



NEAR EAST UNIVERSITY  
GRADUATE SCHOOL OF SOCIAL SCIENCES  
DEPARTMENT OF BANKING AND FINANCE  
BANKING AND ACCOUNTING PROGRAM

**FACTORS AFFECTING CUSTOMERS' DECISION FOR TAKING  
OUT BANK LOANS: A CASE OF SULAYMANIYAH CITY  
COMMERCIAL BANKS**

NAJI FATAH

MASTER'S THESIS

NICOSIA  
2018

**FACTORS AFFECTING CUSTOMERS' DECISION FOR TAKING  
OUT BANK LOANS: A CASE OF SULAYMANIYAH CITY  
COMMERCIAL BANKS**

NAJI FATAH

NEAR EAST UNIVERSITY GRADUATE SCHOOL OF SOCIAL SCIENCES  
DEPARTMENT OF BANKING AND FINANCE  
BANKING AND ACCOUNTING PROGRAM

MASTER'S THESIS

THESIS SUPERVISOR  
ASSIST. PROF. DR. AHMET ERTUGAN

NICOSIA  
2018

## **ACCEPTANCE/APPROVAL**

We as the jury members certify the “Factors Affecting Customers’ Decision for Taking out Bank Loans: A Case of Sulaymaniyah city commercial banks” prepared by the Naji Afrasyaw Fatah defended on 14 / 11 / 2018 has been found satisfactory for the award of degree of Master.

### **JURY MEMBERS**

.....  
**Assist. Prof. Dr. Ahmet ERTUGAN** (Supervisor)  
Near East University

Faculty of Economics and Administrative Sciences / Department of Marketing

.....  
**Assoc. Prof. Dr. Aliya IŞIKSAL** (Head of Jury)  
Near East University  
Faculty of Economics and Administrative Sciences / Department of Banking and  
Accounting

.....  
**Dr. Karen HOWELLS**  
Near East University  
Faculty of Economics and Administrative Sciences/ Department of Marketing

.....  
**Prof. Dr. Mustafa SAĞSAN**  
Graduate School of Social Sciences  
Director

## DECLARATION

I am a master student at the Banking and Accounting department hereby declare that this dissertation entitled 'Factors Affecting Customers' Decision for Taking out Bank Loans' has been prepared myself under the guidance and supervision of 'Assist. Prof. Dr. Ahmet Ertugan' in partial fulfilment of the Near East University, Graduate School of Social Sciences regulations and does not to the best of my knowledge breach and Law of Copyrights and has been tested for plagiarism and a copy of the result can be found in the Thesis.

- The full extent of my Thesis can be accesible from anywhere.
- My Thesis can only be accesible from Near East University.
- My Thesis cannot be accesible for two(2) years. If I do not apply for extention at the end of this period, the full extent of my Thesis will be accesible from anywhere.

Date November 14 2018

Signature

Naji Fatah

## **DEDICATION**

I dedicate my thesis to my beloved daughter and my house butterfly  
**(Papula)**

## **ACKNOWLEDGEMENTS**

My sincere gratitude goes to Assist. Prof. **Dr. Ahmet Ertugan** for his continuous encouragement throughout my work on this thesis. I would also like to thank the Head of the Accounting and Banking Department, Professor **Dr. Aliya IŞIKSAL**, for what I learned from her during my Master's studies.

I extend my thanks and appreciation to all those who contributed with me to complete this study, without them, I would not have been able to complete my master's degree, thank their moral and material support. Special thanks to my mother and my wife.

## **ABSTRACT**

### **FACTORS AFFECTING CUSTOMERS' DECISION FOR TAKING OUT BANK LOANS: A CASE OF SULAYMANIYAH CITY COMMERCIAL BANKS**

Given the diversity of banks in the provision of services and the consequent divergence of customer preference for a bank, determining the factors influencing a customer's decision to obtain a loan from a commercial bank has become an essential asset for many banks in their efforts to attract new customers and maintain existing customers. The purpose of this study is to identify factors affecting the decision of Iraqi customers in the city of Sulaymaniyah to take a loan from commercial banks. The Statistical Package for Social Sciences (SPSS) version 23.0 was used to analyze the data collected from the survey. In order to achieve the objective of the research, the researcher selected random sample (customers from ten banks in the city of Sulaymaniyah) and we relied on the questionnaire in the collection of data, which was subject to the scales of reliability.

A number of variables (service quality, bank loan policy, and security) were examined as potential factors affecting the decision of customers to obtain a loan. The results of tests showed that service quality, bank loan policy, security, and marital status have a very positive relationship with the customer's decision to take out loans, as they are the most important predictors of taking loans, so the results of logistic regression have supported our assumptions. The study also produced several conclusions and recommendations for the benefit of the concerned parties.

**Key words:** Commercial banks, Sulaymaniyah city, Bank loans, Customer's Decision, Logistic regression.

## ÖZ

### FACTORS AFFECTING CUSTMERS' DECISION FOR TAKING OUT BANK LOANS: A CASE OF SULAYMANIYAH CITY COMMERCIAL BANKS

Hizmetlerin sağlanmasında bankaların çeşitliliği ve bir banka için müşteri tercihinin birbirinden ayrılması göz önüne alındığında, bir müşterinin ticari bir bankadan kredi alma kararını etkileyen faktörlerin belirlenmesi, yeni bankaların ilgisini çekme çabalarında birçok banka için önemli bir varlık haline gelmiştir. müşteriler ve mevcut müşterileri korumak. Bu çalışmanın amacı, Sulaymaniyah şehrinde Iraklı müşterilerin ticari bankalardan kredi alma kararını etkileyen faktörleri belirlemektir. Araştırmadan elde edilen verileri analiz etmek için Sosyal Bilimler için İstatistik Paketi (SPSS) 23.0 sürümü kullanıldı. Araştırmanın amacına ulaşmak için araştırmacı rasgele örnekleme seçti (Sulaymaniyah şehrinde on bankadan müşteriler) ve güvenilirlik ölçeklerine tabi olan veri toplanmasında ankete güvendik.

Bir dizi değişken (hizmet kalitesi, banka kredisi politikası ve güvenlik), müşterilerin kredi alma kararını etkileyen potansiyel faktörler olarak incelenmiştir. Testlerin sonuçları, hizmet kalitesi, banka kredisi politikası, güvenlik ve medeni durumun, kredinin alınmasının en önemli belirleyicileri olduğu için müşterinin krediyi alma kararı ile çok olumlu bir ilişkiye sahip olduğunu gösterdi, bu yüzden lojistik regresyonun sonuçları var. varsayımlarımızı destekledik. Çalışma ayrıca ilgili tarafların yararına çeşitli sonuçlar ve önerilerde bulunmuştur.

**Anahtar Kelimeler:** Ticari bankalar, Süleymaniye şehri, Banka kredileri, Müşterinin kararı, Lojistik regresyon.



## TABLE OF CONTENTS

ACCEPTANCE/ APPROVAL	
DECLARATION	
DEDICATION	
ACKNOWLEDGEMENTS .....	iii
ABSTRACT .....	iv
ÖZ .....	v
CONTENTS .....	vi
LIST OF TABLES .....	ix
LIST OF FIGURES .....	x
ABBREVIATIONS .....	xi
 CHAPTER 1	
RESEARCH OVERVIEW .....	1
1.1 Introduction.....	1
1.2 Research Background.....	1
1.3 Definition of banks.....	3
1.3.1 Commercial banks .....	4
1.3.2 Loan process.....	4
1.4 Overview of Banking System in Iraq.....	6
1.4.1 Commercial Bank in Sulaymaniyah.....	8
1.4.2 Services that provide by most commercial banks in Sulaymaniyah cit...9	
1.5 Problem situation .....	9
1.6 Problem Statements .....	10
1.7 Objectives of the Study .....	11
1.8 Research Question .....	11
1.9 The significance of the Study .....	12
1.10 The scope of Study .....	12
1.11 Structure of research .....	13
1.12 Conclusion .....	13

## **CHAPTER 2**

<b>LITERATURE REVIEW .....</b>	<b>14</b>
2.1 Introduction .....	14
2.2 Theoretical .....	14
2.2.1 Bank Selection Criteria .....	15
2.2.2 Banking Loans .....	16
2.3 Empirical .....	17
2.3.1 Service Quality .....	18
2.3.2 Banks loans policy .....	19
2.3.3 Security .....	20
2.3.4 Others studies .....	21
2.4 Conclusion .....	27

## **CHAPTER 3**

<b>MODEL OF RESEARCH .....</b>	<b>28</b>
3.1 Introduction .....	28
3.2 Conceptual Model .....	29
3.3 Research Hypotheses .....	32
3.4 Conclusion .....	33

## **CHAPTER 4**

<b>METHODOLOGY OF THE STUDY .....</b>	<b>34</b>
4.1 Introduction .....	34
4.2 Researches Descriptive, Quantitative and Analytical .....	35
4.3 Data Collection Methods .....	35
4.4 Questionnaire design .....	36
4.5 population and sample of the study .....	37
4.6 Validity of the measuring instrument .....	38
4.7 Processing and Analysis of Data .....	39
4.8 The concept of multiple linear regressions .....	40
4.9 Conclusion .....	41

## **CHAPTER 5**

<b>FINDINGS .....</b>	<b>42</b>
5.1 Introduction .....	42
5.2 Statistical Description of Demographic Data .....	42
5.3 Frequencies of Demographic Variables .....	43
5.4 Correlations .....	46
5.5 Multiple Linear Regressions .....	48
5. 6 Test hypothesis of the study .....	50
5.7 Measure of relative importance .....	51
5.8 Test of Normality .....	55
5.9 Conclusion .....	56

## **CHAPTER 6**

<b>CONCLUSIONS AND DISCUSSION .....</b>	<b>57</b>
6.1 Introduction .....	57
6.2 Research Question .....	57
6.3 Answers .....	58
6.4 Discussion .....	58
6.5 Limitations of the study .....	60
6.6 Recommendations and Suggestions .....	60
6.6.1 Recommendations for Future Research Trends .....	60
6.6.2 Recommendations for Banks .....	61
6.7 Conclusion .....	62

<b>REFERENCES.....</b>	<b>63</b>
------------------------	-----------

<b>APPENDIX .....</b>	<b>71</b>
-----------------------	-----------

<b>PLAGIARISM REPORT .....</b>	<b>81</b>
--------------------------------	-----------

<b>ETHICS COMMITTEE APPROVAL .....</b>	<b>82</b>
--	-----------

## LIST OF TABLES

Table 1.1: Stages of the loan cycle within the bank .....	5
Table 4.1: Measuring the degree of answers by Likert Scale .....	37
Table 4.2: Survey Response Rate .....	38
Table 4.3: List of banks covered by the search .....	38
Table 4.4: Reliability Statistics .....	39
Table 5.1: Statistical Description of Demographic Data .....	42
Table 5.2: Distribution of the research sample by Gender .....	43
Table 5.3: Distribution of the research sample by Age .....	44
Table 5.4: Distribution of the research sample by Marital Status .....	44
Table 5.5: Coefficientsa of Marital Status .....	45
Table 5.6: Distribution of the research sample by Monthly Income .....	45
Table 5.7: Distribution of the research sample by Education .....	46
Table 5.8: Distribution of the research sample by Occupation .....	46
Table 5.9: Correlations .....	47
Table 5.10: Regression Analysis using R-square .....	48
Table 5.11: Regression F-values .....	49
Table 5.12: Coefficientsa of Regression Model .....	49
Table 5.13: Summary of Hypothesis Analysis .....	50
Table 5.14: Descriptive Statistics of the independent variable (S.Q) .....	52
Table 5.15: Descriptive Statistics of the independent variable (B.L.P) .....	53
Table 5.16: Descriptive Statistics of the independent variable (Sec.) .....	54
Table 5.17: Descriptive Statistics of the dependent variable (C.D) .....	55
Table 5.18: Tests of Normality .....	55

## LIST OF FIGURES

Figure 1.1: Loan process .....	6
Figure 3.1: Model of Factors that Affect Customer Decision .....	28
Figure 5.1: Histogram of Gender .....	43
Figure 5.2: Histogram of Marital Status .....	44

## **ABBREVIATIONS**

S.Q ..... Service Quality

B.L.P..... Bank Loan Policy

Sec. .... Security

C.D ..... Customer's Decision

## **CHAPTER 1**

### **RESEARCH OVERVIEW**

#### **1.1 Introduction**

This chapter presents everything related to the problem and the research questions, as well as a summary of the financial crisis in Iraq and its negative impact on banks, so this chapter included the objectives of the research.

#### **1.2 Research Background**

The recent financial crisis in Iraq and the Kurdistan region of Iraq, in particular, has highlighted banking problems. Everyone knows that the war of ISIS and the low price of oil since 2014 created political, military and financial problems. These crises have been an impacting directly on the banking sector. This is significantly more imperative when we consider that banks and by and large the budgetary framework have lost their notoriety and validity, because of certain money related exchanges which realized the monetary emergency. Thus, the keeping money industry shows up as a standout amongst the most quickly developing areas expecting to recognize the fundamental factors that prompt support of existing customers and approaches to pull in new ones. As per Karatepea et al. (2005) and Sharma and Rao (2010), add up to consumer loyalty is precisely accomplished when bank chiefs seek and recognize precisely what clients need. The issue of "how customers select banks" has been tended to comprehensively in the writing by scientists and specialists (Anderson et al., 1976; Kaynack and Yavas 1985). Especially, the present writing has given much thought and regard for researching bank choice criteria from various portions (Yue and Tom, 1995). Customer statistic qualities and for the most part age bunch are

a standout amongst the most noteworthy elements, which have been examined in a few examinations (Almossawi, 2001). The target of the present paper is to distinguish factors for business bank advances request in a City of Sulaymaniyah populace test. The specialist plans to define a model which will help keeping money approaches decide viably future advertising techniques.

The strength of the economy is firmly identified with the soundness of its money related framework. A standout amongst the most vital members in budgetary framework is the financial system. The present current and focused budgetary environment additionally influences banks to enhance their administration quality and take after new advancements everywhere throughout the world. KRI is no exemption to these impacts and all ventures including the banking sector. Commercial banks including private and government banks are providing varied services to attract the customers' community since it is treated as assets of banks. After the fall of Saddam Hussein's regime in 2003, new Iraqi authorities allowed private and foreign commercial banks to enter and practice their business.

It can be clearly understood how the operations of privatized commercial banks are emerging. Especially after 2004 when Paul Bremer was a civilian governor of Iraq, where new laws were issued which contributed to the privatization of banks and facilitate the establishment of commercial banks.

The process of granting bank loans is always risky, and there is no risk-free loan operation, which varies in nature and severity. Lending institutions may not be able to pay the time or are unable to fully pay the process, which is the most important risk associated with the process of granting loans by the bank.

In this new pattern of globalization, banks are assuming an imperative part in keeping up a sound money related framework and financial matters for the nation. The financial matters and business condition is step by step changing and getting more focused against different banks to seek clients.

Since bank is a monetary establishment that oversees cash and aides in building up the nation financial, it is imperative for the bank to comprehend the client conduct and requests towards the bank items and administrations. This examination points on the comprehension of different determinants and



why individuals pick the banks for their items and benefits or choose which to decide for their bank of inclinations.

It can be said that since the recent global financial crisis, bank customers have become stricter and smarter when choosing a bank they can trust and can meet their banking needs. In fact, retail banks must understand these difficult realities and formulate appropriate marketing strategies to regain their confidence and provide services that can meet and exceed emerging and emerging value expectations. Unfortunately, a growing list of retail banks continues to identify the most important service features of interest to customers. This means that bank marketers must seek to understand consumer behavior for today's smart customers.

### **1.3 Definition of banks**

The word bank from the seats where the cashiers were sitting in the markets of Venice and Amsterdam, in terms of the linguistic origin of the word, is the Italian "Banco" which means a platform, and in the beginning the balcony on which the cashiers were sitting to convert the currency, Means the word table above which counting and exchange of currencies, then it means the place where the table and where it is trading in money. (Abdelhak Boutrous, Banking Systems and Financial Technologies, 2000)

Ramadan and Jouda, 1996, in their book Banks Management, define the bank as the place where the money supply meets demand. In other words, banks operate as containers where money and savings are collected to be re-lent to those who can and will benefit from their investment. This definition involves other institutions such as insurance companies and savings funds.

The banking system is formed in any society from a number of banks that vary according to their specialization and the role they play in society. The multiplicity of forms of banks is a matter of specialization and the desire to find independent financing structures to suit the needs of customers. The central banks lead the banking system of countries. Deal in the banking market various types of banks, the most important of which are commercial banks, specialized banks, and comprehensive banks.

### **1.3.1 Commercial banks**

There are many definitions of commercial banks, but we refer only to the definition of researchers; (Akram Haddad, mashhurhdhlwl, 2008) in (money and banks and an analytical and theoretical approach).

“These institutions, which provide diversified banking services to the public without discrimination, offer savers diverse opportunities to invest their savings through conventional deposits or short-term certificates of deposit, as well as offering many opportunities to borrowers through short, medium and long-term loans”.

The Marxists, including (Vladimir Lenin and Samir Amin), believe that banks in the nineteenth century under the so-called (Dependency Theory) were no longer just a middleman for money; but they kept the money for investment in industry, and cash capital was converted into industrial capital called Financial capital.

The banks grow from modest middlemen into powerful monopolies having at their command almost the whole of the money capital of all the capitalists and small businessmen and also the larger part of the means of production and sources of raw materials in any one country and in a number of countries. This transformation of numerous modest middlemen into a handful of monopolists is one of the fundamental processes in the growth of capitalism into capitalist imperialism (Lenin, 1916).

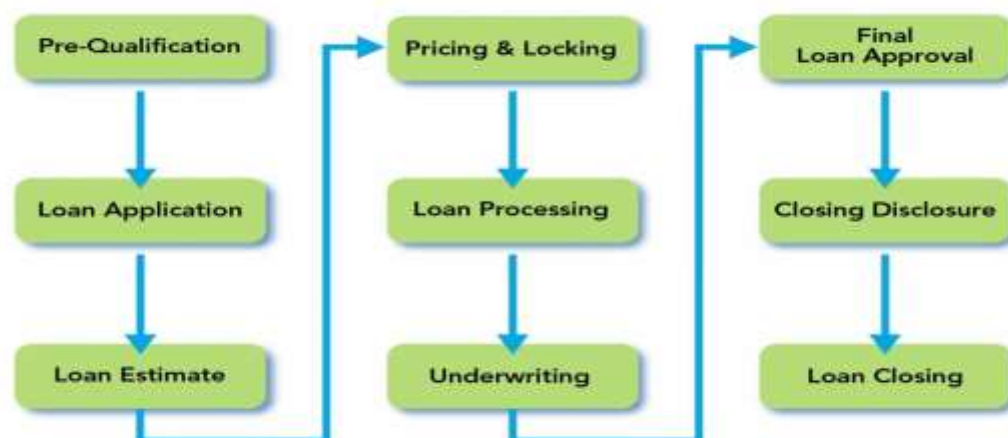
### **1.3.2 Loan process**

Bank loans come in many shapes and sizes, and determine the type of loan you need, it can be a little crushing. Bank loans for individuals and businesses to buy homes, businesses, cars, Pay College costs. Loan types include fixed rate, variable rate, and premium, guaranteed, unsecured, and convertible. The stages of the borrowing process can be summarized as shown in Table (1.1) and Figure (1.1).

**Table 1.1 Stages of the loan cycle within the bank**

1.Search for opportunities	The Bank markets the banking services to identify customers, services and types of services in a competitive market.
2.Submit loan applications	Where the customer submits the application for the loan by filling out the forms of loan applications prepared by the bank, including (customer name, nature of activity, place of residence, loan amount, etc.)
3.Sorting and initial visualization	After the applications are submitted, they are sorted and studied in a preliminary study to determine the accepted and accepted data required. The documents are required to be completed and the credit analysis and inquiry process should be initiated in light of the bank's policy.
4.Evaluation	The results of the analysis, inquiry and reporting of benefits and costs shall be established in accordance with the criteria set by the Bank's management.
5.Negotiation	To determine the interest rate, loan amount and duration, the necessary guarantees and how to withdraw and repay the loan
6.Decision-making and contracting	In the event of reaching acceptable results during the negotiation process the decision is taken by the bank and the customer to grant the loan, and is contracted without additional conditions for the previous stage, and the contract is prepared by the Department of Legal Affairs.
7.Withdraw the loan and execute the financing commitment	Where the loan is withdrawn in one installment or in installments in accordance with the trustworthy agreement of the loan contract
8.Follow-up	Where the person responsible for follow-up loan to follow the customer and make sure that the loan has been used as provided in the loan contract.
9.Refund	When the amount of the original or installments is due, the loans are collected through the cash deposit in favor of the bank.

**Source: The Institute of Finance, 2015**



**Figure 1.1 Loan process (Prepared by the researcher)**

#### **1.4 Overview of Banking System in Iraq**

Modern banking in Iraq was delayed until the end of the nineteenth century, when the first English bank was opened in Baghdad in 1890 and then the opening of foreign banks. Rafidain Bank was the first Iraqi bank established on 19-5-1941, established by Law 33 of 1941, after which a number of Iraqi banks were established alongside foreign banks. Commercial banks were merged in 1964, making the Iraqi commercial banking system a component of one commercial bank, Rafidain Bank. On 1-11-1988 Rashid Bank was established as another government commercial bank through the Rafidain Bank. The establishment of this bank did not change the reality of banking, which is dominated by the process of government and traditional banking activity. In 1991 private banks were allowed to be established, but in practice they were limited to local investment, financial intermediation and ordinary banking services. The number of government and private banks 22 banks and network branches reached 431 branches spread throughout the country, noting that each branch serves 50,000 people.

The banking sector division of Iraq is the underdeveloped or most immature keeping money framework in the Middle East North Africa. As per the measurements, over 80% of the populace does not have a financial balance (Sansar Capital, 2013).

Representing 75% of the budgetary framework, as far as resources and 77% of GDP, the Iraqi managing an account framework is ruled by the state-possessed banks (7) (IMF, 2013). The fundamental issues of this portion are

identified with low capitalization, particularly on account of Rafidain Bank and Rasheed Bank. The saving money area change, which began in 2006, has given arrangements, regarding new capital, however the execution has been moderate. The private banks are little and their exercises are here and now orientated to retail exchange and discount. The demonstrable skill of private banks is addressed by the Central Bank of Iraq authorities, with respect to their genuine potential in supporting monetary development.

The direction identified with capital necessities, which must be met by the private banks favors open banks to hoard the managing an account part. The choice has the part to secure private banks supports yet in a similar time will back off the movement. Likewise, constraining extensive banks to loan progressively and little banks to converge with other budgetary foundations is an endeavor to execute focal arranging.

Furthermore, the viability of managing account supervision is addressed and the review benchmarks are remiss. The general doubt of the managing an account framework is driven by the absence of store protection, the instance of Warka bank and the misfortunes enrolled by the two primary banks in the framework. There is a genuine requirement for straightforwardness and dependable money related media.

Other inside issues experienced by the Iraqi keeping money frameworks can be expressed as takes after:

- Holes in information accumulation on saving money exchanges in the Northern locale (Iraqi Kurdistan)
- Gathering exchanges part and activities – the lion's share investor family are utilizing bank stores for ventures of their own
- Low money related foundation related with deficiencies of aptitudes and innovation (The World Bank, 2012).

As indicated by the Iraq Banking Reform Strategy – Action Plan (2008-2012), the activities intended to enhance the general circumstance are orientated to hierarchical structure, IT foundation, chance administration and managing account supervision. Expanding the exchange between the Iraqi specialists and the managing an account framework, related with the rebuilding procedure, as far as HR, review structure, book keeping and execution is crucial for the maintainability and strength of this division.

We consider that the change towards a cutting edge saving money framework needs to change the attitudes also. The conventional method for holding money at home turns into a genuine test for the managing an account advancement. The limitations forced on government organizations, state-possessed organizations and workers, to manage private keeping money speak to a downside of development.

Notwithstanding, we really trust that the rebuilding of the managing an account arrangement of Iraq has decided positive outcomes regarding numbers, as well as in the general discernment over the part and capability of the keeping money movement on the monetary development. Numerous means in defeating the genuine issues have been made. ... Because adjustment to the interior and outer conditions is pivotal for what's to come.

The study was about measuring and analyzing borrowers' satisfaction with the services of commercial banks in Iraq. Borrower satisfaction with bank services depends on several factors. To analyze the level of borrower satisfaction, factors are analyzed, which are used as benchmarking measures in model banks. Here, some positive data were used with different factors in the questionnaire and the data was collected through a survey to determine the satisfaction with the quality of service from commercial banks in sulaymaniyah city.

**Note:** Appendix (1) show list of commercial banks operating in Iraq approved by the Central Bank of Iraq until March of 2017.

#### **1.4.1 Commercial Bank in Sulaymaniyah**

There are about 55 banks operating in our city (Sulaymaniyah). Including 33 state commercial banks, 18 private commercial banks, and 4 foreign banks. In Sulaymaniyah, some commercial banks offer some products and services to their clients (IBRD website). Banking services include online banking, credit cards, ATM services, foreign currency account, treasury service, loans and advances (term loan, car loan, education loan, housing loan, small group credit, microcredit institution, etc.). They also offer corporate banking, syndicated loans, and real-time online banking to corporate clients. Quality of service, service charges, perceived value, and customer satisfaction are key

sources of success in any service organization (Olorunniwo and Hsu, 2006). Issues affecting the quality of service and customer satisfaction have operational and marketing orientations. To understand the quality of service dimensions and to measure customer satisfaction, it is important to know what commercial banks you belong to. In this regard, it is important to classify Schmenner (1986). Schmenner has divided services by four measures based on labor intensity and interaction with customers. Labor intensity is the proportion of labor cost to the value of machinery and equipment. On the other hand, customer interaction is defined as the common metric for communicating with customers and customizing services. Under this classification, commercial banking belongs to the collective service category. In the commercial banking sector, there is high labor intensity and a decline in the allocation of services. The collective service also includes retail, wholesale, schools, and traditional long-haul trucking. Three other quarters of service are service plant (airlines, hotels, trucking, resorts, and entertainment), service shop (hospital, restaurant, cars, and services), professional services (accounting firms, audit firms, medical clinics, law firms).

#### **1.4.2 Services that provide by most commercial banks in Sulaymaniyah city**

The offered services will be for all individuals, companies, and investors. There are several services provided by commercial banks in Sulaymaniyah. By reviewing Appendix (2), we find that the banking sector is developing somewhat and can be in line with banking standards in the world.

#### **1.5 Problem situation**

Sulaymaniyah city is a Main province in the Kurdistan Region of Iraq, with a population of one million and one hundred thousand people. It has economy depends primarily on oil revenues and a small percentage of domestic revenues such as taxes, government fees. Before the recent crisis (which we talked about above) and its impact on the banking sector, has seen a boom in the number of both domestically owned and international banks, opening branches from many Iraqi and foreign banks, during 2003 to 2014. The

increase in the number of the banks has naturally escalated the competition amongst them. Where there was a high demand for banks to receive the loan service, especially granting loans for the purchase of cars and commercial loans and investment loans.

### **1.6 Problem Statements**

Financial crisis and Inflation are the prime concern driving banks to cautious investments, according to Mansur bank. With the growing concern for economic instability, banks have become more cautious to manage and invest their money, as the central bank of the Kurdistan Regional Government seized the banks' reserves to fill the government budget deficit and pay the salaries of its employees. These measures led to a shortage of bank liquidity, a lack of customer confidence in banks, and due to the economic policy of a regional government and the compulsory deduction of employees' salaries and social welfare, there was a recession in the local economy. Therefore, there was a delay in the payment of installments of interest and loans, which led to serious concerns by banks to grant loans. After two periods of boom and contraction in the bank sector, we are trying to look at the study of loan granting statistics and what factors affect customers to choose banks to receive loans.

According Holstius and Kaynak (1995) the growing competition and similarities in the services provided by banks have made it increasingly important for banks to identify the factors that determine the basis for customers to choose between financial service providers. Customer's selection criteria have become more important when choosing a bank. Many banks have made these factors a key step in their efforts to attract new potential customers and retain existing customers.

By reviewing previous research on this subject, there are many factors that influence customer choices in banking products and services. Some former researchers Christos C. Frangos, et al, 2012 analyzed the factors affecting the client's decision to obtain bank loans in Greece using the demographic factor, quality of service and B.L.P that influence decision making to borrow and satisfy the Bank's services. Their results show that S.Q is closely related to customer selection criteria for banks.



The previous researchers study the determinants affecting the customer's selection criteria. In this research, we will try to determine others factors that may affect customer's decision for selecting banking services (loan). In this study, we will attempt to find out which determinants are significantly affecting the Iraqi consumer when selecting their bank's preferences. The improvement of service quality, perceived value, and satisfaction ensure customer loyalty (Kuo et al., 2009).

Since the studies regarding service quality, bank policy, and security issues in the banking industry is limited and there are no available studies about factors that affect a decision of the customers to the taking loans, especially in Sulaymaniyah, this study efforts to propose the identify the factors that affect a decision of the customers to selecting bank.

### **1.7 Objectives of the Study**

The main purpose of the study is to identify factors that affect customers to choose commercial banks for private loans. However, the researcher identified the following specific targets:

1. Measuring the customer's satisfaction with the services of selected commercial banks in Sulaymaniyah.
2. Determine the factors that affect the decision of customers to obtain loans.

### **1.8 Research Question**

To achieve its objectives, the study was raised the following research question:

#### **1.8.1 Main Question**

What factors affect customers' decision for taking out bank loans?

#### **1.8.2 Sub-questions:**

- 1- Do Service Quality affects the customers' decision to take a loan.
- 2- Do banks' loans policy affects the customers' decision to take a loan.
- 3- Do Security Factors affect the customers' decision to take a loan.

### **1.9 The significance of the Study**

So far, there has been no research explores the factors chosen by the citizens of Sulaymaniyah banks to obtain loans from banks. The research examines the determinants of bank selection criteria for customers, as well as evaluating the relationship between the personal status of customers and the correct choice of choice.

The importance of this study can be found in two dimensions: theoretical contributions and practical effects. Theoretically, the study fills an important gap in the literature, exploring the criteria for selecting banks for potential clients in Sulaymaniyah.

Therefore, the results of this study can add to the literature and can serve as a starting point for future studies. In practice, this study can help decision makers in banks identify key factors that may determine banking choice decisions among customers. This information should help the banks manage the process in formulating appropriate marketing strategies to reach and attract customers.

In addition, undergraduate students can view this research project for their additional reference as it will provide information regarding the choice of the bank from the point of view of the client such as updating the information from time to time.

### **1.10 The scope of Study**

This study focuses only on one type of customers and thus the results do not represent the general public. As the survey conducted was only restricted to Sulaymaniyah city and participated merely some customers results may vary if research is conducted in other parts of the Kurdistan region of Iraq in addition to other customers. And further, if the study is conducted taking customers of the all types of banks the results may vary. It is limited only to customers of commercial banks in Sulaymaniyah City from different occupations such as businesspersons (merchants), employees, ET.

### **1.11 Structure of research**

The chapters of this research can be summarized as follows:

The first chapter contains the general introduction and the formulation of problem, objectives and research questions.

The second chapter includes previous studies (Literature Review) and research related to the subject of the present study.

As for the third and fourth chapters, they include model of study and methodology of research.

Regarding on the fifth chapter and the final chapter they contain the analysis of the data and its results, and everything related to the conclusions and recommendations of the researcher and discussion on the results of the research.

### **1.12 Conclusion**

This chapter contains a brief history of the banking system in Iraq as well as the functions of commercial banks in the city of Sulaymaniyah. In other parts of the chapter we explained the problem of the search and the main question. Then we focused on the research objectives, scope to our research.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter contains all previous studies on the subject of the current research, and reviews each study related to the objectives and questions raised in the current research plan. On the other hand, we discussed the variables we adopt for formulate the hypotheses of research, the factors that affect the customer's decision to choose the bank from which they borrow from.

#### **2.2 Theoretical**

There are Iraqi studies related to the subject of our research, including the paper presented by the researchers (Ahmed Hussein and others, 2011) in their research entitled (The role of private banks in financing small and medium enterprises in Iraq), which shed light on the emergence of two channels through which the financing of small and medium enterprises by Iraqi commercial banks, the first channel is through the Iraqi company for bank guarantees and the other channel is the Iraqi company to finance small and medium enterprises. Which was reflected in the increase in the volume of loans financed by commercial banks, where the total loans granted amounted to about 40 billion dinars.

In the city of Riyadh (Siddique, 2012) in his study to the conclusion that the financing of small projects by the bank helps to raise the standard of living, health and culture of a large segment of society (poor families). The

development and development of the private sector helps economic and social development and the development of markets in society.

### **2.2.1 Bank Selection Criteria**

A study supervised by (Dr. Samir Abu Zneid, 2011) associate professor of management and marketing at Hebron University, and the former governor of Hebron, to find out the reasons for the preference of customers to another bank that one of the most important factors in the selection of a bank and its preference to other government employees and employees in the companies to provide banking facilities for all segments of society, The presence of bank branches in different locations or even bank offices, appropriate working hours, as well as the presence of a calm and comfortable environment and atmosphere with a uniform commitment and uniformity of the employees, which gives a kind of comfort and confidence to the employees. In addition to providing gifts and having an effective and serious system for receiving customer complaints.

The theory of mediation and consumer behavior theory is that banks have to act as intermediaries by using depositors' money to provide products and services that meet the needs and expectations of their customers, borrowers. Customer confidence is important as banking is based on trust and integrity. In the relevant literature did not take the criteria of selection of banks used by customers in mind. However, a number of studies have revealed some important factors that the customer relies on in selecting a bank. For example, in part of their studies, according to Kamal et al. (1999) Quality of service features (eg, convenience, competitiveness, location of the service provider) are often associated with customer satisfaction.

The Bank's selection criteria refer to banking services or customer perception of the bank's direction (Janian, Kamaruddin & Hoe, 1998). Therefore, we must focus on how customers see the banks and their competitors in comparison to the different variables and features such as happiness, joy, joy and pleasure that stems from banking services and avoid arousing feelings of sadness and deception to them. Competition in the banking sectors has become fierce with the advent of technology such as ATM and e-banking via mobile banking.

We should indicate to (Mahmoud, 2017) emphasized in his paper that the most important factors that affect the attraction of customers to the bank are in short:

- Customers trust him as a result of the long history of the market, reputation and safety of the financial center, which the bank is keen to publish as a league
- The location of the bank and the geographical spread of its various branches
- The ability of employees to meet the needs of clients in a distinguished professional manner
- Speed and accuracy of transactions and the variety of products that meet all the needs of customers
- Reliance on modern technological systems and methods in executing transactions
- The internal organization of the branches of the Bank in line with the needs of work and customer satisfaction and privacy during the implementation of their transactions
- Maintain complete confidentiality of all data and transactions of customers under the laws and customs in force

### **2.2.2 Banking Loans**

The Italians had long been working on setting up stalls in the local markets from which they lend money. The interest rate on the loan was applied and the borrower was expected to repay the outstanding installments at specified intervals. Now you can see where modern banks get their ideas. In fact, the word of the bank is derived from the "banca", and the seats that sat on the moneylenders when trading.

(Belhaj and Falah, 2013) say in their research titled The Role of Commercial Banks in Financing Investment Operations:

- It is clear to us that the loans have many divisions, we find those related to the field of exploitation and most importantly those related to the field of investment and can be classified as the latter granted by the Bank according to many criteria and various measures and this according to its objective, medium-term or long-term or according to its economic function and the

nature of the subject of funding. Such classification is due in particular to the nature of the transaction, the size of the amount submitted and the nature of the risks and guarantees provided:

- Studying any loan file on the basis of a set of rules to be an approved reference for all cases of loan applications, the study of any file requires a set of analysis techniques that allow estimating the financial and economic status of the applicant.

On the one hand, the term and duration of the loan are also classified into two types:

The first type is short-term financing, in which banks offer facilities to customers and an example of overdrafts to the bank's customer (providing funds to the account holder even if he does not have enough credit to cover his account in a certain period of time), as well as examples of financing Short-term Issuance of letters of guarantee and letters of credit which are securities in which the Bank is the guarantor of the customer towards third parties in completing certain transactions.

The second type is long-term financing, usually in the form of a loan that is in a period of more than one year and may be up to five years or more depending on the type of project and its needs. In order to obtain long-term financing, you have to go through more complex procedures. The amount of the loan, the ways and means of payment and the interest rate, as well as the submission of project documents and budgets, as well as guarantees to make the bank secure on his money such as letters of guarantee and ownership of fixed assets and usually bank guarantees these guarantees in his favor. The Bank may request additional collateral to increase confidence, avoid risk and minimize possible loss in the event of default by the client, inability to pay the loan or late payment.

### **2.3 Empirical**

There are many practical and empirical studies that dealt with the subject of our research; we will refer to the majority of those previous studies according to the hypotheses and variables of our current study.

### **2.3.1 Service Quality**

The study of (Wausau and Batres, 2008) sought to identify the quality of the banking services provided by the banks in the city of Dohuk (one of the other governorates in the Kurdistan region of Iraq) from the point of view of customers, and included customers dealing with the banks Rasheed and Rafidain. The study found that there is a difference in the relative importance of customers in evaluating the services quality of banking and the need to prepare scientific programs to develop the skills and expertise of employees in order to provide the best services to customers, especially the customer relations management to know the detailed information about customers and their needs and desires. (Khairuddin, 2002) aimed to test the impact of the characteristics of the service provider on the degree of customer satisfaction and confidence, and to test the impact of the degree of customer satisfaction and confidence in the service provider on developing customer commitment. LeBlanc and Nguyen (1992) found that quality is the fulfillment of the expectations and requirements of the individual service or product provided by a particular institution or entity, and can be measured by knowing the satisfaction of individuals about the services and products provided, and is achieved by avoiding the occurrence of errors and defects and deficiencies, Ranging from quality in management to provision of different materials and resources, as well as quality in production and warehousing processes, to quality in delivering products and services to consumers. The degree friendly of staff will also have affected the result of customer choosing a bank (Sudin & Norafifah, 1992). When the fast transaction or efficient will reduce the degree of intention switching to others bank.

Quality of service is one of the basic principles that precede customer satisfaction. On the other hand, customer satisfaction influences the customer's future purchasing decision and his understanding. The quality of the banking service is a prerequisite for satisfying and retaining the customer's desire (Parasuraman et al., 1988), preserving the customer has a significant impact on the profitability of the bank. Due to the importance of banking quality as a basic competitive advantage, almost no bank is trying to develop its banking service. (Hossain & Leo, 2009). On other hand, there are



five dimensions to determining the quality of banking service (Davies et al., 1995):

- 1- Trust: It means the ability to perform the service independently and accurately.
- 2 - Response: It means the desire to help the client and the development of the service provided.
- 3- Incarnation: means the physical facilities, equipment and appearance of the employees.
- 4- Safety: It means knowledge and integrity of employees and to give confidence and safety to the client.
- 5- Empathy: means the level of care and personal attention provided to the client.

Consequently, banks need to focus on service quality as a core competitive strategy (Chaoprasert & Elsey, 2004).

### **2.3.2 Banks loans policy**

Commercial banks are the primary source of funds for the various organizations. Commercial banks specialize in short-term financing. The financial manager must undertake the necessary studies on the bank credit requirement and the banks' policies in granting credit in terms of the amount of money that can be borrowed, Interest rates vary from bank to bank.

The prices of loans and services of appropriate financial institutions serve the customer and must be sacrificed for the products or services of banks (Zeithaml, 1998). Charging fees on bank services and charging interest rates is one of the bank's functions, as well as paying interest on certain accounts, creating a broader sense of pricing for banking services (Gerrad and Cunningham, 2004). Also Keaveney (1995) found that more than half of the customers prefer the lowest rates of interest in their options when choosing the bank, which indicates that unacceptable price perceptions create an impact on the client's intention to switch. Customers usually ask for the best services at the lowest prices as well as granting facilities by banks. It compares prices, costs or benefits from banks that offer similar products and services and chooses the bank that recognizes them and provides them with the highest benefits at low cost (Aregbeyen, 2011).

In order to prevent risk, the Bank uses precautionary policies, such as financial analysis prior to decision making, as well as obtaining various guarantees to cover the risk in case it occurs (Asmaa Belhaj and Fatima Falah, 2013).

### **2.3.3 Security**

With the increasing awareness of the need to prepare and qualify employees in the institutions for security, safety and occupational health and the interest of private and private institutions, the provision of specialized administrative security support, technical consultations and coordinated participation of security information and security training for institutional staff is an important duty. Zineldin (1996) says the bank's reputation could be explained by the decision to choose the bank. Customers take the bank's reputation into account before making the decision to borrow, because customers are concerned about whether the bank's security is stable or not. The bank will have the most guarantee of advantage against an unsecured bank.

The concept of trust and security is a key element in creating long-term relationships with customers, especially by keeping customer information confidential and committed to delivering the best over time. The concept of trust is generally formed between the organization and its customers through (1) efficiency and competence in service delivery; (2) interest in both the interest of the client and the company's interest, reflecting the company's social side of the market (Singh & Sirdeshmukh, 2000). In addition, Chu (2009) believes that trust is a human trait based on a person's assessment of the characteristics of others, primarily their motivations and behavior. Confidence varies from one person to another according to the values and standards that each person holds in his mind. Lewis and Surley have defined the concept of trust as a sense of security, which is based primarily on the feeling of one party that the behavior of the other is manifestly in the service of its own interests.

#### **2.3.4 Others studies**

The study by (Al Nabulsi & Al Shaar, 2015) found that there is a positive effect on the behavior of bank employees in the confidence of the customers. There is a positive impression of the bank from the point of view of the customers. With them: (the method of service delivery and confidentiality in dealing, transparency and speed of delivery).

Several studies, from Greece, have attempted to identify the most important factors influencing customers' decision when choosing banking products such as loans. (Christos C. Frangos, et al, 2012) The results indicate that the following factors determine the demand for bank loans:

First: interest rates, as low interest rate reduce the cost of the loan and thus increase the demand for bank loans.

Second: The borrower's living situation plays an important role and is linked to the country's GDP and the economic situation. This suggests that in times of crisis, as in Greece and some countries in the Middle East, it is normal for loan demand to be low and for a bank to accept the client's application for a small loan.

Thirdly, it seems that S.Q factors have a significant impact on the decision to obtain a loan. This result is consistent with the classical theory of Parasuraman et al. (1988), who point to the importance of quality of service in developing customer loyalty through their satisfaction. Social factors also play an important role in obtaining a bank loan. However, the bank is an institution that must adhere to some ethical principles, one of which is respect and relaxation - whenever possible - of interest rates on lending and redistribution of wealth more in favor of its customers.

In his research (Factors influencing the customer to choose banks in the Kingdom of Saudi Arabia), 2015, Dr. Saleh concluded that the main reasons for choosing customers for the first time is the bank's location and proximity to its customers, where it facilitates customers access to the bank as one of the most important means of providing convenience to customers, followed by the size of the bank and its place in people's minds. This is why the bank has a great impact on customer choice, followed by multiple services and its ability to provide optimal customer satisfaction. This study concluded that

Saudi banks need to adopt clear policies to divide customer markets according to demographic fundamentals for family accounts. And one of the most important factors required by the client from the bank that deals with him is that the employees of the bank are respected, in addition to the ease of procedures.

In a survey of banks in Dubai in 2014, KHaitbaeva et al. found that for banks to achieve lasting success in a marketing environment, the expectation of customer standards is more than ever necessary. Competing and winning the global market today requires the ability of companies to identify and understand customers and learn how to formulate and implement market strategies to attract and retain them. Indeed, banks that benefit from the most important selection characteristics and marketing strategies will gain competitive advantage and develop portfolio share (Boyd et al., 1994).

S. M. Akterujjaman pointed out. In his research on (Factors Affecting Borrowers Satisfaction), the banking sector plays a unique role in Bangladesh's economy. Measuring the satisfaction of borrowers is the task of the banking sector, although it is a complex task. In the context of competitive banking and its impact on the economy, customer perceptions have become more favored in the banking sector (Akterujjaman, 2016). It is noted from the descriptive and empirical analysis that in the case of service delivery, some private commercial banks achieve some success and also lack some services and supplies.

Either in the case of studying the city of Rajshahi Bangladesh, The results reveal that the most important factors influencing clients to choose a private commercial bank from which they borrow are services to customers, efficiency, speed and quality of services; reputation and image of the bank and online banking.

In a case study: the Algerian National Bank Agency Ouargla. The researchers confirmed in their thesis (Nawal & Safa, 2012, the role of quality banking services in achieving customer satisfaction) on a positive relationship between customer satisfaction and the quality of services

provided. The higher the quality of the services offered, the greater the customer satisfaction and vice versa.

Customer satisfaction is highlighted by the customer's return decision to deal with the service provider, thereby re-purchasing and creating loyalty to the customer. Customer satisfaction is the opposite of the level of services provided, which helps the service provider to develop and improve these services.

The results of the study showed that there is a reflection of the quality of services on the satisfaction of customers by the contribution of quality of services in achieving customer satisfaction through attention to all indicators quality of service.

Because of our area of research in Iraq, that was affected by the war of the Islamic state in Iraq and Syria, as well as the financial crisis created by the decline in oil prices. We take the results reached by researcher Hassan Dabbas in consideration and we present here the results of this study, which summarized the position of Syrian banks towards customers in 2014. According to Dabbas in (The influential factors in credit decision making in working banks in Syria):

Most of the funds and facilities in all private banks have stopped with the onset of the Syrian crisis, with the exception of the renewable facilities that were granted before the crisis. The renewal decision depends on the factors and conditions mentioned previously, whether financial or those related to the client himself, the circumstances surrounding him and the sector in which he works, with increased certainty and confirmation, with reference to the following matters:

- 1- Property or financial guarantees up to 200% of the value of the facility are requested to reduce risk in the event of a crisis.
- 2- The customer's location and the impact of the violence and lack of security and the logistics of this customer.
- 3- The impact of the devaluation of the Syrian Pound against the global currencies as well as the decline in the purchasing value of the consumer.

In the last two years we see that the credit process was almost paralyzed in the last two years due to the crisis and the financing was limited to its

minimum size. This led to a significant decline in banking activity. Most of the banks' operations were limited to simple and conventional banking services without financing. It should be noted that this is a negative behavior for the banks that withdrew early from the credit market and the impact on the conversion processes. We do not demand that private banks continue to grant credit as before the crisis, but continue to finance the activities. Even though they may have to ask for more guarantees because they have a social duty to the Syrian society or any society in which they are present.

Uddin and Akhter, 2012, they refer to: "It should be noted that the measurement model and the structural model on service quality and fair service fees have a direct positive impact on customer satisfaction in the banking industry. It was also noted that they also have an indirect impact on customer satisfaction through value perception, perceived value, the role of mediation between quality and the reasonableness of fees and benefits. Bank managers are recommended to formulate processes and marketing strategies that focus on customer facilities and desires to enhance their level of satisfaction".

In the study by (Komwut and Nopadon, 2014), their study gives a greater understanding of the factors that are important to development of an effective online banking system and meets customer needs and expectations. This will in turn result in customer satisfaction and loyalty.

Acharya et al. (2008) assessed the interaction that exists between bank performance and the use of community banking applications. The results provide strong evidence of the existence of a positive relationship between bank performance and the usage of banking applications. Recommendations were made that bank customers tend to favor mobile banking applications as they allow them to conduct banking transactions at their own convenience. Thus bank profitability begins to increase as more and more customers use these applications and banks will be earning revenue from charges levied on these services.

Sullivan (2000) conducted a study with an emphasis to support contrasting ideas which have showed that the adoption of internet banking does not necessarily lead to improved performance. The study argues that internet

banking is associated with huge risk as bank customers are exposed to risks of fraud and losing their money. Thus the extent to which banks benefit profitability wise is assumed to be determined by the customers' response to internet banking usage.

GAN THAI WEE et al. (2015), their research results showed that convenience, S.Q, Sec. and technology have significant positive relationship with bank selection, In this study, it was shown that the five independent variables which are convenience, S.Q, price of products and services, Sec. and technology have significant relationship with the dependent variable which is bank selection criteria by customers in Malaysia, Perak.

Bejou et al. (1998) discuss the importance of the role of trust, ethics and knowledge that will affect customer satisfaction in financial services. Plummer et al. (1998) examined the relationship between banking image, quality of service, satisfaction and loyalty towards banks. The study claims that reliability and market positioning are important drivers of retail banks' loyalty.

According to Almosawi (2001), "In order to plan an appropriate marketing strategy to attract new customers, commercial banks need to define the intent and criteria of customers that influence their decision to choose and borrow from the bank." Retail banks in the UAE can benefit from the marketing strategies required to target and serve customers. And those C-suit bank marketers must take into account the characteristics and preferences of consumers when formulating marketing strategies that meet their perceived value requirements. Moreover, because of the volatile market landscape, banks should look to "Getting information related to the intention of customers". Nursing factors towards a specific financial institution" (Haron et al., 1994). Haron et al. (1994) attest that "The success and victory of Commercial bank depends on the ability of banks to understand customer needs and find effective ways to meet these needs".

Today's competitive financial conditions have led banks and financial institutions to improve the quality of their services and adopt new ways and techniques. Where the issue of selecting banks attracts great interest in the

marketing literature of the bank, by researchers like (Anderson et al. 1976; Kaynak and Yavas 1985; Ross 1989; Rao, 2010) as cited in Aregbeyen, (2011).

It has been said that understanding banks' selection criteria by customers is beneficial for banks in identifying appropriate marketing strategies required to attract new customers and maintain existing customers who deal with bank (Kaynak and Kucukemiroglu, 1992) in fact, the increasing competitiveness of the banking industry (Grady and Spencer, 1990) and the similarity of services provided by banks (Holstius and Kaynak, 1995) have made it increasingly important for banks to identify the factors that determine the basis for clients among financial service providers.

Results of the applied study of (Bin Shanab, 2008), about (Criteria for granting bank loans) show out that, The environment in which banks operate is very risky and advises banks to take caution when undertaking lending in order to ensure those savers' deposits and the integrity of the banking system are in place. The absence of courts in their turn and the absence of specialized courts in resolving commercial disputes have led to an increase in the value of doubtful debts and bad debts. The process of granting bank credit and credit decision making depends on many considerations.

The results of the researchers (Chu, 2009; Aydin & Özer, 2005) on the variable (customer confidence in the bank) found that Customers depend on banks in the following cases:

- When the interest of customers is preferable to the interest of the bank.
- The system of preparing accounts in the bank is trustworthy.
- Bank policies and practices are trustworthy.
- The process of providing the service in the bank is safe.

In terms of dimensioning and measuring the value of customer perception, a group of researchers (Peng and Wang 2006; Chiou 2004; Hellier et al. 2003), found that there are other factors that influence the customer's decision to choose or continue with the banks:

- Efficiency in service delivery.
- Use advanced technology in service delivery.



- Follow-up changes in the needs and desires of customers.
- The degree of flexibility of the bank's policy.
- Spread of branches and ATMs.
- Price justice.
- Extended working hours for customer service.

The most prominent results reached by the researchers (David Cohen, et al, (2007), "Customer Retention by Banks in New Zealand"), a statistically significant relationship between both customer satisfaction, customer decision to proceed with the same bank, a statistically significant relationship between the bank's mental image, future procurement intentions, a statistically significant relationship between shift impediments, Customer loyalty, as the study showed that both age and educational level of customers plays a significant role in influencing customer intentions.

After reviewing previous studies, three conclusions can be drawn:

- (A) The criteria for choosing a bank vary among countries and cultures.
- (B) Bank selection criteria are: pricing, quality of service, friendly and efficient staff, and convenience from the bank's website and the ATM site.
- (C) There is a bright future for online banking provided that the standards of trust, security and reliability are met.

## **2.4 Conclusion**

We conclude from this chapter that the subject of bank loans is one of the most important activities of the banking system. This chapter dealt with all studies related to borrowing from banks and how banks deal with their customers. We conclude from the previous literature that there are common points for developing countries or countries experiencing economic crises. We also note that most studies have reached almost the same results, that is, there are common factors among customers that affect the decision of the customer to choose the bank and borrow from it.

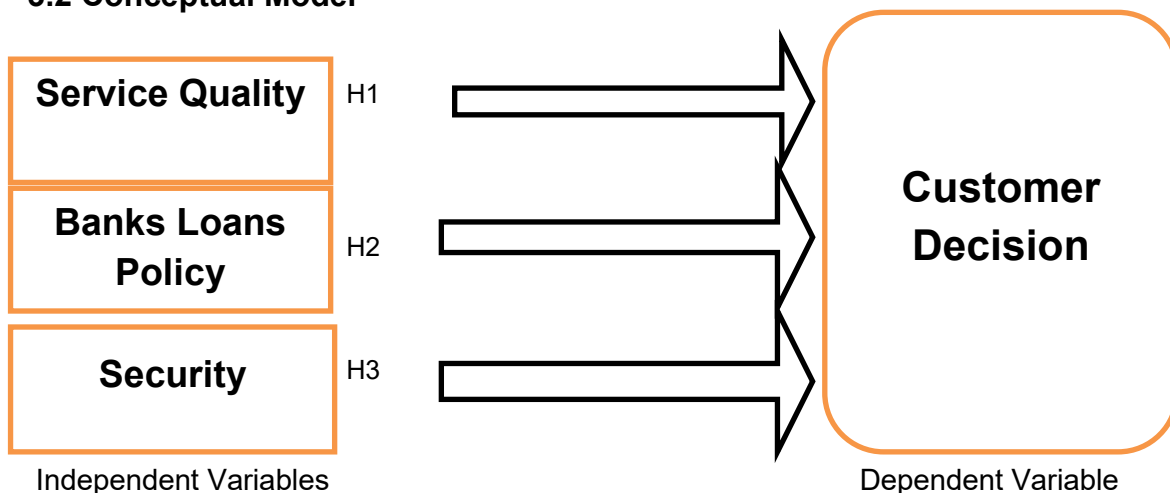
## CHAPTER 3

### MODEL OF RESEARCH

#### 3.1 Introduction

This chapter includes everything related to the research model and the study variables. After we talked in the first chapter about the problem of the study and the main question of this research, we are here to formulate hypotheses research, so we reach the objectives of research to show the impact of the factors mentioned in the Conceptual Model on the decision of the customer to borrow from commercial banks.

#### 3.2 Conceptual Model



**Figure 3.1 Model of Factors that Affect Customer Decision**

**(Developed by Researcher)**

The model in Figure (3.1) above represents three independent variables, which positively affect the concept of Customer Decision. The following is a brief explanation of all study variables:

### **First: Service quality**

It has been confirmed that quality of service is crucial to the success of any business in recent times (Parasuraman et al., 1988), and the banking industry in this case is not exceptional (Hossain & Leo, 2009). The two researchers (Nawal & Safa, 2012, the role of quality banking services in achieving customer satisfaction) then clarified definitions of quality, where customers receive two types of banking service quality:

A- Technical Quality: This is the manner in which the banking service is performed by the Bank's staff and is subject to the specific specifications of the banking service provided.

B- Functional quality: that is reflected in the attitudes and behavior of employees and their interest in their external appearance, which are usually evaluated during the service.

Found that there are positive relationship among indicator of quality of services and total satisfaction. Mishkin (2001) said that the satisfaction of customer and quality of services are related to the bank sector (Angure et al. 1999). The Customer satisfaction in banking services: A service provider provides a set of benefits to the service consumer. The financial problems of the customer are solved by the banks initiatives of its financial services. The difference between goods and services is based on tangibility, services are intangible for example they cannot be touched, seen or stored. They are also short-lived because we cannot keep them; they are indivisible because they are fixed with a service provider, and lack strength and solidity as a result of diversification (Parasuraman et al. 1985; Hoffman and Bateson, 2002).

Financial liberalization and deregulation has increased the competition among banks to attract potential customers. Competitive banks try to provide superior services to keep satisfied customers. Customer satisfaction is a set

of feelings or outcome attached with customer's experience towards any product/service (Solomon, 1996). most important aspect of services sector and the affect increasing with time. Generally, the diversification of unified banking industry needs to go through a lot of policy and technical changes. (Avkiran, 1994) said that correlation among quality of services and customer satisfaction is discovered by a various investigator in the world.

## **Second: Banks loans policy**

Lending policy is defined as the rules, procedures and measures related to the size and specification of loans as well as the terms and conditions for their granting, follow-up and collection. This policy must be flexible (Hassani, & Bokthir, 2018). Commercial bank, like other organizations, has special objectives to pursue and a lending policy that sets out the direction and manner of using the bank's funds obtained from depositors, thus making it clear that this policy has an impact on decision making.

According (Garda, 2010) the bank loan policy consists of several components, including:

- 1- Determine the total size of the loan: Means the total amount of loans that the Bank may grant to its customers as a whole or to one customer. Banks generally comply with the rules and regulations set by the Central Bank. The size of the Bank's resources must also be taken into account.
- 2- Identification of loan composition: Diversification of investment and risk allocation is one of the methods used by Commercial bank to reduce potential risks. In this regard, the official responsible for the development of the lending policy is to diversify the loan portfolio that will be provided by the bank.
- 3- Determining the guarantees accepted by the bank: The bank determines the guarantees that can be accepted, bearing in mind that the value of the collateral is greater than the value of the loan (the difference is called the margin) and the collateral takes into consideration several other considerations such as the existence of a market for the collateral.

4- Interest rate: The credit policy of commercial banks should specifically include interest rates on loans granted and include the costs incurred by all types of loans.

5- Identifying the type and nature of risks: This step is of utmost importance because the lending decision is risky as risk is the basis for estimating interest rates on loans. These rates are expected to vary with the size of risk to the Bank. In terms of the risks associated with lower interest rates and their impact on short-term loans, the Bank may be forced to reinvest the proceeds of these loans in other short-term loans, which bear a lower interest rate than in the previous one.

6- Follow-up of loans: In this framework, the lending policy determines the procedures to be followed in following up the loans that have been submitted to detect any possible payment difficulties, in order to take appropriate action in a timely manner. The policy may specify the permissible delay days for accepting installments and cases to be met with the late client, as well as the cases in which certain actions should be taken to ensure collection of the bank's receivables or the larger part thereof.

### **Third: Security**

Security in banks can be defined as a sense of safety from the risk of economic conditions. There are some common things that customers will consider when selecting a bank such as bank reputation, transaction security and financial performance whether they are stable or not. According to the Zineldin study (1996), important factors can be explained by the decision to choose a customer for the bank and borrow from them is the reputation of the bank. Bank customers will take into account the bank's reputation before making the default decision because customers are concerned about the favorable risks of financial crises. The bank will have the most guarantees against an unsecured bank.

When a customer feels strongly about the bank, one of the keys is to build a trusting relationship with customers. Some researchers stress that trust is very important in the relationship between the two parties (Sharma, 2003).

When the bank is secured, trust and confidence will be gained from customers. Other than that, the customer is promoted and promoted by the bank through satisfaction and positive relationship with the bank and spread interest towards others. When there is a good image and comments from the public, they will improve the decision and trust that the client will choose a reputable bank.

#### **Forth: Customer decision**

(Kotler, 1997) showed the stages of decision making by customers:

- 1- Decision of the need: The demand for service begins when the consumer feels that he needs those needs and wants to satisfy them whether they are a basic need or need. Goods and services are one of the main means used to meet consumer expectations.
- 2- Gather information about alternatives: When a consumer feels that he needs a product or service, he searches and collects information about the service. The consumer has a range of sources to obtain information, including friends, family, co-workers, personal experience and the nature of the information the consumer needs about service quality, Location, characteristics, price, and payment method. There is a difference between consumers about the period of time the consumer spends searching for information.
- 3- Evaluation of alternatives.
- 4- Make decision.
- 5- Post-purchase evaluation.

### **3.3 Research Hypotheses**

Until now, there hasn't been a study exploring the factors Sulaymaniyah citizens choose banks to take loans from commercial banks. Based on the literature review presented formerly, the researcher considers the following hypotheses, for achieving the objectives of a research:

H1: Service Quality affects the customers' decision to take a loan.

H2: The banks' loans policy affects the customers' decision to take a loan.

H3: Security Factors affect the customers' decision to take a loan.

### **3.4 Conclusion**

The summary of this chapter and its conclusion are three main axes, the first is the conceptual framework of the research and how the independent variables affect the dependent variable. The second axis is a brief explanation of all variables. The third axis refers to how to formulate hypotheses.

## CHAPTER 4

### METHODOLOGY OF STUDY

#### 4.1 Introduction

This chapter shows the steps that were taken during the empirical investigations of this study, and includes the elements and guidelines for research. When we talk about customers we must refer to the type of customers where there are two types of bank customers, of whom deposit money and precious metals in banks are called depositors, and some of them borrow from banks and called borrowers. In this study we mean customers borrowers.

The study is based on a descriptive approach that is based on describing the characteristics of a particular phenomenon and collecting information about it without bias. It is done through a case study or a comprehensive survey. This is in line with the analytical descriptive approach that aims at providing data and facts about the problem studied, (Al-Farra and Makdad, 2004). The nature of the study is an applied analytical study to determine the factors affecting the decision of customers to take loans from commercial banks.

**Analytical Descriptive Methodology:** This method is to describe a phenomenon to reach the causes of this phenomenon and the factors that control it, and to draw conclusions for its generalization. The descriptive approach includes more than one method: the method of surveying and the method of case study. These methods need the expertise and effort of the researcher and the results obtained should be interpreted carefully. (Al-Jinan University /Development Affairs. 2015).



## **4.2 Researches Descriptive, Quantitative and Analytical**

The researcher cannot make his or her study purely descriptive or analytical, because descriptive research is also analytical research. Conversely, analytical writings include descriptive writings such as facts and information, as well as an important element of reorganization (this is the analytic aspect). What is meant here is that in analytical writing you are not only given information but also reorganized into categories, groups, patterns or relationships, and you analyze your data and facts. To determine the differences between descriptive and analytical, it is possible to say that descriptive studies generate hypotheses and answer the questions of what, where, when, and characteristics of where, when, and in relation to what. Analytical studies test hypotheses and answer both questions. Quantitative research is to determine the relationship between independent and dependent variables. From the point of view of marketing, it is the collection of quantifiable data or information that can be traced over time. According to Wu and Little (2011), quantitative research can be divided into three parts consisting of design, measurement and analysis issues.

The researcher must select the hypotheses that are defined from the beginning of the research, and then begin the data collection and order, and then analyze the data collected by statistical analysis, in order to reach the desired results.

## **4.3 Data Collection Methods**

We collected data by using primary sources, which sources that lead us to direct data to achieve the research objective. As Zikmund (2003) puts it, the primary data is the original data or the information the researcher collects for the project in his hand, where data or information is collected through the interview, survey and observation rather than the collection of data already available on the banks and corporate websites.

The study was based on the questionnaire as an instrument for collecting data on study variables. It was designed and developed for the purposes of this study in order to measure and explore their views on the factors affecting

them to take loans from commercial banks from their point of view and answer our questions.

#### **4.4 Questionnaire design**

The research includes a questionnaire form, which we have quoted from several studies, including: (The study of Gan Thai Wee and others in 2015), (Christos C. Frangos, et al, 2012).

The questionnaire consists of two main sections:

Section I- Personal information: This section is intended to identify some of the personal and demographic information of respondents. This section included six main questions about sex, age, marital status, monthly income, educational level and Occupation.

The second section is information related to the study variables. This section is divided into the following sections:

Part 1: Includes 6 questions that reflect customer opinions about Service quality.

Part 2: Includes 7 questions that reflect customer opinions about Banks loans policy.

Part 3: Includes 5 questions that reflect customer opinions about Security.

Part 4: Includes 3 questions that reflect Customer Decision.

**Note:** Appendix 2 show list of questionnaires details.

The questionnaire was designed on the basis of the Likert Scale with respect to the terms and variables of the study, because it is the appropriate measure of the measurement of perception and trends and views and given the use in previous studies in this area and ask customers to give their degree of approval for each of the terms on the scale. This takes the following form:

**Table 4.1 Measuring the degree of answers by Likert Scale**

Term	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Arrangement	1	2	3	4	5

(prepared by the researcher)

#### 4.5 Population and sample of the study

The study population is comprised of customers who deal with commercial banks in Sulaymaniyah. A random sample of 120 commercial bank customers who borrowed from commercial banks in Sulaymaniyah was selected, and began distributing questionnaires from 2 September 2018 to 20 of the same month. The target population is a group of people who will complete the questionnaire on research (Lohr, 2009). There are many methods in determining sample size, including relying on the opinion of experts and statisticians and their previous experiences or quantifying the sample by following some probabilistic rules. (Emory and Cooper, 1991) noted that the sample, estimated at 5% or more of the community, is suitable for the probabilistic sample.

The researcher distributed 120 questionnaires to customers in 12 commercial banks in the city of Sulaymaniyah, one of the governorates of the Kurdistan region of Iraq and returned 114 questionnaires and all returned surveys were valid for input and analysis except for two questionnaires were not valid because of the lack of some answers or answer more than one option in others, Thus, the number of recovered and valid questionnaires is 112, and the proportion of returned and analyzed questionnaires to the total distributed questionnaires is 93% (112 out of 120), a high proportion of scientific reliability and can be relied upon.

**Table 4.2 Survey Response Rate**

	Numbers	Percent
Total distributed questionnaires	120	100%
Total returned	114	95%
Total un-coded samples	2	2%
Total coded samples	112	93%

The following is a list of the commercial banks we visited during the survey to take the opinions of customers who review the bank or the customers of the banks we met outside the banks according to personal knowledge and inquire about them.

**Table 4.3 List of banks covered by the search**

1.	Mansour Bank for investment
2.	ASHUR international Bank for investment
3.	Iraqi middle east Bank of investment
4.	Byblos Bank
5.	Beirut bank Arabic Center
6.	Commercial Bank of Iraq
7.	Bank Audi
8.	Kurdistan International Bank
9.	International Development Bank
10.	Erbil Bank for investment and finance

#### **4.6 Validity of the measuring instrument**

On the supervisor's advice, the researcher distributed a number of questionnaires in initial form to 5 customers (randomly selected) from the study population to ascertain the first truth of the study, which is known as the exploratory study (Pilot Test), in order to reveal its ability to achieve the desired objectives, and to ensure the clarity and soundness of the wording of the paragraphs and the possibility of measurement. The researcher carried out the following tests to ascertain the validity of the research tool (the questionnaire), which the validity of the measurement content, and that the results to be reached would be the same if the study was re-applied to the same sample of customers.

1. Authentic honesty: This is known as the truth of the arbitrators, and to verify the veracity of the research tool presented by the researcher to the supervisor. In addition, we sent the questionnaire to the Ethics Committee of the Near East University for official approval, was taken followed by pilot tests to ensure the validity of the measuring instrument. We also consulted with a number of academics and specialists in the field of banking, as well as specialists in the fields of statistics and scientific research. After completing the pilot test, the researcher made some adjustments and corrections to the questions suggested by the respondents in order to improve the respondents' understanding of all questions.
2. Reliability test: To measure the stability of the study tool (questionnaire), the researcher used the (Alpha Cronbach) coefficient to ascertain the stability of the study instrument. The equation was applied to the whole society to measure the structural honesty. The constant measure is that the correlation between the first use and the second time is high, which more than (0.770), the following table shows this. Access to ( $\text{Alpha} \geq 0.60$ ) in the applied aspects of administrative and human sciences in general is acceptable (Sekaran, 1992).

**Table 4.4 Reliability Statistics**

Cronbach's Alpha	N of Items
.770	25

**(Result from output of SPSS)**

#### **4.7 Processing and Analysis of Data**

After receiving the responses of the sample, the data was coded and entered using the computer. The data were then processed statistically using the statistical package for social sciences (SPSS) version 23.0, in order to achieve the research objectives. It was carried out as follows:

- 1- Frequency and percentages to determine the characteristics of the study sample in light of their demographic characteristics and all related to the study.
- 2- For assuming the characteristics of data, demographic analysis, descriptive analysis and interpretations were drawn by calculated mean and standard deviation (SD), to provide a comprehensive description of the sample data in terms of agreement degree characteristics.
- 3- Measure the Alpha Cronbach coefficient to determine the coefficient of persistence of the questionnaire list.
- 4- Methods of regression analysis and correlation to demonstrate a correlation between independent variables and dependent variable.

#### **4.8 The concept of multiple linear regressions:**

Linear regression analysis is one of the most important research tools used in various fields. It aims to study the interrelationship between an affected variable or a dependent variable and more than one independent variable, by tools of a mathematical equation called the multiple linear regression models:

Multiple Regression:  $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_nX_n + u$

Where:

Y = the variable that you are trying to predict (dependent variable -Customer Decision)

X1 = the variable that you are using to predict Y (independent variable - Service Quality)

X2 = the variable that you are using to predict Y (independent variable – Security)

X3 = the variable that you are using to predict Y (independent variable - Banks Loans Policy)

a = the intercept or constant term

b = the slope or partial regression coefficient of variables

u = the regression residual

#### **4.9 Conclusion**

The most important thing in this chapter is the definition of the study tool, which is the list of the questionnaire. In this chapter, we also referred to the population and the sample of the research and how to distribute the questionnaires to the customers of the commercial banks in the city of Sulaymaniyah. We explained the methodology of the research and how to measure the variables to reach the results of hypotheses that formulated. As for the reliability test of the questions of a questionnaire, it was high (Reliability Statistics 0.770).

## CHAPTER 5

### FINDINGS

#### 5.1 Introduction

The key purpose of the study is to identify the factors that influence customers to select commercial banks for receiving loans. In order to achieve this objective, we have presented a detailed analysis of the results of the field study conducted with the customers of banks. This chapter includes statistical descriptive of the variables related to the personal data of the customers and the test of the correlation between the independent variables among them and measuring the correlation of independent variables with the dependent variable. We also measured the effect of independent variables on the dependent variable using the regression model test. Finally, we explained the relative importance of each paragraph of the questionnaire to customers' answers.

#### 5.2 Statistical Description of Demographic Data

**Table 5.1 Frequencies of Statistical Description of Demographic Data**

	Gender	Age	Marital Status	Monthly Income	Education	Occupation
N Valid	112	112	112	112	112	112
Missing	0	0	0	0	0	0
Mean	1.40	1.68	1.71	2.35	1.79	1.93
Median	1.00	2.00	2.00	2.00	2.00	2.00
Std. Deviation	.492	.713	.458	.694	.784	.667
Minimum	1	1	1	1	1	1
Maximum	2	3	2	4	4	3

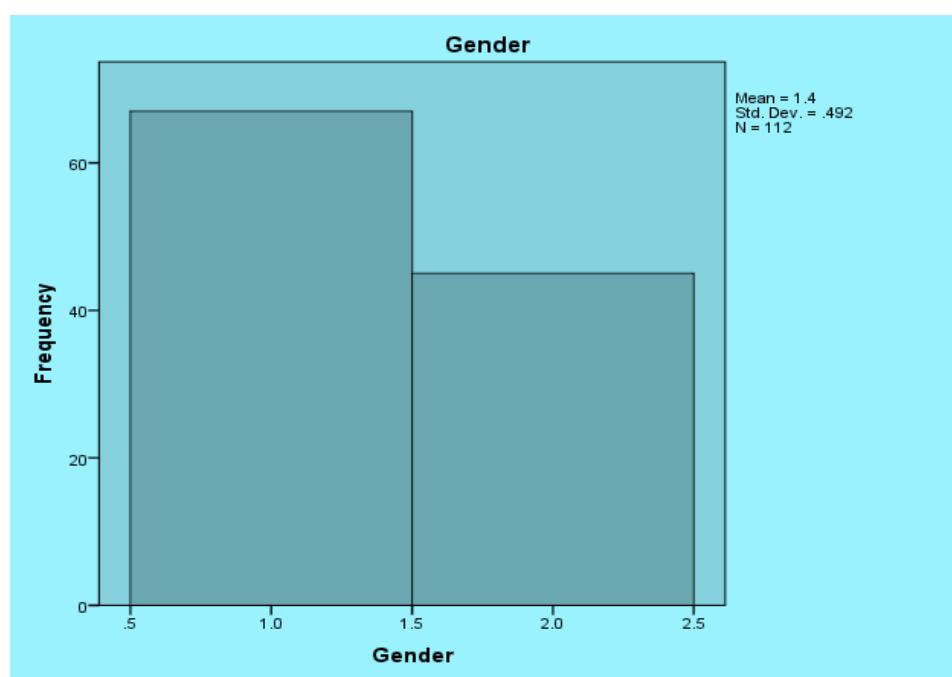


### 5-3 Frequencies of Demographic Variables

- 1- The below table and figure show that the percentage of males is higher than the percentage of females in the sample of the study, where the proportion of males 59.8 % and the proportion of females 40.2 %, and can be explained by the restrictions imposed on women due to the customs and traditions of society. In other words, the majority of people who borrow from commercial banks to do business and invest money in projects are men.

**Table 5.2 Distribution of the research sample by Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	67	59.8	59.8	59.8
	Female	45	40.2	40.2	100.0
	Total	112	100.0	100.0	



**Figure 5.1 Histogram of Gender**

- 2- Through the distribution of the sample of the study by age, it is possible to refer to the high percentage of the age group 21-30 years, representing 46.4 % of the sample of the study, which can be described as young people. We also note that the lowest percentage recorded was in the age group 41-50 and by 14.3 percent. As show in table (5.3).

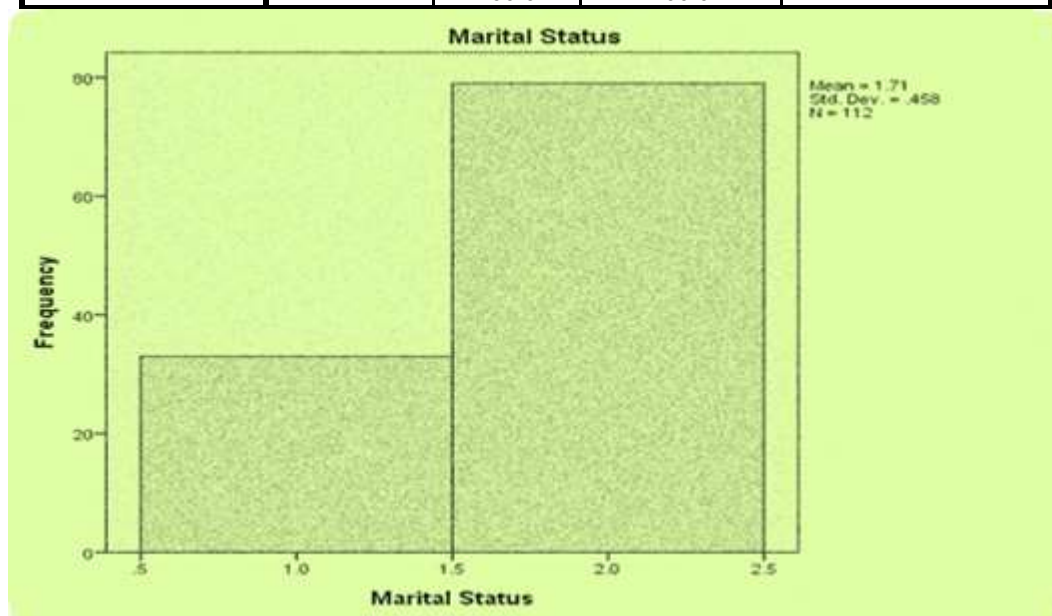
**Table 5.3 Distribution of the research sample by Age**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	52	46.4	46.4	46.4
	31-40	44	39.3	39.3	85.7
	41-50	16	14.3	14.3	100.0
	Total	112	100.0	100.0	

- 3- One important paragraph to determine the characteristics of customers who borrow from commercial banks is to determine their marital status. In the table (5.4) and figure (5.2) it can be seen that the majority of participants are married, i.e. they need additional efforts to secure his/her life and the life of his/her family, and their proportion 70.5 %.

**Table 5.4 Distribution of the research sample by Marital Status**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	33	29.5	29.5	29.5
	married	79	70.5	70.5	100.0
	Total	112	100.0	100.0	

**Figure 5.2 Histogram of Marital Status**

- Table (5.5) shows that the marital status positively affects the decision-making process of the customer to borrow from the bank. The result of the regression coefficient indicates a statistical significance of a value less than 0.05.

**Table 5.5 Coefficients<sup>a</sup> of Marital Status**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	3.882	.123		31.640	.000
Marital Status	.144	.069	.193	2.065	.041

a. Dependent Variable: Customer\_Decision

- 4- According to the monthly income, the results, as shown in Table (5.6), show that the average incomes (300-600) and (600-1000) are the majority of customers who borrow from commercial banks 50.9 % and 36.6 respectively.

**Table 5.6 Distribution of the research sample by Monthly Income**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	less than 300	10	8.9	8.9	8.9
	300-600	57	50.9	50.9	59.8
	600-1000	41	36.6	36.6	96.4
	more than 1000	4	3.6	3.6	100.0
	Total	112	100.0	100.0	

- 5- Table (5.7) shows that there are four educational levels that represent the study sample. However, the Graduate level (holders of a bachelor's degree) was 45.5 % common, followed by a level of 39.3 % Under Graduate, followed by a doctorate and then professionals respectively.

**Table 5.7 Distribution of the research sample by Education**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Under Graduate	44	39.3	39.3	39.3
	Graduate	51	45.5	45.5	84.8
	P.G	13	11.6	11.6	96.4
	Professional	4	3.6	3.6	100.0
	Total	112	100.0	100.0	

6- About the profession and occupation of the customers to whom the questionnaires were distributed, the table below shows clearly that most of the customers work in the private sector, which accounts for more than half of the respondents, 55.4 %.

**Table 5.8 Distribution of the research sample by Occupation**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Govt. Employee	29	25.9	25.9	25.9
	Private Employee	62	55.4	55.4	81.3
	Self Employed	21	18.8	18.8	100.0
	Total	112	100.0	100.0	

#### 5.4 Correlations

This is used to find out the relationship between the two variables or more and symbolized by the symbol  $r$  and the relationship is either positive or reverse or complete and the correlation coefficient values are limited between  $-1 \leq r \leq 1$  where the following values are determined in terms of strength:

(0.1) – (0.8) Inverse relationship

0.1 - 0.9 Positivere relationship

1 Completerelationship

In this test, we chose the Person Correlation coefficient because this test is used in the case of quantitative data.

<b>Table 5.9 Correlations</b>					
		Service Quality	Banks Loans Policy	Security	Customer Decision
Service Quality	Pearson Correlation	1	.195*	.363**	.446**
	Sig. (2-tailed)		.040	.000	.000
	N	112	112	112	112
Banks Loans Policy	Pearson Correlation	.195*	1	.282**	.541**
	Sig. (2-tailed)	.040		.003	.000
	N	112	112	112	112
Security	Pearson Correlation	.363**	.282**	1	.593**
	Sig. (2-tailed)	.000	.003		.000
	N	112	112	112	112
Customer Decision	Pearson Correlation	.446**	.541**	.593**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	112	112	112	112

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

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

From the above table we see that the coefficient of correlation between Service Quality and Customer Decision = 0.446 is positive correlation. Since the value of sig is less than 0.05, we accept our hypothesis that the result supports the first assumption. There is a significant correlation between S.Q and C.D.

As for the second variable, we see that the coefficient of correlation between B.L.P and C.D positive correlation by means of 0.541. Since the value of sig is less than 0.05, we accept our hypothesis that the result supports the second assumption. There is a significant correlation between dependent variable and independent variable.

As for the third variable, we see that the coefficient of correlation between Sec. and C.D is positive correlation by means of 0.593. Since the value of sig is less than 0.05, we accept our hypothesis that the result supports the third assumption. There is a significant correlation between dependent variable and independent variable.

For the relationship between the independent variables between each other, we see that the correlation coefficient between all the independent variables is significant and the relationship between them is positive.

### 5.5 Multiple Linear Regressions

Since our research includes three independent variables and a dependent variable, and to test the extent of the impact of the dependent variables, which includes (S.Q, B.L.P and Sec.) on the dependent variable, the customer's decision. We relied on the multiple regression method to get the desired results to achieve the goals and the end of the research.

**Table 5.10 Regression Analysis using R-square  
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.739 <sup>a</sup>	.546	.534	.23228

a. Predictors: (Constant), Security, Banks-Loans-Policy, Service-Quality

- R-squared which measures the goodness of fit is about 0.54 which is high enough and means that 54 % of the variation in Customer Decision can be explained by Service Quality, Bank Loan Policy and Security. However, 44 % of the variation in Customer Decision could not be captured by the model and will be explained by other factors. In general, the higher the value of R square ( $R^2$ ), the better the model fits with the data.

**Table 5.11 Regression F-values  
ANOVA<sup>a</sup>**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	7.020	3	2.340	43.370	.000 <sup>b</sup>
Residual	5.827	108	.054		
Total	12.847	111			

a. Dependent Variable: Customer\_Decision

b. Predictors: (Constant), Security, Banks\_Loans\_Policy, Service\_Quality

- We see that F value is 43.370, which mean there is variance between variables. F-statistic is also significant at 1% level of significance. This means that at least one independent variable affects the dependent variable.

**Table 5.12 Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.264	.265		4.778	.000
Service_Quality	.181	.056	.224	3.210	.002
Banks_Loans_Policy	.256	.045	.383	5.644	.000
Security	.285	.050	.403	5.640	.000

a. Dependent Variable: Customer\_Decision

From the above results and by applying the multiple regression equation that we have discussed in detail in the chapter of the research methodology, we conclude the following:

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + u$$

$$\text{Customer decision} = 1.264 + 0.181 \cdot \text{service quality} + 0.256 \cdot \text{bank loan policy} + 0.285 \cdot \text{security}$$

We understand from this that the higher the percentage of an independent variable (as the other variables are constant) they positively affect the high decision-making percentage of the customer.

## 5.6 Test hypothesis of the study

Table (5.12) shows the results of the multiple regression coefficients tests. It is clear from the above that the study has achieved its objectives; the study clearly identified the most important factors affecting the decision of customers to choose the banks from which they borrow. The results of the study were as follows:

As presented in the table (5.12), the coefficients of Constant, Service\_Quality, Banks\_Loans\_Policy and Security are significant at 1% level of significance, that's supported our hypotheses as the p-value in coefficients less than 0.05 ( $P < 0.05$ ).

- 1- The effect of Service Quality on Customer Decision is positive and statistically significant. This supports our first hypothesis that's:

H1: Service Quality affects the customers' decision to take a loan.

- 2- The effect of BanksLoansPolicy on Customer Decision is positive and statistically significant. This supports our second hypothesis that's:

H2: The banks' loans policy affects the customers' decision to take a loan.

- 3- The effect of Security on Customer Decision is positive and statistically significant. This supports our third hypothesis that's:

H3: Security Factors affect the customers' decision to take a loan.

**Table 5.13 Summary of Hypothesis Analysis**

Proposed Hypotheses	Descriptive of proposed Hypotheses	Results
H1	Service Quality affects the customers' decision to take a loan	Supported
H2	The banks' loans policy affects the customers' decision to take a loan	Supported
H3	Security Factors affect the customers' decision to take a loan	Supported

- We note from the above results that the previous studies on the subject of our research reached similar results, in terms of two studies (Christos C. Frangos, et al) and (GAN THAI WEE et al., 2015).



### 5.7 Measure of relative importance

The members of the study sample were asked to answer the questions in the questionnaire, according to the five-point Likert scale, according to their relative weights in determining the relative importance of the role of each of the main variables in the decision to borrow by the customers of the commercial banks in the city of Sulaymaniyah. The researcher calculated the arithmetical mean for each question in order to determine the degree of availability of each of them in accordance with the respondent's opinion, in addition to calculating the standard deviation for each question to determine the degree of consensus on the availability or non-availability of each clause.

#### The results of descriptive statistics:

- 1- **Service Quality:** Table (5.14) shows the arithmetic mean and the standard deviation of the independent variable (quality service). This variable was measured in the questionnaire by questions 1-6 in the second section – first part.

Note that the arithmetic mean of the paragraphs related to this variable ranged between 3.90 and 4.39 where the fifth paragraph related to the enjoyment of employees at the bank a good level in terms of friendly dealing with customers in the first place and a standard deviation reached (0.591), this is consistent with the findings of (Sudin & Norafifah, 1992). While the lowest statistical mean for the fourth paragraph concerning the provision of fast and efficient service by the staff of the Bank to meet the needs of customers and a standard deviation of (0.939), this may be due to different customer views in assessing employee performance, or that most bank staff do not perform tasks quickly, as some respondents indicated when filling out the questionnaire. As (Bloemer Et al.1998) have already mentioned in their studies.

**Table 5.14 Descriptive Statistics of the independent variable (S.Q)**

	N		Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing					
1. You are satisfied with location of the Bank	112	0	4.25	4.00	0.622	1	5
2. Customer service are easy to access and available	112	0	4.04	4.00	0.874	1	5
3. Willingness to listen and respond to your needs	112	0	4.16	4.00	0.730	1	5
4. Fast and efficient service	112	0	3.90	4.00	0.939	1	5
5. Friendly and courteous manner of employees	112	0	4.39	4.00	0.591	1	5
6. Satisfied with the feedback given by the bank	112	0	4.02	4.00	0.759	1	5
General Mean	4.12						

2- **Bank Loans Policy:** Table (5.15) shows the arithmetic mean and the standard deviation of the independent variable (Bank Loans Policy). This variable was measured in the questionnaire by questions 1-7 in the second section – second part.

When reviewing Table (5.15) of the Bank's loan policy paragraphs, we see that the second question regarding customer satisfaction over the interest rate of the loans got the highest mean (3.94). Which means that all the banks involved in this research follows a flexible and reasonable policy of charging interest rate on loans. They also referred to him (Calza et al, 2003) and (Nieto, 2007) in their papers. As for the types of loans granted by banks, we see that they have obtained the lowest level of customer approval, with a mean of (3.28) and a standard deviation (1.109). This means that banks do not respond well to the requirements of borrowers according to the sectors and terms of reference of their investment projects.

**Table 5.15 Descriptive Statistics of the independent variable (B.L.P)**

	N		Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing					
1. Commercial banks charges more than government banks	112	0	3.92	4.00	1.006	1	5
2. Acceptable interest rate charge on loan	112	0	3.94	4.00	0.873	1	5
3. Interest charge on overdue payment is in reasonable amount	112	0	3.67	4.00	0.894	1	5
4. The volume of mortgages is acceptable	112	0	3.89	4.00	0.662	1	5
5. The terms of lending to customers are easy	112	0	3.71	4.00	0.936	1	5
6. The bank provides all types of loans	112	0	3.28	4.00	1.109	1	5
7- Types of collateral secured for a bank loan is possible	112	0	3.64	4.00	0.868	1	5
General Mean	3.72						

3- **Security:** Table (5.16) shows the arithmetic mean and the standard deviation of the independent variable (Security). This variable was measured in the questionnaire by questions 1-5 in the second section – third part.

In the security section, banks have received a high percentage of customer approval on the reliability and safe of transactions, where the mean answers for the second question (4.18) and the standard deviation (0.661). It is noteworthy Zineldin, (1996) and Sharma, (2003) reached the same conclusion about security. But in the question of E-banking service, we see those customer responses reflect the lack of service in a way that not satisfies a customer.

**Table 5.16 Descriptive Statistics of the independent variable (Sec.)**

	N		Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing					
1. Reputation of the bank is sound	112	0	4.07	4.00	0.937	1	5
2. Process of transactions are safe and reliable	112	0	4.18	4.00	0.661	1	5
3. Financial performance of the bank is sound	112	0	4.17	4.00	0.683	1	5
4. Liquidity and bank size are sufficient to meet customers' requirements	112	0	3.70	4.00	1.073	1	5
5. E-banking service is secured	112	0	3.22	4.00	1.278	1	5
General Mean	3.86						

4- **Customer Decision:**Table (5.17) shows the arithmetic mean and the standard deviation of the dependent variable (Customer Decision). This variable was measured in the questionnaire by questions 1-3 in the second section – fourth part.

Lastly, when reviewing the fields of the dependent variable, which is the customer's decision, we see that all customers responding to the paragraphs of the questionnaire agree that the independent variables assumed in this research have a high impact on the customer's decision. The statistical means ranged from (4.19) to (4.47), at a general mean (4.34).

**Table 5.17 Descriptive Statistics of the dependent variable (C.D)**

	N		Mean	Median	Std. Deviation	Minimum	Maximum
	Valid	Missing					
1. Service quality is a factor when choosing a bank	112	0	4.37	4.00	0.502	1	5
2. Loans policy offered attract you to a certain bank	112	0	4.19	4.00	0.546	1	5
3. Security offered is important when selecting a bank	112	0	4.47	4.00	0.532	1	5
General Mean	4.34						

### 5.8 Test of Normality

By testing the normal distribution of data, the following table shows us:

- Look at the value of sig. If 0.05 or less is a statistically significant function, meaning that there are differences, thus the distribution of data is not moderate.
- If the value of sig. The higher than 0.05 is not statistically significant i.e. that there are no differences, thus the distribution of data is moderate.

**Table 5.18 Tests of Normality**

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	Df	Sig.
Service_Quality	.144	112	.000	.969	112	.010
Banks_Loans_Policy	.135	112	.000	.959	112	.002
Security	.111	112	.002	.957	112	.001
Customer_Decision	.154	112	.000	.960	112	.002

a. Lilliefors Significance Correction

**Note:** Appendix 3 shows us all the details about how to test the distribution of data.

## **5.9 Conclusion**

This chapter included the results of analyzes necessary to reach the support of the hypotheses of our study and thus achieve the research objective. The results indicate that all the factors formulated in our assumptions positively affect the customer's decision to borrow from commercial banks. The previous pages show the results of all analyzes according to the figures and tables, as well as the explanations of the results according to the rules.

## **Chapter Six**

### **Conclusions and Discussion**

#### **6.1 Introduction**

Through our findings, we can begin to discuss conclusions and recommendations that may be of benefit to parties. This chapter contains answers to the questions asked at the beginning of the chapter. As well as discussion of the results, and then the recommendations proposed by the researcher.

#### **6.2 Research Question**

To achieve its objectives, the study was raised the following research question:

##### **6.2.1 Main Question**

What factors affect customers' decision for taking out bank loans?

##### **6.2.2 Sub-questions:**

- 1- Do Service Quality affects the customers' decision to take a loan.
- 2- Do banks' loans policy affects the customers' decision to take a loan.
- 3- Do Security Factors affect the customers' decision to take a loan.

### 6.3 Answers

The main question of this study cannot be answered with the word yes. It should be said that there are several factors that affect the decision of the customer to choose the bank which he/she is borrowing from it.

As for the sub-questions presented in this study, it is possible to answer them through the following points, which are also factors that our study concluded that affect the customer's decision for taking a loan out the bank.

- 1- There is an impact of the service quality provided by the bank on the customer's decision to take a loan.
- 2- Bank policy affects the customer's decision to take a loan.
- 3- yes, Security Factors affect the customers' decision to take a loan.

### 6.4 Discussion

Based on the results of the study hypotheses test, these findings were analyzed and discussed, reaching to achieve the purpose of the study, and answering the questions rose earlier. The model of this study is good in terms of significant coefficients of the variables, R-squared, F-statistic. Also, there is a positive correlation between each variables, and the result of a regression model is significant statistical, which all independent variables strongly affect a dependent variable.

The following are all the findings of the researcher's conclusions and suggestions, in order to put forward the views of the researcher and the supervisor on the subject of research for the beneficiaries. As well as make suggestions and recommendations to the two parties mentioned in this research, namely customers and banks.

In the light of the previous results of the analysis of the field survey data, the most important results can be obtained:

- 1- The most important reasons why customers choose the bank are the bank's staff was very friendly with customers. This was the reason for the great impact of the customer's decision, followed by the Bank's location and



its proximity to customers. In short, the high quality of its services and its ability to provide optimal satisfaction to customers is a key factor affecting customers to make a decision on borrowing from banks.

2- Interest rates play a central role in the customer's intention, which is one of the pillars of the decision-making process by the customers to choose a bank from which to borrow.

3- The safety and reliability of the bank's transactions are also key factors influencing the customer's decision, followed by bank size, liquidity and reputation as other factors affecting the borrowing process.

4- The study clearly identified the most important factors affecting the decision of customers to choose the banks from which they borrow, Service Quality, Banks Loans Policy, and Security, each of the three variables have an important statistical significance in the decision to borrow from commercial banks in the city of Sulaymaniyah.

5- The majority of study participants or borrowers were male and married, meaning that gender and marital status affect the decision to borrow.

6- The customer's decision to borrow from commercial banks in Sulaymaniyah depends on a number of factors, such as the factors related to the customer and the economic activity and the circumstances surrounding it, and therefore does not depend entirely on one type of factor.

7- For the relationship between the independent variables between each other, we see that the correlation coefficient between all the independent variables is significant and the relationship between them is positive.

8- We note from the above results that the previous studies on the subject of our research reached almost the same results, in terms of many studies like Christos C. Frangos, et al, (2012); GAN THAI WEE et al.,(2015); and Bloemer Et al.(1998).

## **6.5 Limitations of the study**

One limitation that has slowed down our process is not finding enough customers for the reasons mentioned chapter one related to the financial crisis and the failure of monetary policy in the Kurdistan region. These factors have influenced the process of financing and granting loans by banks. During the period of the field survey for the distribution of questionnaires to borrowers we obtained only 120 borrower customers. This is because the number of borrowers has been reduced, and our research deals only with customer's borrowers and not all customers who deal with banks (depositors, borrowers, etc.).

## **6.6 Recommendations and Suggestions**

In this study, we encountered several obstacles in finding the largest number of customers. In order to overcome these difficulties, we present several suggestions and recommendations for future research. We also received several results that we hope will benefit customers and banks, so we recommend the two parties concerned several points.

### **6.6.1 Recommendations for Future Research Trends**

- 1- The study was conducted on one sector, the banking sector. Therefore, there is an opportunity to conduct a comparative study of the factors influencing customers' decision for two different sectors, such as banks and other financial institutions.
- 2- Future studies should include all types of banks that provide loans, including government, Islamic and commercial. The subject of the study was addressed in one city, while future studies may examine all the cities of the Kurdistan region of Iraq or the population of future studies may be the country of Iraq.
- 3- It is important that the current researcher or other researchers in the future focus on new factors (such as technology, bank loyalty, convenience, and other factors) that influence customers to choose banks to borrow from them or other transactions.

4- We recommend that other researchers take the same subject in future research in Kurdish and Arabic languages in order to benefit a larger proportion of local customers and banks

### **6.6.2 Recommendations for Banks**

1- Adopting a transparent and clear code of business ethics and honoring the promises that banks and their employees commit to customers and punishing those who violate the charter. Reward employees with ethical performance that is honest, safe, confident and effective in gaining customer confidence.

2- To take all necessary measures to achieve transactions quickly and provide services in a manner that is commensurate with the expectations of customers as it enhances customer confidence in the performance of the bank and its employees.

3- Banks should take into account the difficult living conditions of Iraqi society, especially after the wars and economic crises that have devastated the country. So that they provide the necessary facilities for customers on the one hand interest rate, collateral and mortgages, on the other hand the original amount and loan installments.

3- The role of supervision and follow-up by the Central Bank on commercial banks must be activated. So that it takes the interests of customers into consideration.

4- Changing the mix of services provided and improving them through an integrated approach to these banks for the comprehensive development of all services, especially the provision of E-banking service in all areas.

## **6.7 Conclusion**

We conclude from the results and discussions on the research that there are many factors affecting the customer's decision to take loans from banks. Results may vary depending on economic conditions, social situations, community culture, and type of banks. We conclude from this study that factors such as quality of service, bank loan policy, and security directly and positively affect the customer's decision to borrow from commercial banks in the city of Sulaymaniyah. As it is known, the customer chooses their preferences based on meeting his requirements and needs, so whenever the bank's services are good and easy to access, they have a strong impact on the customer's decision to go to it.

This chapter presented all the answers to the research questions as well as the desired results to achieve the research objectives and then the limitations of the study and after the researcher's recommendations.

## References

- Acharya, B. S., Aad, G., Abat, E., Abbott, B., Abdallah, J., Abdelalim, A. A., Abdesselam, A., & (2011). Expected performance of the ATLAS experiment-detector, trigger and physics (No. SLAC-R-980). SLAC National Accelerator Lab., Menlo Park, CA (United States).
- Abdel Wahed Garda, 2010, Bank loan loss provisions: a reexamination of capital management, earnings management and signaling effects. *Journal of accounting and economics*, 28(1), 1-25.
- Abdul Karim Hassani, & Jabbar Bokthir. (2018). Assessment of the dimensions of the quality of banking service and its impact on customer satisfaction CASE STUDY OF BADR BAMR AM BOUAKI - 324. *Journal of Economic and Financial Research*, 5 (1), 581-604.
- Ahmed Hussein and Ali jasm, (2011), (The role of private banks in financing small and medium enterprises in Iraq), *Journal of Economic Sciences* 16(1) 2011, ISSN (Print) 1858-6740.
- Akram Haddad, mashhurhdhlwl, 2008, (money and banks and an analytical and theoretical approach), P22.
- Akterujjaman, S. M. (2016). Factors Affecting Borrowers' Satisfaction toward the Services of Private Commercial Banks in Bangladesh: A Study on Dhaka and Rajshahi City.
- Al-Ajmi, J., Abo Hussain, H. & Al-Saleh, N. (2009). Clients of Conventional and Islamic Banks in Bahrain: How They Choose Which Bank to Patronize, *International Journal of Social Economics*, 36 (11), 1086-1112.
- Alexiou, C. & Sofoklis, V. (2009). "Determinants of Bank Profitability: Evidence from the Greek Banking sector," *Economic Annals*, 54 (182), 93-118.
- Ali Hossain & Mary Leo, 2009, "the importance of banking quality as a basic competitive advantage", *Journal of Marketing Research & Case Studies*, 2009, 3.

- Almossawi, M. (2001), "Bank Selection Criteria Employed by College Students in Bahrain: An Empirical analysis," *International Journal of Bank Marketing*, 19 (3), 115-125.
- Anderson, R. N., Moore, G. F., Schilt, S. S., Cardwell, R. C., Tréhu, A., & Vacquier, V. (1976). Heat flow near a fossil ridge on the north flank of the Galapagos Spreading Center. *Journal of Geophysical Research*, 81(11), 1828-1838.
- Andre Komwut and Nopadon A. M. (2014). Online banking: a field study of drivers, development challenges, and expectations. *International Journal of Information Management*, 21(3), 213-225.
- Arasli, H., Katircioglu, S.T, & Smadi S.M. (2005). A comparison of service quality in the banking industry: Some evidence from Turkish- and Greek- Speaking areas in Cyprus, *International Journal of Bank Marketing*, 23 (7), 508-526.
- Aregbeyen, O. (2011). The Determinants Of Bank Chosen Choices By Customers: Recent And Extensive Evidence From Nigeria. *International Journal of Business and Social Science*, 2(22).
- Ashraf E. Mahmoud, 2017, "the most important factors that affect the attraction of customers to the bank", Amman: Dar Wael Publishing and Distribution, 9957-12-102-7. 2 Editions.
- Asmaa Belhaj and Fatima Falah, 2013, "The Role of Commercial Banks in Financing Investment Operations", *International Journal of Bank Marketing*, Vol. 14, No. 6, pp. 25-32.
- Avkiran, N.K. (1994). Developing an instrument to measure customer service quality in branch banking, *The International Journal of Bank Marketing*, 12, 10–18.
- Aydin S. & Özer G.(2005). How switching cost affect subscriber loyalty in Turkish mobile phone market: An exploratory study. *Journal of Targeting Measurement and Analysis for Marketing*, Vol 14 (2) 141-155.

- Bejou, D., Ennew, C. T. & Palmer, A. (1998). "Trust, Ethics and Relationship Satisfaction," *International Journal of Bank Marketing*, 16 (4), 170-175.
- Bloemer J., De Ruyter, K. & Peeters, P. (1998). "Investigating Drivers of Bank Loyalty: the Complex Relationship between Image, Service Quality and Satisfaction," *International Journal of Bank Marketing*, 16 (7), 276-285.
- Boyd, W. L., Leonard, M. & White, C. (1994). "Customer Preferences for Financial Services: An Analysis," *International Journal of Bank Marketing*, 12 (1), 9-15.
- Calza, A., Gartner, C. & Sousa, J. (2003). "Modelling the Demand for Loans to the Private Sector in the Euro Area," *Applied Economics*, 35 (1), 107-117.
- Chaoprasert, C., & Elsey, B. (2004). Service quality improvement in Thai retail banking and its management implications. *ABAC Journal*, 24(1).
- Chen, C-F. and Tsai, M.H. (2008). Perceived value, satisfaction, and loyalty of TV travel product shopping: Involvement as a moderator. *Tourism Management*, 29, 1166-1171.
- Chiou, J. (2004). "The Antecedents of Consumers' Loyalty toward Internet Service Providers." *Information & Management*, 41(6): 685-695.
- Chu, Sh., Yao-Bin, L., 2009. The effect of online-to mobile trust transfer and previous satisfaction on the foundation of mobile banking initial trust. Eight international conferences on Mobile Business, 1-6.
- Cicic, M., Brkic, N. & Agic, E. (2004). 'Bank Selection Criteria Employed by Students in a South-Eastern European Country: An Empirical Analysis of Potential Market Segments' Preferences,' *International Journal of Bank Marketing*, 27 (2), 1-18.
- Coleman, V., Johnson, C., & Lewis, L. (1974). Remote sensing in control of pink bollworm in cotton. *California Agriculture*, 28(9), 10-12.
- Coyle, T. (1999). 'The Bank of Tomorrow,' *Americans Community Banker*, 8 (7), 16-18.

- Emory, C. W., & Cooper, D. R. (1991). *Business Research Methods*. Homewood IL: Richard D. Irwin.
- Erol, C., Kaynak, E. & El-BdourRadi (1990)."Conventional and Islamic banks: Patronage Behavior of Jordanian Customers," *International Journal of Bank Marketing*, 8 (4), 25-35.
- Frangos, C. C., Fragkos, K. C., Sotiropoulos, I., Manolopoulos, G., & Valvi, A. C. (2012). Factors Affecting Customers' Decision for Taking out Bank Loans: A Case of Greek Customers. *Journal of Marketing Research & Case Studies*, 2012, 1.
- Gerrad, P. and Cunningham, J.B. [2004], "Islamic Banking: a Study in Singapore", *International Journal of Bank Marketing* 15, No. 6, 204 – 216.
- Grady, B., & Spencer, H. (1990). *Managing commercial banks*. Hill International Inc., New York.
- Haron, S., Ahmad. N. & Planisek. S.L. (1994). Bank Patronage Factors of Muslim and- Non-Muslim Customers, *International Journal of Marketing*, 12:30-40.
- Hassan Dabbas, 2014 "The influential factors in credit decision making in working banks in Syria" *Journal of Economic and Financial Research*, 5 (1), 571-584.
- Hellier, P. K.,Geursen, G. M., Carr, R. A. & Rickard, J. A. (2003) "Customer repurchase intention: A general structural equation model "– *European Journal of Marketing*, Volume 37, Numbers 11-12, 2003, pp. 1762- 1800.
- Hutchinson, J., Lai, F. and Wang, Y. ((2009).Understanding the relationships of quality, value, equity, satisfaction, and behavioral intentions among golf travelers. *Tourism Management*, 30, 298-308.
- Jantan, M., Kamaruddin A. R. & Ong, B. H. (1998). Bank Attributes and Demographic Factors in Determining Customer Choice in Retail Banking: Analytic Hierarchy Approach. *AAM Journal*, Vol. 3, No. 2.
- Karatepea, O. M., Yavas, U. & Babakus, E. (2005),"Measuring Service Quality of Banks: Scale Development and Validation," *Journal of Retailing and Consumer Services*, 12(1), 373–383.



- Kaynak, E., & Yavas, U. (1985). Segmenting the banking market by account usage: an empirical investigation. *Journal of Professional Services Marketing*, 1(1-2), 177-188.
- Keaveney, S. M. (1995). Customer switching behavior in service industries: An exploratory study. *The Journal of Marketing*, 71-82.
- Kotler, P., & Scheff, J. (1997). *Standing room only: Strategies for marketing the performing arts*. Harvard Business School Press.
- Kuo, T. & Wu, A. (2007). The Determinants of Organizational Innovation and Performance: An Examination of Taiwanese Electronics Industry, AAA 2007 Management Accounting Section (MAS) Meeting.
- Lee, K. S., Yeoh, S. H., Ng, Z. C., Wang, Y., & Gan, T. W. (2015). Factors that influence the consumer behavior on choices of local commercial bank for banking products and services in Perak (Doctoral dissertation, UTAR).
- Mamoun Nawal and Hafian Safa, 2012, (The role of quality banking services in achieving customer satisfaction Case study of the Algerian National Bank Ouargla Agency), Publications of Qasidi University.
- Mario Sudin & Yafth Norafifah, 1992, "mix marketing to measure customer service quality in branch banking", *The International Journal of Bank Marketing*, 12, 2–8.
- Matzler, K., Wurtele, A. and Renzl, B. (2006). Dimensions of price satisfaction: a study in the retail banking industry. *International Journal of Bank Marketing*, 24 (4), 216-231.
- Md. Nur-E-Alam Siddique, Bank Selection Influencing Factors, *Asian Business Review*, Volume 1, Issue 1, September 2012.
- Metawa, Saad A., and Mohammed Almosawi. "Banking behavior of Islamic bank customers: perspectives and implications." *International Journal of Bank Marketing* 16.7 (1998): 299-313.
- Mishkin, F.S. (2001). *The Economics of Money, Banking Financial Markets*, 6th ed., Addison-Wesley, Reading, M.A.

- Mokhlis, S. (2009). 'Determinants of Choice, Criteria in Malaysia's Retail Banking: An Analysis of Gender-Based Choice Decisions,' *European Journal of Economics, Finance and Administrative Sciences*, 1 (2), 1450-1467.
- Muhammad Amin Bin Shanab, 2008, Factors determining the purchase intention of bank services in the Republic of Yemen (Doctoral dissertation, Universiti Utara Malaysia).
- Mylonakis, J., Malliaris, P. J. & Siomkos, G. J. (1998). "Marketing-Driven Factors Influencing Savers in the Hellenic Bank Market," *Journal of Applied Business Research*, 14 (2), 109-116.
- Nunnally, J. (1978). *Psychometric Theory*. New York: McGraw-Hill.
- Oso, Khairi Ali, and Louai Latif Boutrous, 2008, Evaluation of the quality of banking services from the point of view of customers. A sample survey of customers from the banks of Dohuk City, *Rafidain Development*, 28 volumes, 89.
- Parasuraman, A., Zeithaml, V.A. & Berry, L. (1988). SERVQUAL: a multiple-item scale for measuring customer perceptions of service quality, *Journal of Retailing*, 64, 12-40.
- Parasuraman, A., Zeithaml, V.A. & Berry, L.L. (1985). A conceptual model of service quality & its implications for future research, *Journal of Marketing*, 49, 41-50.
- Peng, Leong Yow & Wang, Qing (2006). Impact of Relationship Marketing Tactics (RMTs) on Switchers and Stayers in a Competitive Service Industry, *Journal of Marketing Management*, V.22, pp.25-59.
- Rao, S. & Sharma, R. K. (2010). "Bank Selection Criteria Employed by MBA Students in Delhi: An Empirical Analysis," *Journal of Business Studies*, 1 (2), 56-69.
- Ross, T. (1989). *Museum Funding and Services: The Visitor's Perspective*. Report of a Survey carried out by Touche Ross Management Consultants, location unstated.

- S.S. Hayatul, Mat NikHazimah, MokhilsSafiek (2008). "Commercial Bank Selection: The Case of Undergraduate Students in Malaysia", *International Review of Business Research Papers*, Vol.4, No. 5, pp 258-270.
- Saleh bin Saad Al Qahtani, & Department of Scientific Research, 2018, *Journal of the Zalingei University of Applied Sciences and Literature / Issue 4*.
- Samir Abu Zneid, 2011, "Financial Fraud and the Imperative of Developing Internal Audit and Control Techniques", *Trade Journal* 19.
- Sekaran, U. (1992). *Research Methods for Business: A Skill-Building Approach*, Wiley, New York.
- Senyucel, E. (2009). "Evaluation of SERVQUAL Instrument as Bank Selection Criteria in the Banking Industry: Empirical Evidence from Turkish and Greek Speaking Areas in Cyprus," *Banking and Finance Letters*, 1 (1), 21-28.
- Sharma, N. (2003). The role of pure and quasi-moderators in services: an empirical investigation of ongoing customer–service-provider relationships. *Journal of Retailing and Consumer Services*, 10(4), 253-262.
- Shirin KHaitbaeva, S., Al-Subaiey, A. A., & Enyinda, C. I. (2014, October). An empirical analysis of attributes influencing bank selection choices by customers in the UAE: The Dubai context. In *Proceedings of the Middle East Conference on Global Business, Economics, Finance and Banking*, Dubai (pp. 10-12).
- Singh, J. and Sirdeshmukh, D. (2000), Agency and Trust Mechanisms in Consumer Satisfaction and Loyalty Judgments, *Journal of Academy of Marketing Science*, 28, (1): 150-167. Tellis, G. J. (1988).
- Solomon, R.C. (1998). The moral psychology of business: Care & compassion in the corporation, *Business Ethics Quarterly*, 8, 515-533.
- Sullivan, P. M., & Knutson, J. F. (2000). Maltreatment and disabilities: A population-based epidemiological study. *Child abuse & neglect*, 24(10), 1257-1273.

- Sureshchandar, G. S., Rajendran, C. & Anantharaman, R. N. (2003). "Customer Perceptions of Service Quality in the Banking Sector of a Developing Economy: a Critical Analysis," *International Journal of Bank Marketing*, 21 (5), 233-242.
- Uddin, M. B., & Akhter, B. (2012). Customer satisfaction in mobile phone services in Bangladesh: A survey research. *Management & Marketing Journal*, 10(1).
- Vladimir Lenin, 1916, "Imperialism, The highest stage of capitalism" Published by Resistance Books 23 Abercrombie St, Chippendale NSW 2008, Australia
- Wu J. R., Little, N. E., (2011). *How to design and evaluate research in education*. New York: McGraw-Hill Humanities/Social Sciences/Languages
- Wu, C.H-J And Liang, R.D. (2009). Effect of experiential value on customer satisfaction with service encounters in luxury-hotel restaurants. *International Journal of Hospitality Management*, 28, 586-593.
- Ying, L. C., & Chua, A. (1989). Customer Bank Selection: Bank Marketing Implication, *Malaysia Management Review*, 24(3), 55-67.
- Yue, H. & Tom, G. (1995). 'How the Chinese Select their Banks,' *Journal of Retail Banking*, 16(4), 36-39.
- Zainab Hassan Al Nabulsi and Ishaq Mahmoud Al Shaar, 2015 Studies, (The impact of the behavior of bank employees in the confidence of customers from their point of view) *Administrative Sciences*, vol. 42, no. 2.
- Zayad Salam Ramadan and Mahfouz Ahmed Jouda, 1996, "Banks Management", Amman: Dar Wael Publishing and Distribution, 9957-11-102-7. 2 Editions.
- Zineldin, M. (1996), "Bank Strategic Positioning and Some Determinants of Bank Selection," *International Journal of Bank Marketing*, Vol. 14, No. 6, pp. 12-22

## Appendix 1

List of commercial banks operating in Iraq approved by the Central Bank of Iraq until March of 2017

A- Local commercial banks	B- Branches of foreign commercial banks
Bank of Baghdad	T.C. ZiraatBankası A.Ş (Baghdad branch)
Commercial bank of Iraq	Byblos bank
Iraqi middle east bank of investment	InterContinental Lebanon
Investment bank of Iraq	Beirut bank Arabic Center
International development bank investment and finance	Vakif Bank
Mosul bank for development and investment	Turkiy Is Bankas 1 A.S.
Babylon bank	AUDI BANK
National bank of Iraq	BANKMED
Credit bank of Iraq	BANQUE LIBANO-FRANCAISE
Sumer commercial bank	Standard Chartered
Gulf commercial bank	Fransbank
ASHUR international bank for investment	Blom Bank
Mansour bank for investment	Credit libanais
Iraq trans bank	MEAB
Emerald bank	Bank Melli Iran
Huda bank	Parsian bank
Erbil bank	Foreign banks
Warka bank for investment & finance	ASIA BANK
North bank for financial and investment	AL-BARAKA TURKATILIM BANKASI A.S.
Union bank of Iraq	T.C. ZiraatBankası A.Ş (Baghdad branch)
	Byblos bank

Source: <https://www.cbi.iq/>

## Appendix 2

Services that provide by most commercial banks in Sulaymaniyah city

- The offered services will be for all individuals, companies, and investors.
- 1- Accountancy (In IQD, USD, Euro, etc.)
- 2- Lending operations
- 3- Saving Accounts, Current accounts and Certificate of deposit
- 4- Issuance of bank support and deed and financial transformation
- 5- Issuing local guarantees
- 6- Confirmation of import and export guarantees
- 7- Ensuring local and international letters of credit
- 8- Buying and selling foreign currencies
- 9- International income and outgoing financial transformation
- 10-Investment in tourism, industrial, agricultural, commercial, residential, contractual, banking service projects.
- 11-Playing a role of mediator to exchange the shares in Iraq Stock Exchange Market
- 12-Partnership in local and foreign companies' investments.
- 13-Participation of rebuilding the national and international assurance and investment companies
- 14-Subscribing shares of local and foreign companies
- 15-Commercial investment in the companies belonging to the bank or investment in normal sectors

**Source:** (<https://www.kibid.com/arabic/contact-us>).

## Appendix 3

### Questionnaire for Customers banking

Dear Respondent,

The following questionnaire has been prepared for research purpose, the objective of the study is to identify factors affect customers' decision for taking out bank loans, your cooperation in completing this research by responding as honestly as possible to the following questions would be greatly appreciated. There are not right or wrong answers. Please tell us what you really think. As all responses are confidential, Please DO NOT signs your name.

**Section (1) PERSONAL INFORMATION:** (Please put a ☒ mark to indicate your preference).

**Gender:** A) Male ☐ B) Female ☐

**Age:** A) 21-30 years ☐ B) 31-40 years ☐ C) 41-50 years ☐ D) 51years & above ☐

**Marital Status:** A) Single ☐ B) married ☐

**Monthly Income:** A) up to 300 ☐ B) 300\$ - 600\$ ☐ C) 600\$ - 1000\$ ☐ D) 1000\$ above ☐

**Education:** a) Under Graduate ☐ b) Graduate ☐ c) P.G. ☐ d) Professional ☐

**Occupation:** a) Govt. Employee ☐ b) Private Employee ☐ c) Self Employed ☐

**Section 2:** Please choose the suitable answer and put a ☒ mark the number given.

#### 1- Service quality

The bank provide:	Level of Importance				
	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. You are satisfied with location of the Bank					
2. Customer service are easy to access and available					
3. Willingness to listen and respond to your needs					
4. Fast and efficient service					
5. Friendly and courteous manner of employees					
6. Satisfied with the feedback given by the bank					

## 2- Banks loans policy

The bank provide:	Level of Importance				
	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. Commercial banks charges more than government banks					
2. Acceptable interest rate charge on loan					
3. Interest charge on overdue payment is in reasonable amount					
4. The volume of mortgages is acceptable					
5. The terms of lending to customers are easy					
6. The bank provides all types of loans					
7- Types of collateral secured for a bank loan is possible					

## 3- Security

The bank provide:	Level of Importance				
	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. Reputation of the bank is sound					
2. Process of transactions are safe and reliable					
3. Financial performance of the bank is sound					
4. Liquidity and bank size are sufficient to meet customers' requirements					
5. E-banking service is secured					



#### 4- Customer decision

The bank provide:	Level of Importance				
	1 Strongly disagree	2 Disagree	3 Neutral	4 Agree	5 Strongly agree
1. Service quality is a factor when choosing a bank					
2. Loans policy offered attract you to a certain bank					
3. Security offered is important when selecting a bank					

**Thank you for your participation**

#### **Source of Questionnaire:**

***IBIMA Publishing***  
*Journal of Marketing Research & Case Studies*  
 Vol. 2012 (2012), Article ID 927167, 16 pages  
 DOI: 10.5171/2012.927167

## Appendix 4

### Test of Normality

#### - Explore

#### Notes

Output Created		16-OCT-2018 11:14:35
Comments		
Input	Data	C:\Users\Lenovo\Documents\NEAR EAST UNIVERSITY\Thesis Of Naji\Data Analayze\Najii.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	112
Missing Value Handling	Definition of Missing	User-defined missing values for dependent variables are treated as missing.
	Cases Used	Statistics are based on cases with no missing values for any dependent variable or factor used.
Syntax		EXAMINE VARIABLES=Service_Quality Banks_Loans_Policy Security Customer_Decision /PLOT BOXPLOT STEMLEAF HISTOGRAM NPLOT /COMPARE GROUPS /STATISTICS DESCRIPTIVES /CINTERVAL 95 /MISSING LISTWISE /NOTOTAL.
Resources	Processor Time	00:00:05.98
	Elapsed Time	00:00:03.65

### Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Service_Quality	112	100.0%	0	0.0%	112	100.0%
Banks_Loans_Policy	112	100.0%	0	0.0%	112	100.0%
Security	112	100.0%	0	0.0%	112	100.0%
Customer_Decision	112	100.0%	0	0.0%	112	100.0%

### Descriptives

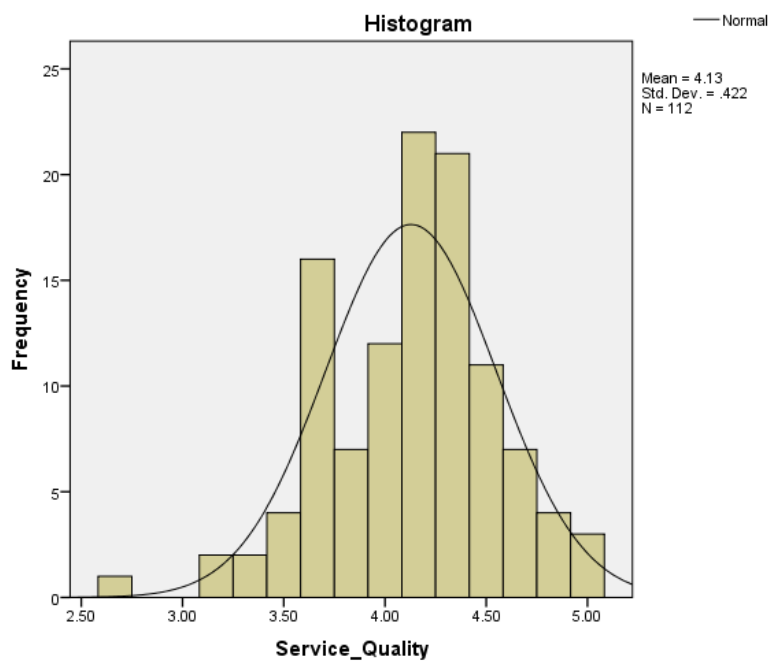
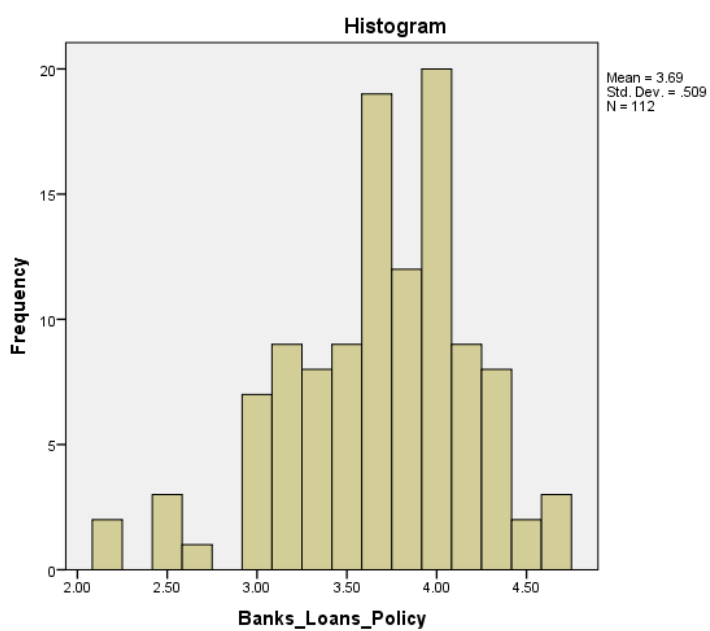
		Statistic	Std. Error
Service_Quality	Mean	4.1280	.03988
	95% Confidence Interval for Mean	Lower Bound 4.0489	
		Upper Bound 4.2070	
	5% Trimmed Mean	4.1369	
	Median	4.1667	
	Variance	.178	
	Std. Deviation	.42210	
	Minimum	2.67	
	Maximum	5.00	
	Range	2.33	
	Interquartile Range	.50	
	Skewness	-.418	.228
	Kurtosis	.521	.453
Banks_Loans_Policy	Mean	3.6875	.04812
	95% Confidence Interval for Mean	Lower Bound 3.5922	
		Upper Bound 3.7828	
	5% Trimmed Mean	3.7100	
	Median	3.6667	
	Variance	.259	
	Std. Deviation	.50924	
	Minimum	2.17	
	Maximum	4.67	
	Range	2.50	
	Interquartile Range	.67	
	Skewness	-.653	.228

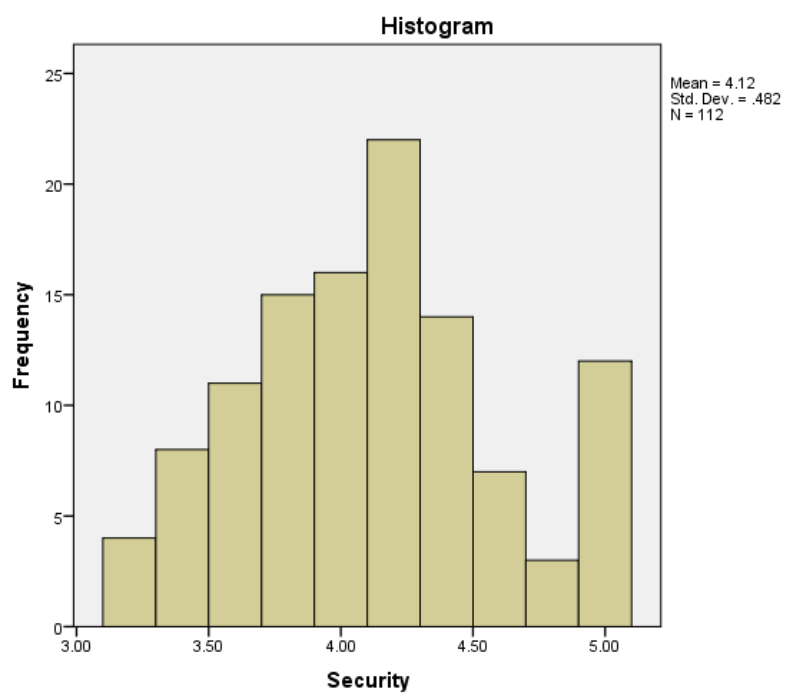
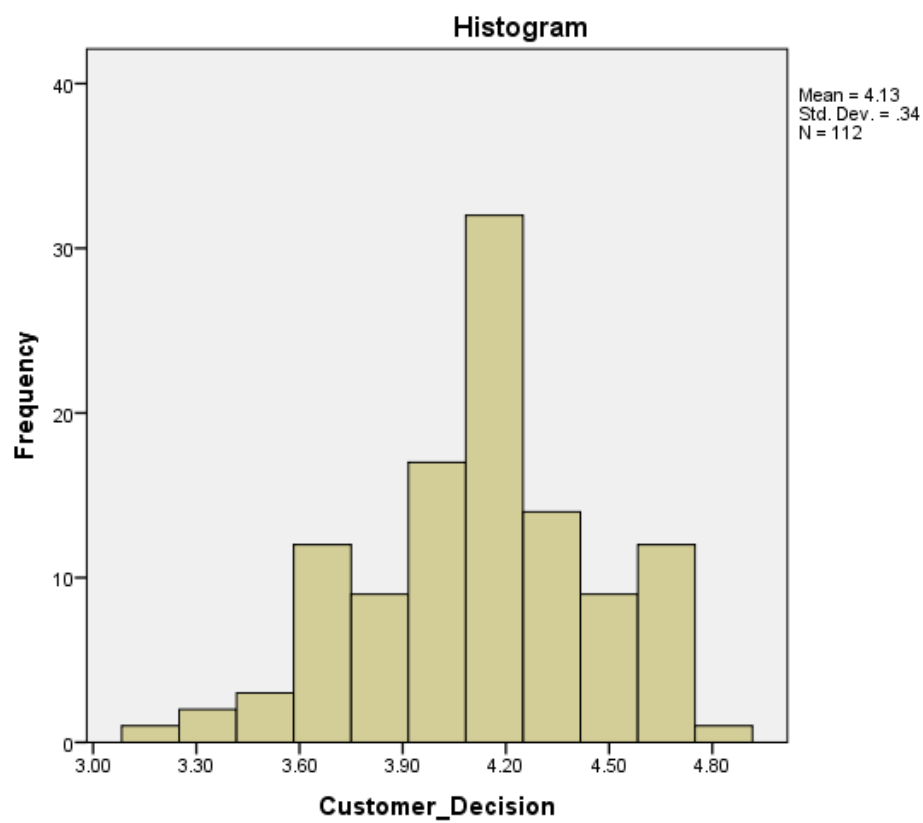
	Kurtosis		.566	.453
Security	Mean		4.1179	.04556
	95% Confidence Interval for Mean	Lower Bound	4.0276	
		Upper Bound	4.2081	
	5% Trimmed Mean		4.1167	
	Median		4.2000	
	Variance		.232	
	Std. Deviation		.48215	
	Minimum		3.20	
	Maximum		5.00	
	Range		1.80	
	Interquartile Range		.60	
	Skewness		.181	.228
	Kurtosis		-.567	.453
Customer_Decision	Mean		4.1265	.03215
	95% Confidence Interval for Mean	Lower Bound	4.0628	
		Upper Bound	4.1902	
	5% Trimmed Mean		4.1362	
	Median		4.1667	
	Variance		.116	
	Std. Deviation		.34020	
	Minimum		3.17	
	Maximum		4.83	
	Range		1.67	
	Interquartile Range		.33	
	Skewness		-.281	.228
	Kurtosis		-.114	.453

Table Tests of Normality

	Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Service_Quality	.144	112	.000	.969	112	.010
Banks_Loans_Policy	.135	112	.000	.959	112	.002
Security	.111	112	.002	.957	112	.001
Customer_Decision	.154	112	.000	.960	112	.002

a. Lilliefors Significance Correction

**Service\_Quality****Banks\_Loans\_Policy**

**Security****Customer\_Decision**

## PLAGIARISM REPORT

NAJI FATAHI Factors Affecting Customers' Decision for Taking out Bank Loans A Case of Sulaymaniyah city commercial banks

### ORIGINALITY REPORT

**17%**

SIMILARITY INDEX

**11%**

INTERNET SOURCES

**5%**

PUBLICATIONS

**9%**

STUDENT PAPERS

### PRIMARY SOURCES

**1**

[eprints.utar.edu.my](http://eprints.utar.edu.my)

Internet Source

**3%**

**2**

Christos Frangos, Konstantinos Fragkos, Ioannis Sotiropoulos, Giannis Manolopoulos, Aikaterini Valvi. "Factors Affecting Customers' Decision for Taking out Bank Loans: A Case of Greek Customers", Journal of Marketing Research and Case Studies, 2012

Publication

**3%**

**3**

[www.jespk.net](http://www.jespk.net)

Internet Source

**1%**

**4**

[globalbizresearch.org](http://globalbizresearch.org)

Internet Source

**1%**

**5**

[etd.aau.edu.et](http://etd.aau.edu.et)

Internet Source

**1%**

**6**

[www.kibid.com](http://www.kibid.com)

Internet Source

**1%**

## ETHICS COMMITTEE APPROVAL



BİLİMSEL ARAŞTIRMALAR ETİK KURULU

22.10.2018

Dear Naji Afrasyaw Fatah

Your application titled **“Factors Affecting Customers’ Decision for Taking out Bank Loans: A Case of Sulaymaniyah city commercial banks”** with the application number YDÜ/SB/2018/253 has been evaluated by the Scientific Research Ethics Committee and granted approval. You can start your research on the condition that you will abide by the information provided in your application form.

Assoc. Prof. Dr. Direnç Kanol

Rapporteur of the Scientific Research Ethics Committee

**Note:** If you need to provide an official letter to an institution with the signature of the Head of NEU Scientific Research Ethics Committee, please apply to the secretariat of the ethics committee by showing this document.