M. S. (2014). The role of attitude and intentions in the adoption of banking services by Tanzanians. *Unpublished MSc Thesis*, Stellenbosch University.
- Solomon, O., Shamsuddin, A., & Wahab, E. (2013). Identifying factors that determine intention to use electronic banking: A conceptual study. *Middle-East Journal of Scientific Research*, 18(7), 1010–1022.
- Suresh, A. S., & Singh, T. (2017). A Study of changing consumer behavior for mobile banking services in India. *International Journal on Arts, Management and Humanities*, 6(2), 72–75.
- Tai, P. T., & Liu, G. S. (2015). An analysis of factors affecting the intention to use mobile payment services in Vietnam. In *Proceedings of the Second Asia-Pacific Conference on Global Business, Economics, Finance and Social Sciences* (pp. 1–21), Danang-Vietnam.
- Talafha, H., & Abu-shanab, E. (2015). Would gender, education and age influence internet banking adoption constructs in Jordan? *IADIS International Journal on WWW/Internet*, 13(2), 69–82.
- Teka, B. M. (2017). Influence of demographic factors on users adoption of electronic banking in Ethiopia. *Journal of Internet Banking and Commerce*, 22(S7), 1-17.
- Tonder, E. Van. (2003). The factors influencing buyer behaviour of single working women when purchasing financial products or services: An exploratory study. *Unpublished Thesis*, Pretoria: University of Pretoria.
- Uvaneswaran, S. M., KASSA, E. C., & HAMID, S. M. (2017). Challenges in e- banking services and its impact on profitability of public sector bank in Ethiopia. *International Journal of Marketing & Financial Management*, 5(7), 36–46.
- Vidyakala, K., Devi, S. A. S. N., & Rani, G. I. (2015). An analysis on factors affecting buying behaviour towards financial instruments with special reference to Trichy district. *International Journal of Applied Research*, 1(9), 754–757.
- Wale, E., Geta, E., & Haji, J. (2013). Determinants of microfinance service utilization in Dire Dawa administration, Ethiopia. In *Proceedings of a Conference on “Loan and Saving: The Role in Ethiopian Socio-economic Development.”*, Haramaya University, Ethiopia.
- Walker, A. (2014). Banking without banks: Exploring the disruptive effects of converging technologies that will shape the future of banking. *Journal of Securities Operations & Custody*, 7(1), 69–80.
- Wambua, S. M., & Datche, E. (2013). Innovative factors that affect financial inclusion in banking industry. (A case study of Equity Bank Mombasa county). *International*

- Journal of Sciences: Basic and Applied Research*, 12(1), 37–56.
- Wang, M. S., & Lu, S.-T. (2014). Evaluating the operational efficiency of the banking sector in Taiwan: A two-stage data envelopment analysis approach. *Journal Of Testing And Evaluation*, 42(1), 254-266.
- Worku, G. (2010). Electronic-banking in Ethiopia- practices, opportunities and challenges. *Journal of Internet Banking and Commerce*, 15(2), 1-8.
- Worku, G., Tilahun, A., & Tafa, M. A. (2016). The impact of electronic banking on customers' satisfaction in Ethiopian banking industry (The case of customers of Dashen and Wogagen banks in Gondar city). *Journal of Business & Financial Affairs*, 5(2), 1-18.
- Yadav, P. (2016). Active drivers of adoption of internet banking. *Independent Journal of Management & Production*, 7(2), 445–464.
- Yasanallah, P., & Vahid, B. (2012). Studying the status of marketing mix (7ps) in consumer cooperatives at Ilam province from members' perspectives. *American Journal of Industrial and Business Management*, 2(4), 194–199.
- Yee, B. Y., & Faziharudean, T. M. (2010). Factors affecting customer loyalty of using internet banking in Malaysia. *Journal of Electronic Banking Systems*, 2010(2010), 1–21.
- Yu, C. (2012). Factors affecting individuals to adopt mobile banking : empirical evidence from the UTAUT model. *Journal of Electronic Commerce Research*, 13(2), 104–121.
- Yu, C. Y. (2002). *Evaluating Cutoff Criteria of Model Fit Indices for Latent Variable Models with Binary and Continuous Outcomes*. Unpublished doctoral dissertation, University of California, Los Angeles.
- Zahid, S. I. (2008). Marketing of Bank Services: A comparative study on some selected private commercial banks in Dhaka City. *Journal of Business and Economics*, 3(1), 59–72.
- Zain, M. Y., Lewangka, O., & Fattah, S. (2014). The influence of religious values, social factor and service quality in individual customer decision using Murabahah financial on Islamic bank, Indonesia. *International Journal of Scientific & Technology Research*, 3(12), 211–214.
- Zaki, N., Jovanovi, A., & Stamatovi, M. (2008). External and internal factors affecting the product and business process innovation. *Economics and Organization*, 5(1), 17–29.
- Zendehdel, M., & Paim, L. H. (2015). Predicting intention of mobile internet usage in malaysia: extending the unified theory of acceptance and use of technology. *A Contemporary Business Journal*, 5(1), 81–97.

- Zikmund, W. G., Babin, B. J., Carr, J. C., & Griffin, M. (2010). *Business research methods* (8th ed.). Australia: South-Western, Cengage Learning.
- Zins, A., & Weill, L. (2016). The determinants of financial inclusion in Africa. *Journal of Advanced Research*, 6(1), 46–57.
- Zwedu, G. A. (2014). Financial inclusion, regulation and inclusive growth in Ethiopia. *ODI Working Paper 408*, London: Overseas Development Institute.

APPENDICES

Appendix A: Ethical clearance letter



01 February 2016

Mr Dinkisa Keno Wakene (214585071)
Graduate School of Business & Leadership
Westville Campus

Dear Mr Wakene,

Protocol reference number: HSS/1426/015D

Project title: Developing marketing strategies to enhance the use of banking services for the unbanked in Ethiopia

Full Approval – Expedited Approval

In response to your application dated 04 November 2015, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol have been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully,

Dr Shejuka Singh (Chair)

/ms

cc Supervisor: Dr Elias Munapo and Dr Adeyeye Patrick Olufemi
cc Academic Leader Research: Dr Muhammod Hoque
cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 280 3587/93504557 Facsimile: +27 (0) 31 260 4609 Email: xinbsp@ukzn.ac.za / svymenm@ukzn.ac.za / mchunop@ukzn.ac.za

Website: www.ukzn.ac.za



Founding Campuses: Edgewood Howard College Medical School Pietermaritzburg Westville



Appendix B: Questionnaire for bank managers

Information Sheet to Participate in Research

Date:

Dear Participants,

My name is Dinkisa Keno from University of KWAZULU-NATAL Doctor of Business Administration student with email address of 214585071@stu.ukzn.ac.za or dinkeno@yahoo.com and phone number +27 61 658 3364/ +251 910 152529.

You are being invited to consider participating in a study that involves research on “*Developing marketing strategies to enhance the use of banking services for the unbanked in Ethiopia*”. The aim and purpose of this research is to investigate marketing strategies to enhance banking services for the unbanked in Ethiopia. The study is expected to enrol a total of 155 branch managers from banks operating in three regions Amhara, Oromia and Southern Nations and Nationalities People (SNNP). It will involve responding to the questionnaire provided by the enumerator. The duration of your participation if you choose to enrol and remain in the study is expected to be not more than 15 minutes. The study is funded by the researcher.

The study may involve no risk or discomfort except for taking 15 minutes of your valuable time. We hope that the study will create indirect benefit to the households through enhancement of bank service in the Ethiopian banking sector.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number HSS/1426/015D).

In the event of any problems or concerns/questions you may contact the researcher at 214585071@stu.ukzn.ac.za or dinkeno@yahoo.com and phone number +27 61 658 3364/ +251 910 152529 or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus

Govan Mbeki Building

Private Bag X 54001

Durban

4000

KwaZulu-Natal, SOUTH AFRICA

Tel: 27 31 2604557- Fax: 27 31 2604609

Email: HSSREC@ukzn.ac.za

The participation in this research is voluntary and you may withdraw participation at any point. In the event of refusal or withdrawal of participation, you will not incur penalty or other benefit to which you are normally entitled. There is no cost that you might incur by participating in the study.

Your confidentiality of your personal information will not be traced or divulged to anyone as you are not parting this information on any of the questionnaire. Once the questionnaire is coded for analysis it will be kept in a box in a reputable document warehouse for the period required by the university.

Consent to Participate in Research

I _____ have been informed about the study entitled “*Developing marketing strategies to enhance the use of banking services for the unbanked in Ethiopia*” by Dinkisa Keno.

I understand the purpose and procedures of the study.

I have been given an opportunity to answer questions about the study and have had answers to my satisfaction.

I declare that my participation in this study is entirely voluntary and that I may withdraw at any time without affecting any of the benefits that I usually am entitled to.

If I have any further questions/concerns or queries related to the study I understand that I may contact the researcher at 214585071@stu.ukzn.ac.za or dinkeno@yahoo.com and phone number +27 61 658 3364/ +251 910 152529.

If I have any questions or concerns about my rights as a study participant, or if I am concerned about an aspect of the study or the researchers then I may contact:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus
Govan Mbeki Building
Private Bag X 54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557- Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

Additional consent, where applicable

I hereby provide consent to:

Audio-record my interview YES / NO

Signature of Participant

Date

Section A. General Information

1. Position held:_____
2. Bank you work for:_____
3. Work Experience with the bank:_____

Section B. Determinants of Marketing Mix Strategies

Please read the following statement carefully and tick (√) the number that best reflects your level of agreement on the marketing strategies of your banks' using a 5-point scale below.

1- Strongly disagree 2 - Disagree 3 - Neutral 4 - Agree 5 - Strongly agree

	Service strategies	1	2	3	4	5
1	The bank builds brand reputation by providing a distinctive service quality					
2	The bank has employees who play a crucial role in building brand reputation					
3	The bank introduces new services as a strategic tool for attracting and retaining customer					
4	The bank has a well-established plan for developing new services					
5	The bank delivers efficient and quality services for its customers					
6	All the customers come in to the bank will get services they require					
7	The bank understands customer needs in order to develop new services					
8	The bank offers a considerable range of bank service types					
	Price strategies	1	2	3	4	5
1	The bank pricing its services based on a predetermined rate of return					
2	The bank pricing its services based on what customers are willing to pay					
3	The bank pricing its services based on the prices in the marketplace					
4	The bank has different price levels according to the market segments which it serves					
5	The bank service fees, interest rates and different commissions are determined based on customers will.					
6	The bank pricing its services based on central bank regulations					
	Promotion strategies	1	2	3	4	5
1	The bank uses advertising media such as television, radio,					

	newspapers, and magazines					
2	The bank encourages its customer to use word of mouth communication to recommend its services to other customers					
3	The bank has planned education program on banking services for customers					
4	The bank uses publicity and public relations to enhance its image					
5	The bank uses direct marketing methods such as telemarketing, direct mail, the internet					
6	The banks marketing communications tools focus on sending a unified message					
7	The bank sponsors special events such as sports, charities, seminars...etc					
	Place/distribution strategies	1	2	3	4	5
1	The bank uses branches to access its services to different geographical areas					
2	The bank uses intermediaries such as brokers and agents					
3	The bank services are accessible to different customer groups in terms of location					
4	The bank uses electronic distribution channels such as mobile, ATM, and internet to deliver its services to different areas					
5	The bank uses multi-distribution channels to deliver its services to different customer groups					
6	The bank practicing market segmentation in order to assign the appropriate distribution channel to each market segment					
7	The bank has convenient opening hours for customers to get services					
	People strategies	1	2	3	4	5
1	The bank regularly collects information about customers' needs and requirements					
2	Activities of various departments are coordinated to ensure customer satisfaction					
3	The bank's employee level of training is good enough to deliver services effectively					
4	The employees of the bank have high desire to offer the service for customers					
5	The employees of the bank interactive behaviour and appearance is good enough to attract customers					
6	The interaction quality of employees and customers is high					
7	The employees of the bank are always looking at ways to create customer value in its services					
	Service delivery process strategies	1	2	3	4	5
1	The bank uses information technology in processing its work					
2	The bank has well qualified and trained people to interact with customers during service delivery process					

3	The bank customers are satisfied in the design of the service delivery process activities					
4	The bank Prepare a “flowchart” or “diagram” which describes the steps and activities required to deliver its services to customers					
5	The bank uses standard procedures in its head office and branches for delivering services to customers					
6	The customers wait in the queue not more than the standard set					
	Service Physical evidence strategies	1	2	3	4	5
1	The bank prime objective is customer satisfaction in designing its working atmosphere					
2	The bank has comfortable physical environment, furnishing, and colours for creating friendly atmosphere					
3	The bank designs its facilities and layout in order to achieve specific marketing or image objectives e.g., high service quality					
4	The bank has customer contact employees dressed in a certain way to achieve its company image e.g. using uniform colours, firm’s logo					
5	The bank has enough parking for its customers					

Section C. Macro Environmental Factors

- To what extent is your marketing strategy affected by each of the following macro environmental factors?
 - ✓ Rate on a 5-point scale where: **1 = Not at all; 2 = Little extent; 3 = Moderate extent; 4 = Great extent; 5 = Very great extent**
 - ✓ Tick accordingly in the appropriate column against each factor.

1	Political/legal environment	1	2	3	4	5
	Political stability/leadership					
	Investment incentives					
	Infrastructure provision					
	Government systems/structures					
	Current laws & regulations					
	Regulatory bodies & processes					
	Competitive regulation					
	Extent of government intervention					
2	Economic environment	1	2	3	4	5
	Interest rates & monetary policy					
	Exchange rates					
	Inflation					
	Disposable income/employment level					

	Present and predictable economic growth					
	Levels of income distribution					
	Labour supply					
	Unemployment					
3	Social-Cultural environment	1	2	3	4	5
	Demographics (age, gender, race etc)					
	Religious/ethnic /cultural factors					
	Trends, fads, lifestyles					
	Population attitudes toward bank					
	Population employment patterns					
	Education levels					
4	Technological environment	1	2	3	4	5
	New technology impacts					
	Innovations & inventions					
	Internet impact					
	Technology access & cost					
	Technology lifecycles & obsolescence					

Thank you for your participation!



Appendix C: Questionnaire for unbanked individuals

Information Sheet to Participate in Research

Date:

Dear Participants,

My name is Dinkisa Keno from University of Kwazulu-Natal, Doctor of Business Administration student with email address of 214585071@stu.ukzn.ac.za or dinkeno@yahoo.com and phone number +27 61 658 3364/ +251 910 152529.

You are being invited to consider participating in a study that involves research on “*Developing marketing strategies to enhance the use of banking services for the unbanked in Ethiopia*”. The aim and purpose of this research is to investigate marketing strategies to enhance banking services for the unbanked in Ethiopia. The study is expected to enrol a total of 384 unbanked individuals from three regions: Amhara, Oromia and Southern Nations and Nationalities People (SNNP). It will involve responding to the questionnaire provided by the enumerator. The duration of your participation if you choose to enrol and remain in the study is expected to be not more than 15 minutes. The study is funded by the researcher.

The study may involve no risk or discomfort except for taking 15 minutes of your valuable time. We hope that the study will create indirect benefit to the households through enhancement of bank service in the Ethiopian banking sector.

This study has been ethically reviewed and approved by the UKZN Humanities and Social Sciences Research Ethics Committee (approval number HSS/1426/015D).

In the event of any problems or concerns/questions you may contact the researcher at 214585071@stu.ukzn.ac.za or dinkeno@yahoo.com and phone number +27 61 658 3364/ +251 910 152529 or the UKZN Humanities & Social Sciences Research Ethics Committee, contact details as follows:

HUMANITIES & SOCIAL SCIENCES RESEARCH ETHICS ADMINISTRATION

Research Office, Westville Campus
Govan Mbeki Building
Private Bag X 54001
Durban
4000
KwaZulu-Natal, SOUTH AFRICA
Tel: 27 31 2604557- Fax: 27 31 2604609
Email: HSSREC@ukzn.ac.za

The participation in this research is voluntary and you may withdraw participation at any point. In the event of refusal or withdrawal of participation, you will not incur penalty or other benefit to which you are normally entitled. There is no cost that you might incur by participating in the study.

Your confidentiality of your personal information will not be traced or divulged to anyone as you are not parting this information on any of the questionnaire. Once the questionnaire is coded for analysis it will be kept in a box in a reputable document warehouse for the period required by the university.

Instructions for completing the questionnaire

1. The questionnaire has been divided into two sections for logical analysis and you are requested to complete ALL sections.
2. Instructions for completing the questionnaire are provided at the beginning of each section.
3. To respect confidentiality and privacy, you are not required to state your name on the questionnaire.

Section A. Demographic variables of respondents

The purpose of the following questions is to gather some basic demographic information of survey participants. Please read the following statement carefully and tick (✓) your response on space provided.

1. Age: 1) 18- 25 years 2) 26 to 35 years
3) 36 to 45 years 4) 46 to 55 years
5) Above 55 years
2. Sex: 1) Male 2) Female
3. Education 1) Illiterate 2) Primary school 3) High school
4) Diploma 5) BA/BSc Degree
6) Post graduate degree
4. Occupation 1) Teacher 2) Student 3) Businessmen
4) Employees in government office
5) Employees in non-government office 6) Farmer
7) Unemployed
5. Total monthly income: 1) Below 1000 birr 2) 1000 to 2500 birr
3) 2501 to 3500 birr 4) 3501 to 4500 birr
5) Above 4500 birr
6. Employment sector: 1) Formal sector 2) Informal sector
7. Marital status: 1) Married 2) Unmarried 3) Divorced
4) Widowed
8. Number of dependents: 1) None 2) 1-3 dependents
3) 4-6 dependents 4) More than six dependents

Section B. Bank service level of Awareness

Please read the following statement carefully and tick (√) in the box that best reflects your level of awareness on various banking services.

No.	Service	Very-well Known	Fairly Known	Known	Somewhat Known	Unknown
1	Deposits collection					
2	Granting loans					
3	Money transfer					
4	ATM Services					
5	Tax collections					
6	Pension payments					
7	Mobile banking services					
8	Internet banking services					
9	Investment advice					
10	Point of sales services					
11	Agency functions					

Section C. Reasons for being unbanked

Please read the following statement carefully and tick (√) in the box that best reflects your level of agreement on various reasons for being unbanked.

No.	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Lack identification documents					
2	Language barrier					
3	Distrust banks					
4	Financial Literacy					
5	Rejected in the past					
6	Cost is too high					
7	Lack physical access to banking					
8	Low income relative to the cost of services					
9	Cultural barriers such as religion					
10	Length of time to receive money					

No.	Items	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	from a payroll check					
11	Limited services offered					
12	Minimum required balance too high					
13	Poor time management					
14	No proper networking					
15	Lack of awareness					
16	Large number of dependents					

If any other specify:

Section D. Unbanked individual's behaviour on banking services

Please read the following statement carefully and tick (√) in the box that best reflects your level of agreement on various behaviour.

- 1. Indicate your level of agreement on the following statements about cultural factors related to bank service utilization**

No.	Items	SA	Ag	N	DA	SD
1	My religion has an influence on utilizing banking services					
2	The social class I belong affects my utilization of banking services					
3	The communities within which I lived doesn't exhibit the use of banking services					
4	The cultural style we follow has a significant impact on my bank service utilization					
5	Saving money for future life is not our culture					
6	The language used in the banking services is different from yours					
7	Suitability to my culture, belief, tradition and custom is the most important to use a bank services					

NOTE: SA = Strongly Disagree, DA = Disagree, Ag = Agree, SA = Strongly Agree, N = Neutral

2. Indicate your level of agreement on the following statements about psychological factors related to bank service utilization

No.	Items	SA	Ag	N	DA	S D
1	Using banking services will help me to develop good saving habits, self-confidence, and feeling a self-satisfaction					
2	Using banking services enables me to fulfil my financial needs					
3	I personally think I should always use banking services					
4	I am confident that if I wanted to I can use banking services on a regular basis					
5	Interaction with bank does not require much mental effort					
6	I find it easy to do with banks legal requirements					
7	It is easy for me to become skilful in the use of banking services					
8	Overall, I think the use of banking services is easy					
9	I feel uncomfortable making judgments about the riskiness of using bank services					
10	I worry about the safety of my deposits in banks					
11	The price of using banking services is cheaper					

NOTE: SA = Strongly Disagree, DA = Disagree, Ag = Agree, SA = Strongly Agree, N = Neutral

3. Indicate your level of agreement on the following statements about social factors related to bank service utilization

No.	Items	SA	Ag	N	DA	S D
1	I often ask my friends or family about a product I like before I buy					
2	Chatting with the people I know in using banking services is an important for me to deal with bank.					
3	I would like to go to just one person who can help me with my banking service needs					
4	I am unlikely to try a banking service until someone I know recommends it.					
5	Most people who are important to me think that I should use banking services					

No.	Items	SA	Ag	N	DA	SD
6	Most of the households with whom I am acquainted use banking services					
7	My workmates think that I should start using banking services					
8	Generally speaking, I do care what my parents think of using banking services					
9	Generally speaking, I do care what my close friends think of using banking services					

NOTE: SA = Strongly Disagree, DA = Disagree, Ag = Agree, SA = Strongly Agree, N = Neutral

4. Indicate your level of agreement on the following statements about personal factors related to bank service utilization

No.	Items	SA	Ag	N	DA	SD
1	My family income affects my bank service utilization decision					
2	My personal income determines my bank service utilization decision					
3	My personality and lifestyle affect my utilization of bank service					
4	My age influences my decision of bank service utilization					
5	My gender affects my utilization of bank service					
6	My education influences my decision of bank service utilization					
7	My occupation influences my decision of bank service utilization					

NOTE: SA = Strongly Disagree, DA = Disagree, Ag = Agree, SA = Strongly Agree, N = Neutral

5. Indicate your level of agreement on the following statements about intention to use bank service

No.	Items	SA	Ag	N	DA	SD
1	It is likely that I would have a bank account soon					
2	Using a bank account to manage my financial affairs is something I am considering					
3	I believe that using banking services will be more relevant in the future					
4	I still prefer to use banking services than keeping money in the house					

No.	Items	SA	Ag	N	DA	SD
5	I am interested in experiencing the benefits of using bank services					
6	I will recommend usage of bank services to my friends and relatives					

**NOTE: SA = Strongly Disagree, DA = Disagree, Ag = Agree, SA = Strongly Agree,
N = Neutral**

Thank you for your participation!

Appendix D: Language editing letter



One Stop Solution
24 Firenze Gardens
Warbler Road
Cotswold Ext
Port Elizabeth
6045
www.onestopsolution.co.za

TO WHOM IT MAY CONCERN

I, Sonja Mac Lachan, declare that I have done the language editing for the dissertation of:

Dinkisa Keno Wakene (214585071)

entitled:

Developing marketing strategies to enhance the use of banking services for the unbanked in Ethiopia

Submitted in fulfilment of the requirements for the degree of Doctor of Business Administration in the Graduate School of Business and Leadership at the University of KwaZulu-Natal.

I cannot guarantee that the changes that I have suggested have been implemented nor do I take responsibility for any other changes or additions that may have been made subsequently.

Any other queries related to the language and technical editing of this treatise may be directed to me at 076 481 8341.

Signed at Port Elizabeth on 19 December 2017

SONJA MAC LACHAN