

ADDIS ABABA UNIVERSITY
SCHOOL OF COMMERCE
MARKETING MANAGEMENT POSTGRADUATE PROGRAM



**THE EFFECT OF CUSTOMER RELATIONSHIP MARKETING ON CUSTOMER
LOYALTY: THE CASE OF COMMERCIAL BANKS IN ETHIOPIA**

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Approved by Board of Examiners

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Acronyms

ANOVA- analysis of variance

CBE- Commercial Bank of Ethiopia

CRM-Customer Relationship Marketing

SPSS- Statistical Package for the Social Sciences

VIF-Variance Inflation Factor

List of Tables

Table 3.1: Classification of private banks based on their year of service in to three groups or Strata	26
Table 3.2 List of Banks Selected Randomly from each group/strata and sample size	27
Table 4.1: Reliability test.....	32
Table 4.2 Normality test.....	33
Table 4.3: Gender of respondents	34
Table 4.4.:Age of respondents	34
Table 4.5: Education qualification of respondents	35
Table 4.6: Occupation of respondents.....	35
Table 4.7: Monthly income of respondents.....	36
Table 4.8: Length of time the respondents uses the banks services	36
Table 4.9: Descriptive statistics of trust.....	37
Table 4.10: Descriptive statistics of Commitment	38
Table 4.11: Descriptive statistics of communication	39
Table 4.12: Descriptive statistics of conflict handling.....	40
Table 4.13: Descriptive statistics of Customer Loyalty	41
Table 4.14: Correlations between customer relationship marketing and customer loyalty	43
Table 4.15 Collinearity Test.....	46
Table 4.16 Pearson correlation between variables	46
Table 4.17: Durbin-Watson test.....	48
Table 4.18: Regression analysis of customer relationship marketing and customer loyalty.....	48
Table 4.19 ANOVA result for relationship marketing and customer loyalty	49
Table 4.20: Regression analysis result for trust and customer loyalty	50
Table 4.21: ANOVA result for trust and customers loyalty.....	50
Table 4.22: Regression analysis result for commitment and customer loyalty	51
Table 4.23: ANOVA result for commitment and customer loyalty	51
Table 4.24: Regression analysis result for communication and customer loyalty.....	52
Table 4.25: ANOVA result for communication and customer loyalty.....	52
Table 4.26: Regression analysis result for conflict handling and customer loyalty	53

Table 4.27: ANOVA result for conflict handling and customer loyalty	53
Table 4.28: Customer Relationship marketing mean in Private and Public banks	54
Table 4.29: Independent Samples Test.....	54
Table 4.30: Coefficients of relationship marketing dimensions	55
Table 4.31: Hypothesis testing summary.....	56

Abstract

Banking industry in Ethiopia has stiff competition thus banks need to consider various strategic options and programs in order to survive and thrive. One of strategy is Customer Relationship Marketing (CRM). This study was aimed to examine the effect of customer relationship marketing dimensions (trust, commitment, conflict handling, and communication) on customer loyalty of commercial banks in Ethiopia. A survey was conducted, collecting data through a questionnaire containing 30 items from sample of 384 conveniently selected bank customers. The statistical result revealed that three relationship marketing dimensions: trust, communication and conflict handling have positive and significant effect on customer loyalty. Whereas commitment has negative and but insignificance effect on customer loyalty. The relationship between relationship marketing and customer loyalty was found partially significant. Banks should focus on CRM so that they are expected to attracting new customers and more on retaining the existed ones with regard to relationship marketing to increase customer loyalty.

Key words: Customer Relationship Marketing, Trust, Commitment, Conflict Handling, Communication, and Customer Loyalty.

Table of content

Contents	Page
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem	3
1.3 Research questions	4
1.4 Research objectives	5
1.4.1 General objective.....	5
1.4.2 Specific objectives.....	5
1.5 Research hypothesis	5
1.6 Significance of the study	6
1.7 scope of the study.....	6
1.8 Limitation of the Study.....	7
1.9 Definitions of terms	7
1.10 Organization of the paper.....	8
CHAPTER TWO	9
LITERATURE REVIEW	9
2.1 Theoretical Review.....	9
2.1.1 Relationship Marketing	9
2.1.2 Relationship Marketing Dimensions.....	12
2.1.2.1 Trust	12
2.1.2.2 Commitment	15
2.1.2.3 Communication.....	16
2.1.2.4 Conflict handling	17
2.1.3 Customer Loyalty	19
2.2 Empirical Review	20
2.3 Conceptual Framework.....	23
CHAPTER THREE	25

RESEARCH DESIGN AND METHODOLOGY	25
3.1 Research approach.....	25
3.2 Research Design	25
3.3 population of the study-----	26
3.4 Sample size and Sampling Technique	26
3.5 Method of Data collection	28
3.6 Data analysis	29
3.7 Validity	29
3.8 Reliability.....	29
3.9 Ethical Issue.....	29
CHAPTER FOUR	31
RESULT AND DISCUSSION	31
4.1Data Screening and Data cleaning	31
4.2 Reliability test.....	32
4.3 Normality Test.....	32
4.4 Respondents Profile	33
4.4.1 Gender of respondents	34
4.4.2 Age of respondents.....	34
4.4.3 Education qualification of the respondents.....	34
4.4.4 Occupation of the respondents	35
4.4.5 Monthly income of respondents	35
4.4.6 Length of time the respondents use the banks services	36
4.5 Descriptive Analysis	36
4.5.1 Descriptive statistics of trust.....	36
4.5.2 Descriptive statistics of Commitment.....	38
4.5.3 Descriptive statistics of Communication	39
4.5.4 Descriptive statistics of Conflict Handling.....	40
4.5.5 Descriptive statistics of Customer Loyalty	41
4.6 Correlation analysis.....	42
4.7 Regression analysis	44
4.7.1 Testing Regression Analysis Assumptions	44

4.7.1.1 Multicollinearity test.....	45
4.7.1.2 Homoscedasticity assumption	47
4.7.1.3 Durbin-Watson coefficient.....	47
4.7.2 Regression analysis of customer relationship marketing and customer loyalty	48
4.7.3 Regression analysis of trust and customer loyalty.....	49
4.7.4 Regression analysis of commitment and customers' loyalty.....	50
4.7.5 Regression analysis of communication and customers' loyalty	51
4.7.6 Regression analysis of conflict handling and customers' loyalty.....	52
4.7.7 Customer Relationship marketing in Private and Public banks	54
4.7.8 Hypothesis testing summery	55
4.8 Results Discussion	57
CHAPTER FIVE	59
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	59
5.1 Summary of findings	59
5.2 Conclution	60
5.3 Recommendation.....	61

References

Appendix 1

Appendix 2

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Marketing is about customers. Customers are an essential component of a marketing system (Kotler et al, 2005).

The only value your company will ever create is the value that comes from customers the ones you have now and the ones you will have in the future. Businesses succeed by getting, keeping, and growing customers. Customers are the only reason you build factories, hire employees, schedule meeting, lay fiber optic lines, or engage in any business activities. Without customers, you don't have a business (Kotler and Keller, 2013). This tells us the survival of organizations depends on its customers. Customers are the source of profits to be earned by a profit making organization and the primary reason for being in the operation for not for- profit organizations. Thus, customers are the backbone and lifeline of organizations. Often it is said that “without customers there is no business”.

In the present age, changes happen quickly in the service sector. In this challenging environment, among organizations and companies accelerating change is being forced to communicate with customers and make them loyal to their priority. Organizations have been forced to change their response to the market. They have focused more on customers and less on products. They have to have a long-term view rather than short-term view. In this path, organizations have turned to new strategies for relationship marketing (Taleghani and Tabatabaei, 2014).

As a result of globalization of business and the evolving recognition of the importance of customer retention and market economies and of customer relationship economics, among other trends, reinforce the change in mainstream marketing (Gronroos, 1994).

According to (Gronroos, 1999), Long-term relationships where both parties over time learn how to best interact with each other lead to decreasing relationship costs for the customer as well as for the supplier or service provider. A mutually satisfactory relationship makes it possible for customers to avoid significant transaction costs involved in shifting supplier or service provider and for suppliers to avoid suffering unnecessary quality costs.

According to (Zeithaml & Bitner, 2013), Relationship marketing (relationship management) is a philosophy of doing business, a strategic orientation, which focuses on keeping & improving current customers rather than on acquiring new customers. This philosophy assumes that many consumers & business customers prefer to have an ongoing relationship with one organization than to switch continually among providers in their search for value. Building on this assumption & the fact that it is usually much cheaper to keep a current customer than to attract a new one, successful marketers are working on effective strategies for retaining customers.

Some of the motives behind organizational investment in customer relationship building include, access to privileged information on customer needs and wants, mutual rewards, cost reduction and increase in profitability, etc. Loyal customers are valuable communicators of favorable word-of-mouth about organizations or products to which they feel loyal. They can attract new customers for the organization and may even increase their own consumption collectively to the benefit of its sales, revenue and profit. Loyalists can also serve as useful sources of new product ideas (Ndubisi, 2006).

Relationship marketing can make a huge difference in case of banking sector. Clients want more than to loan money or make use of their savings. They want a personalized long term relation with the bank, built upon trust (Madan, Agrawal and Matta, 2015).

1.2 Statement of the Problem

For the service provider, a valued relationship is one that is financially profitable in the long run. (Lovelock, *et al*2004).

Banking industries worldwide are very competitive, and it is difficult for retail banks to provide unique banking services as required by clients. To overcome this challenge, banks, which can be classified as service firms, can benefit from superior relationship marketing, (Rootman, Tait&Sharp, 2011).

(Taleghani,Gilaninia andMousavian, 2011)state that banking sector is becoming increasingly competitive around the world. The core and actual product being offered to business customers could be considered reasonably homogenous. Consequently, there is an increased need for banks to differentiate themselves from competitors at the augmented product level. One way to be achieved is to develop longer-term relationships with their key customers.

Due to the above mentioned reasons, it is imperative to apply the modern paradigm shift in marketing called relationship marketing.

In the 1990s the concept of customer relationship marketing developed. This required an understanding of the nature of customers and markets, the understanding of long-term customer satisfaction for competitive success, and the need for a long term strategic orientation based upon a flow of information from customers and markets. In the new millennium, it was recognized that building that relationship meant that customers were now moving to granting 'permission' for an organization to market to them(Wilmshurst and Mackay, 2002).

Relationship marketing is still in its infancy as a mainstream marketing concept, although it has established itself as an underlying paradigm in modern industrial marketing and services marketing. Gronroos (1994).He stated that Relationship marketing has been offered as a new marketing paradigm.

Since the field of relationship marketing is new, as recent innovation in the field of marketing literature, there are no in-depth studies conducted especially in developing economies like Ethiopia.

Banking industry in Ethiopia has faced increased competition due to result of factors such as; government imposition of obligatory regulation, technology advancement. Government imposes regulation for each banks to increase their number of branch, number of customer and deposit. Thus, competition becomes stiff especially in the area of local deposit and foreign exchange mobilization. Banks have used CORE Banking system and uses electronic payment systems. The new technologies must increase competition among banks to attract customers. The coming from government regulation and technological advancements are forcing banks to build relationship marketing to be competitive, to experience high customer satisfaction, loyalty, and high profit.

As stated above, CRM as a new concept, government regulation and advanced technology in banking industry which increases competition among banks are the main reason that initiated the researcher to conduct this research. So, the aim of this study is to investigate the effect of relationship marketing dimensions; trust, commitment, conflict handling, and communication on customer loyalty.

1.3 Research questions

The researcher tries to give answers to the following research questions:

Main Research Question

How does CRM influence the level of customer loyalty of Commercial banks in Ethiopia?

Sub Research Questions

1. How does trust affect customer loyalty in Commercial banks in Ethiopia?
2. How does commitment affect customer loyalty in Commercial banks in Ethiopia?

3. How does communication affect customer loyalty in Commercial banks in Ethiopia?
4. How does conflict handling affect customer loyalty in Commercial banks in Ethiopia?
5. Is there any significant difference between private and public banks?

1.4 Research objectives

1.4.1 General objective

The general objective of this study is to investigate the effect of customer relationship marketing on customer loyalty in Commercial banks in Ethiopia.

1.4.2 Specific objectives

The specific objective of the study is:

- ✓ To determine whether trust influence the extent to which customers' loyalty towards their bank.
- ✓ To determine whether commitment influence the extent to which customers' loyalty towards their bank.
- ✓ To determine whether Communication influence the extent to which customers' loyalty towards their bank.
- ✓ To determine whether conflict handling influences the extent to which customers' loyalty toward their bank.
- ✓ To determine whether there is significant difference in CRM between private and public banks

1.5 Research hypothesis

In line with the above objectives the following hypothesis are formulated.

H1: Trust has a significant and positive effect on customers' loyalty.

H2: Commitment has a significant and positive effect on customers' loyalty.

H3: Conflict handling has a significant and positive effect on customers' loyalty.

H4: Communication has a significant and positive effect on customers' loyalty

H5: There is significance difference in customer relationship marketing between public bank and private banks.

1.6 Significance of the study

Relationship with loyal customers are typically less expensive to serve, and loyal customers contribute to the organization by buying more and premium prices, and engaging in behaviors that are beneficial to the organization such as acting as advocates of the organization.

Customers' loyalty is important to any organization in terms of enhancing their profit. In the service sector like banking industry, firms really need to be more alert of their customer needs and wants. In order to sustain their competitiveness in the marketplace, each bank needs to provide the excellent service towards their entire of customers. Therefore, it is important that each bank provide great services by fulfilling their entire customer needs, increasing their customer satisfaction and ultimately gaining the loyalty of the customers.

This study can provide current information on relationship marketing and its effect on customer loyalty in commercial banks in Ethiopia. Therefore, the findings of this research can contribute information about CRM to banking service providers. In addition this paper can give insights to other researchers who want to investigate elements of CRM and its effect on loyalty in the banking industry or other related businesses.

1.7 scope of the study

The study would be important in obtaining a lot of information if it covers all banks in Ethiopia. However, it is impractical or unmanageable to include all the Ethiopian banks because of resource limitations. Therefore, this study was delimited to few randomly selected banks. In terms of relationship marketing elements the study focused only four elements of relationship marketing (trust, commitment, communication, and conflict handling). Methodologically the study

used random sampling to select banks and branches and convenience sampling for customers.

1.8 Limitation of the Study

Because of time constraint and other resource limitations it is impossible to cover all banks in all areas found in Ethiopia. As a result the research is specific to customers of the some selected banks, it might affect the generalizability of the research output. Methodologically, the study used convenience sampling technique to select respondents and thus, it is difficult to get an equal probability of all customers being considered for sampling purpose. Hence it might affect the generalizability of the research output.

1.9 Definitions of terms

Customer Relationship Management (CRM) is the process of carefully managing detailed information about individual customers and all customers “touch point” to maximize loyalty (Kotler and Keller, 2013).

Customer Loyalty is a customer's willingness to continue patronizing a firm over the long term, purchasing and using its goods and services on a repeated and preferably exclusive basis, and voluntarily recommending it to friends and associates (Lovelock, *et al*2004).

Trust is a willingness to rely on an exchange partner in whom one has confidence. (Morgan and Hunt, 1994)

Commitment is an enduring desire to maintain a valued relationship. Morgan and Hunt (1994)

Communication refers to the ability to provide timely and trustworthy information. Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if delivery problem occur (Ndubisi, 2007).

Conflict handling can be described as the supplier's ability to avoid potential conflicts, solve manifested conflicts before they create problems, and the ability to discuss solutions openly with customers when problems do arise (Ndubisi 2007).

1.10 Organization of the paper

The paper is organized into five chapters. The first chapter deals with the introduction of the topic and the second chapter presents review of related literature which is about relationship marketing and customer loyalty. The third chapter deals with the methodology of the research and the fourth chapter presents data analysis, findings and discussion of the data gathered. The fifth chapter presents the conclusion and recommendations of the research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Relationship Marketing

Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining, and partnering with selective customers to create superior value for the company and the customer. It involves the integration of marketing, sales, customer service, and the supply-chain functions of the organization to achieve greater efficiencies and effectiveness in delivering customer value (Parvatiyar&Sheth, 2001).

Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges. (Morgan and Hunt, 1994).

Relationship marketing is a strategic process aiming to establish, develop, maintain and strengthen the network of relationships with various stakeholders on the basis of strong economic and social standards and the achievement of common objectives (Benouakrim&Kandoussi, 2013).

According to (Kotler, et al, 2005), Relationship marketing involves creating, maintaining and enhancing strong relationships with customers and other stakeholders. Increasingly, marketing is moving away from a focus on individual transactions and towards a focus on building value-laden relationships and marketing networks. Relationship marketing is oriented more towards the long term. The goal is to deliver long-term value to customers and the measure of success is long-term customer satisfaction. Relationship marketing requires that all of the company's departments work together with marketing as a team to serve the customer. It involves building relationships at many levels – economic, social, technical and legal – resulting in high customer loyalty.

According to Gronroos (1994), the aim of relationship marketing is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met.

CRM is a strategic approach concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of IT and relationship marketing strategies to deliver profitable, long-term relationships. Importantly, CRM provides enhanced opportunities to use data and information both to understand customers and implement relationship marketing strategies better. This requires a cross-functional integration of people, operations, processes and marketing capabilities that is enabled through information, technology and applications (Payne, 2005).

Relationship marketing aims to build long-term mutually satisfying relations with key parties; customers, suppliers, distributors in order to earn and retain their long-term preference and business. Effective marketers accomplish this by promising and delivering high-quality products and services at fair prices to the other parties over time. Relationship marketing builds strong economic, technical, and social ties among the parties. It cuts down on transaction costs and time. In the most successful cases, transactions move from being negotiated each time to being a matter of routine (Kotler, 2002).

Gronroos(1994) states about marketing strategy continuum. Relationship marketing is placed at one end of the continuum. Here the general focus is on building relationships with customers (and other parties as well, although only customers are discussed in this context). At the other end of the continuum transaction marketing where the focus of marketing is on one transaction at a time.

Table 2.1: The Marketing Strategy Continuum

The strategy continuum	Transaction	Relationship
Time perspective	Short-term focus	Long-term focus
Dominating marketing function	Marketing mix	Interactive marketing (supported by marketing mix activities)
Price elasticity	Customers tend to be more sensitive to price	Customers tend to be less sensitive to price
Dominating quality dimension	Quality of output (technical quality dimension) is dominating	Quality of interactions (functional quality dimension) grows in importance and may become dominating
Measurement of customer satisfaction	Monitoring market share (indirect approach)	Managing the customer base (direct approach)
Customer information system	Ad hoc customer satisfaction surveys	Real-time customer feedback system
Interdependency between marketing, operations and personnel	Interface of no or limited strategic importance	Interface of substantial strategic importance
The role of internal marketing	Internal marketing of no or limited importance to success	Internal marketing of substantial strategic importance to success

Source: Gronroos (1994)

Payne A. (2005) identifies three types of CRM. These components of CRM supports and feeds into each other. Successful CRM, which results in a superior customer experience, requires integration of all three of these component parts.

Operational CRM – This is the area that is concerned with the automation of business processes involving front-office customer contact points. These areas include sales automation, marketing automation and customer service automation. Historically, operational CRM has been a major area of enterprise expenditure as companies develop call centers or adopt sales force automation systems. CRM vendors focus on offering an increasingly wide range of operational CRM solutions.

Analytical CRM – This involves the capture, storage, organization, analysis, interpretation and use of data created from the operational side of the business. Integration of analytical CRM solutions with operational CRM solutions is an important consideration.

Collaborative CRM – This involves the use of collaborative services and infrastructure to make interaction between a company and its multiple channels Table 2.1 relation marketing Vs. Transactional marketing possible. This enables interaction between customers, the enterprise and its employees.

2.1.2 Relationship Marketing Dimensions

2.1.2.1 Trust

Relationship marketing is built on the foundation of trust (Morgan and Hunt, 1994). They define trust as a willingness to rely on an exchange partner in whom one has confidence. They also state that trust and Commitment are "key" because they encourage marketers to:

1. Work at preserving relationship investments by cooperating with exchange partners,
2. Resist attractive short term alternatives in favor of the expected long term benefits of staying with existing partners, and

3. View potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically. Promote efficiency, productivity, and effectiveness that lead directly to cooperative behaviors that are conducive to relationship marketing success.

Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty (Ndubisi, 2007). Taleghani, Gilaninia and Mousavian (2011) state that Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. They conclude in their finding that banks that desire to build loyal customers should strive to earn customers trust. By giving and keeping promises, showing concern for the security of customer transactions, providing quality services, showing respect for customers, fulfilling obligations to customers, and striving always to enhance customers' confidence, banks can earn customers' trust and, as a result, can make them loyal.

(Vuuren, Roberts-Lombard & Tonder, 2012) describe trust is an important factor in affecting relationship commitment and customer loyalty. If one party trusts another, such a party is willing to develop a positive behavioral intention toward the other party. Trust influences loyalty by affecting the customer's perception of congruence in values with the service provider, and such value congruence is significantly related to the customer's satisfaction and loyalty.

Ndubisi (2007) emphasizes that an integral element of the relationship marketing approach is the promise concept. He stated that the responsibilities of marketing do not only, or predominantly, include giving promises and thus persuading customers as passive counterparts in the marketplace to act in a given way, but also in keeping promises, which maintains and enhances evolving relationship. He also pointed out that fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base, and securing long-term profitability. In practical business activities, therefore, the development of trust is considered to be a critical result of establishing a long-term successful relationship between all the parties involved.

In face of complicated markets, customers tend to behave and make purchasing decision depending on their previous consuming experiences. Investing in long-term relationship with customers helps to develop customer trusts and improve the effective quality of a relationship in order to obtain mutual interests.

Customers with trusts in producer's capability would probably be willing to commit to a product relationship for meeting their expectations (Morgan and Hunt, 1994). They pointed out that even when the environment is changing, the customers would believe that the producer will take customers interests into account instead of doing anything harmful to the development of relationship. They also conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity.

(Egan, 2011) identify different words or terms seem to be used to describe trusting situations:

Probity-focuses on honesty and integrity that may be realized in business terms as professional understanding and reputation. Reputation matters, and in particular the historical trustworthiness of parties following previous interactions.

Equity-factors such as fair-mindedness, benevolence, caring, values and sincerity are in evidence here. Helpful advertising and/or cause-related sponsorship or promotions may help communicate this message to the consumer.

Reliability relates to the firm having the required expertise to perform its business effectively and reliably. It is emphasized through dependability, quality and consistency, and may be associated with high levels of predictability on the part of consumers as to the product or service they can expect.

Satisfaction-associated with the perceived standard of delivery and may well be dependent on the duration of the relationship.

Morgan and Hunt (1994) emphasize the importance of trust and they pointed out for trust as a major determinant of relationship commitment. Therefore, banks should strive to win customers' trust. The ways in which this can be achieved include the giving and keeping promises to customers, showing concern for the security of transactions, providing quality services, showing respect for customers through front-line staff, fulfilling obligations, and acting to build customers' confidence in the bank and its services.

2.1.2.2 Commitment

Morgan and Hunt (1994), Commitment to the relationship is defined as an enduring desire to maintain a valued relationship. They state that relationship commitment as an exchange partner believing that an ongoing relationship with another is so important as to warrant maximum efforts at maintaining it; that is, the committed party believes the relationship is worth working on to ensure that it endures indefinitely.

Parties in the relationship identify commitment as the key endeavor to develop and maintain their relationship. A high level of commitment provides the context in which both parties can achieve individual and joint goals without fear of opportunistic behavior. This is because more committed partners will exert effort and balance short-term problems with long-term goal achievement. Vuuren, Roberts-Lombard & Tonder (2012).

Taleghani, Gilaninia and Mousavian (2011) emphasize commitment is important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency. Specific ways to demonstrate commitment include, offering both customized and flexible services. It means accommodating to customers' needs, tailoring products to requirements, and being generally flexible in customer relationships. They conclude in their finding that Banks should recognize the potency of service commitment in keeping loyal customers, and act accordingly. They must show genuine commitment to customer relations, not lip service.

(Anabila, Narteh, Tweneboah-Koduah, 2012)state that managers must show keen enthusiasm and commitment in making frequent changes to meet the ever-changing customer needs and requirements. By this, banks must be committed to the needs of the customers by making adjustments to suit customers' needs, offering personalized services to meet customers' personal needs, showing genuine commitment to customer relations by clearly understanding customers' needs and innovatively serving them.

The commitment of exchange partners is the key to achieve outcomes of great value. Benouakrim&Kandoussi (2013). Managers should focus on commitment that ultimately leads to different types of loyalty behaviors like word of mouth (Husnain& Akhtar, 2015).Morgan and Hunt (1994) viewed that Parties identify commitment among exchange partners as key to achieving valuable outcomes for themselves, and they endeavor to develop and maintain this precious attribute in their relationships.

Committed customers are positive in both attitude and behavior and they are described as delighted with the brand. They can be depended upon to make continuing purchases and to engage in positive and delighted word-of-mouth exchanges with other potential customers.

2.1.2.3 Communication

Kotler and Keller (2013), Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers directly or indirectly about the products and brands they sell.

Communication refers to the ability to provide timely and trustworthy information. Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if delivery problem occur (Ndubisi, 2007). He viewed that Communications tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there

is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal.

Parvatiyar&Sheth (2001) state that Communication with customer partners is necessary process of relationship marketing. It helps in relationship development, fosters trust, and provides the information and knowledge needed to undertake the cooperative and collaborative activities of relationship marketing. In many ways it is the lifeblood of relationship marketing. Gronroos (1994), viewed market communication is a central means of reaching customers, and the focus on relationship building leads to an interest in emphasizing dialogues with identified customers.

2.1.2.4 Conflict handling

Conflict handling can be described as the supplier's ability to avoid potential conflicts, solve manifested conflicts before they create problems, and the ability to discuss solutions openly with customers when problems do arise (Ndubisi2007).

Husnain& Akhtar (2015) state Conflict in our lives is obvious, and conflict is considered as a harmful, destructive experience by people, but it is more natural and Conflict can be healthy and normal in an organizational perspective, lack of tension is ultimately dull and stagnant and unlikely to foster creativity and growth.

(Clow&Kurtz, 2013) identified and explained the four types of conflict faced by customers.

Employee-Customer conflict

Conflict can occur between employees and customers when either party does not follow the expected role. Conflict also occurs between the employee and the customer if the customer does not take care of the facility the way the employees feels. Both customers and service personnel are expected to behave in accordance with their role scripts. When behavior deviates from scripts, a conflict

will arise. To reduce employee-customer conflict, both customers and service providers must understand their roles. Company personnel should instruct new customers about their roles and may need to remind current customers occasionally. Teaching employees how to deal with different types of customers and their behaviors can also be beneficial.

Customer-Role conflict

Occasionally there is a conflict between the customers and their expected roles. In these situations, the service provider must provide instructions to the client on his or her role without insulting the customer. The service provider should also attempt to give the client a sense of cognitive control through providing information about the service to be provided.

Customer-Organization conflict

Conflict between the customer and the organization is common. Most of these situations occur as a result of policies of the service organization. In most cases, the individual conflict is with the organization and not with the service personnel. Dealing with customer-organization conflict is difficult to alleviate because most organizations do not want to change policies. When conflict occurs, service providers should analyze their policies and decide if it is time to modify or eliminate the policy.

Customer-Customer conflict

Conflicts sometimes arise among customers when they are served simultaneously or when one customer is served in the presence of other customers. Conflicts also sometimes occur among customers who have different expectations. A customer who wants quick, speedy service may be aggravated at the customer in front of him who wants to talk and wants personalized service. Handling conflict among customers is difficult. Employees of all types of services should be trained to handle conflicts among customers and how to minimize such conflict.

2.1.3 Customer Loyalty

(Oliver, 1999) defined customer loyalty as a deeply held commitment to rebuy or re patronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.

Loyalty is a customer's voluntary decision to continue patronizing a specific firm over an extended period of time (Lovelock, et al 2004).(Keshvari and Zare, 2012) define customer loyalty as customer's demonstration of faithful adherence to an institution (or merchant) despite the occasional error or indifferent service.

Oliver (1999) identify attitudinal phase that consumers can become "loyal" relating to different elements of the attitude development structure.

Cognitive loyalty. In the first loyalty phase, the brand attribute information available to the consumer indicates that one brand is preferable to its alternatives. This stage is referred to as loyalty based on brand belief only. Cognition can be based on prior or vicarious knowledge or on recent experience based information. Loyalty at this phase is directed toward the brand because of this "information" (attribute performance levels). Cognition is directly subject to counter argumentation.

Affective loyalty. At the second phase of loyalty development, a liking or attitude toward the brand has developed on the basis of cumulatively satisfying usage occasions. The brand loyalty exhibited is directed at the degree of affect (liking) for the brand.

Conative loyalty. Conative (behavioral intention) stage, as influenced by repeated episodes of positive affect toward the brand. Conation implies a brand specific commitment to repurchase. Conative loyalty, then, is a loyalty state that contains what, at first, appears to be the deeply held commitment to buy.

Action loyalty-In the action control sequence, the motivated intention in the previous loyalty state is transformed into readiness to act.

The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be.

In the banking sector, it is the main job of manager and marketers to create and develop customer loyalty if they want to maintain their company and increase its profitability. (Rizan, Warokka&Listyawati, 2014). They state that customer loyalty not only makes a platform where the customer is ready to stay maximum time with the organization and causes long-term benefit, but also provides a name of inspiration with the company products or services.

2.2 Empirical Review

Nidubisi(2007) conducted research and concluded that banks wishing to retain and develop loyal customers should be trustworthy and committed to the service ethic, should communicate timely and accurately, and must resolve conflicts in a manner that will eliminate unnecessary loss and inconvenience to customers.

Taleghani, Gilaninia and Mousavian (2011) Mohammad et al. (2011) this research aimed to empirically investigate the impact of relationship marketing underpinnings (namely trust, commitment, communication, conflict handling, bonding, shared values, empathy, and reciprocity) on customer loyalty in the banking industry. A survey was conducted, collecting data through a questionnaire containing 34 items that was completed by 384 randomly selected bank customers and multiple regression analysis was used for data analysis. The results revealed that the all underpinnings of relationship marketing were directly associated with customer loyalty and they had a significant effect on it. Therefore it is reasonable to conclude that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a

timely, reliable and proactive fashion, handling conflict efficiently, paying attention to shared values, improving the empathetic and reciprocal abilities of the salespeople, and developing strong bonds between buyers and sellers.

(Koçoğlu, D. and Kirmaci, S., 2012) conducted research and conclude that, banks' ability to retain their existing customers and gain new customers depends on accurate customer relationship management. The study conducted in Denizli of T.C. ZiraatBankası, the leading public bank of the banking sector.

A study by (ShiferaBekele, 2011) conducted on Bank of Abyssinia, the survey was conducted on 250 respondents. The result shows that relationship marketing dimensions have impact on customer loyalty. All the independent variables are positively and directly related to customer.

Anabila, Narteh, Tweneboah-Koduah (2012) explore the relationship between Relationship Marketing (RM) and customer loyalty in Ghana's banking industry. The study found that commitment and communication were found to be significant drivers of customer loyalty. Whereas, trust has negative relationship with customer loyalty but the relationship is insignificant. They state that respondents do not consider trust as a primary factor in determining customer loyalty. They explained that that banks in Ghana are, generally, trustworthy perhaps due the sound regulatory framework in the country that ensures that banks adopt sound banking practices in conformity to regulatory standards; hence customers have no reasons to worry about trust. Trust then should be viewed as a 'hygiene factor', which is not readily recognized by customers but its absence could have negative consequences.

Taleghani, M. and Tabatabaei, S.M (2014) This research tries to examine Effects of relationship marketing Include the quality relationships, commitment, trust, By Bank and The Bank's ability to manage conflict Melli Bank to increase customer loyalty. The population number was over 100,000 and 384 questionnaires were distributed completed by the researcher. The results suggest that an increase in customer loyalty Melli Bank are three variables the

Bank's ability to manage conflict, commitment and quality of communication whereas there are increasing with loyalty variable trust by bank.

(Anabila& Awunyo-Vitor, 2013) The aim of the study was to assess the relationship between customer relationship management and customer loyalty using a case bank. Cross sectional research design was used to sample 20 staff and 50 customers. Data was collected from sampled respondents using a questionnaire. The result indicates that the bank assigned relationship managers who take care of the individual customer's needs. Thus, there is indication of the practice of CRM at the bank and this was more evident in the area of feedback to customers. However, staff perception of the constructs of CRM practice was relatively more positive than customers given the respective mean scores of the measures. Thus, Banks may believe that they are practicing CRM when in actual fact customers are not recognizing it that much. A correlation analysis revealed that there is a strong positive relationship between CRM practice and customer loyalty. The study recommends that management of the bank should continue with the CRM practices and effectively communicate their CRM policy to customers to improve customer loyalty. In addition introduction of some loyalty programs would enhance customer loyalty.

2.3 Conceptual Framework

Based on relationship marketing theory firms engage in relationship marketing because it increases their competitiveness. It is noted that customers do so when relationships contribute to the firm's ability to efficiently and effectively produce market offerings that have value for some market segment(s). That is, they do so when relationships become resources. Relational resources have the potential to improve a firm's marketplace position and, in turn, its financial performance. Based on relationship marketing theory there are relational factors such as trust, commitment, conflict handling, and communication that influence customer loyalty.

Customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently (Ndubisi, 2007). He also conclude in his finding that bank customers tend to be loyal if the bank is:

- . Trustworthy;
- . Committed to service;
- . Reliable and efficient in communicating to customers; and
- . Able to handle conflicts well.

Ndubisi (2007) mentioned that, there are four major variables which have been considered as relationship marketing items including trust, commitment, communication and conflict management. The researcher will use the framework as it is without modification.

The Conceptual framework of the research looks like the following.

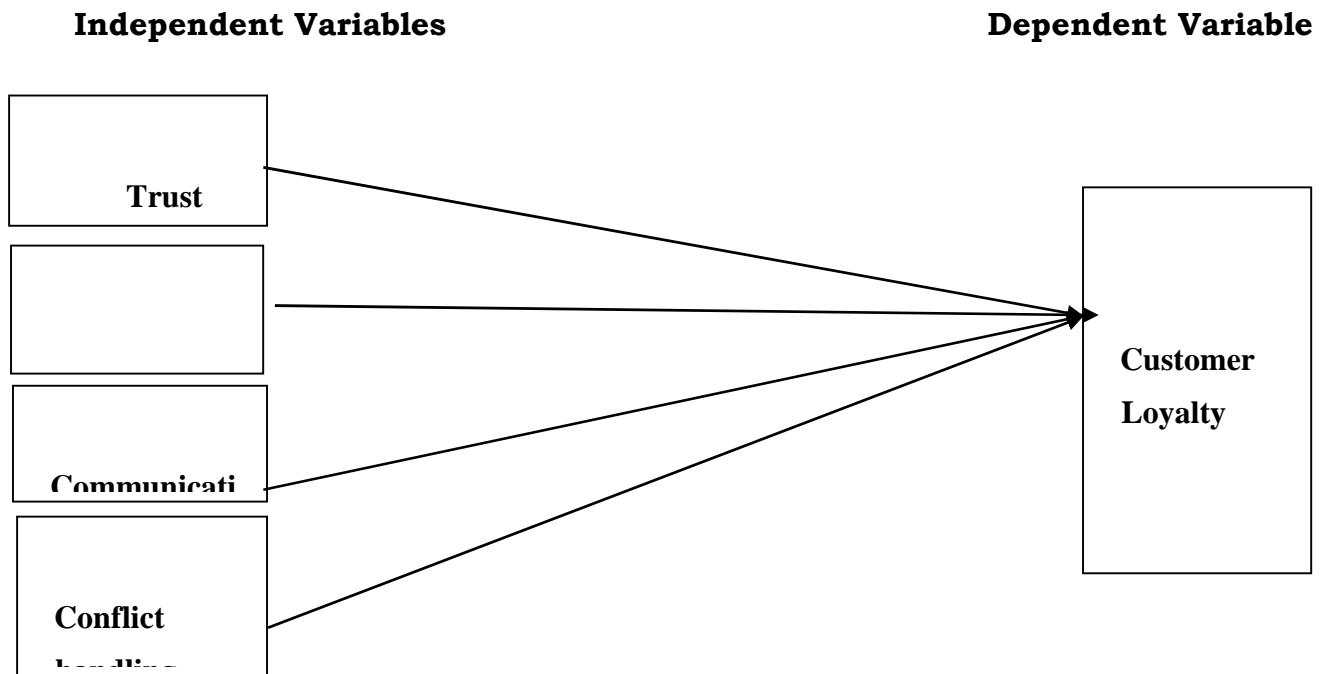


Figure 2.1: Conceptual framework of the research
Source (Ndubissi, 2007)

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This part describes the methodologies that are used in this study; the choice of particular research designs, research approach, sample and sampling techniques, source of data collection, data collection instruments, reliability & validity of the study and the method of data analysis.

3.1 Research approach

Quantitative approach is one in which the investigatory primarily uses postpositive claims for developing knowledge (i.e., cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories), employs strategies of inquiry such as experiments and surveys, and collect data on predetermined instruments that yield statistics data. Qualitative approach is one in which the inquirer often makes knowledge claims based primarily on constructivist perspectives (i.e., the multiple meanings of individual experiences meanings socially and historically constructed, with an intent of developing a theory or pattern) or advocacy/participatory perspectives (i.e., political, issue-oriented, collaborative, or change oriented) or both. (Creswell, 2003).

In line with the objectives of this study, quantitative approach applied. Thus the researcher chooses quantitative research to describe and explain CRM elements of Commercial banks in Ethiopia by collecting quantitative data from customers of the banks.

3.2 Research Design

The purpose of this study is to describe the current relationship marketing elements and its effects on customer loyalty of commercial banks in Ethiopia. Therefore, methodological approach for this study is descriptive and explanatory research type. The researcher analyzed the casual relations between the dependent variable (loyalty) and the independent variables (CRM elements) using

correlation and regression, which makes the research explanatory. Therefore this study is both descriptive and explanatory.

3.3 Population of the Study

The researcher chooses one public bank; Commercial Bank of Ethiopia and three private banks randomly by considering their service years. The study try to examine the effect of relationship marketing on customer loyalty by the customers of the CBE, Dashen Bank, Abay Bank and Cooperative Bank of Oromia. The researcher confined to customers located in Addis Ababa. The sampling frame for this study incorporates all customers of selected banks in branches located in Addis Ababa.

3.4 Sample size and Sampling Technique

(Saunders, Lewis &Thornhill 2009) provides guide to the different minimum sample sizes required from different sizes of population given a 95 per cent confidence level for different margins of error. Sample statistics need to be reliable and represent the population parameters as close as possible within a narrow margin of error. According to them for population size of 1000,000 and more at 95% confidence level with +/-5% confidence interval (margin of error) the sample size account 384. Since the population of these selected banks has millions of customers taking 384 sample size is appropriate.

The researcher had taken sample respondents from public bank 192 (50%) and Private Banks 192 (50%), commercial bank of Ethiopia is selected from public bank and three private banks are selected based on their service years; Dashen bank, Cooperative Bank of Oromia and Abay bank.

Table 3.1: Classification of private banks based on their year of service in to three groups or Strata

>20 years(Group A)	>10 years & < = 20 years (Group B)	< = 10 years (Group C)
Awash Bank (1994)	United bank (1998)	Zemen Bank (2008)
Dashen Bank (1995)	NIB International Bank (1999)	Oromia International Bank (2008)
Bank of Abyssinia (1996)	Cooperative Bank of Oromia(2004)	Bunna International Bank(2009)
Wegagen Bank (1997)	Lion International Bank(2006)	Berhan International Bank (2009)
		Abay Bank (2010)
		Addis International Bank (2011)
		Debub Global Bank (2012)
		Enat Bank (2012)

Three banks are selected randomly from each group and list of banks shown on Table: 3.2. The researcher designed proportional allocation of sample size in each selected private banks.

Table 3.2 List of Banks Selected Randomly from each group/strata and sample size

	Group A	Group B	Group C	
	Dashen bank	Cooperative Bank of Oromia	Abay bank	Total
Total number of customers (Jun 30,2016)	1,400,000	794,154	232,000	2,426,164
Allocation of Samples in (%)	57.7%	32.7%	9.6%	100%
Sample size	111	63	18	192

Source: Annual report; Dashen Bank. Cooperative Bank of Oromia, and AbayBank

The sample size for the selected banks are; 192 to CBE, 111 to Dashen bank, 63 to Cooperative bank of Oromia and 18 to Abay bank. Questionnaire were distributed in convenient branches in Addis Ababa. Because the number of customers of these banks are rapidly changed, it is impossible to use probability sampling technique, thus the researcher taken convenience sampling to contact the customers who are served in convenient branches. Questionnaire were distributed to convenient branches in Addis Ababa; CBE selected branches were Addis Aababa branch, Finfine Branch, AradaGirgisBranh and Megenagna branch and Aratkillilo Branch. Dashen bank selected branches were Megenagna branch, AradaGiorgis Branch and Addisugebeya. Abay Bank branches selected were Main branch and Tewodros branch. Cooperative Bank of Oromia branches selected were megenagna branch and piassa branch.

3.5 Method of Data collection

The data is collected by using two sources; primary and secondary data source. Primary data are help full to get original information from the respondents to know their feelings, opinions, attributes and perceptions towards a particular issue. To collect primary data the researcher used questionnaire. To distribute researcher used convenience sampling technique. Secondary data; such type of data involves different sorted data made, adjusted and field by a third party. The researcher will use books, journals, and documents related with customer relationship of the banks.

The questionnaire consists of two parts. Part one prepared to gather general information about the respondents 'gender, age, education, occupation, monthly income and for how many time the customer using the bank's services. Part two prepared to ask respondents to answer relationship marketing and customer loyalty questions. This part consists of 30 questions and measures the effect of relationship marketing on customer loyalty which is divided in five dimensions. Trust, commitment, communication, conflict handling and loyalty adopted from Ndubisi (2007) with few additions.

3.6 Data analysis

Analysis of data in this research was done by using statistical tools like regression and correlation models. Regression analysis was used to know by how much the independent variable i.e. relationship marketing explains or influences the dependent variable which is customer loyalty. Correlation analysis also conducted to measure the strength of the association between relationship marketing dimensions and customer loyalty. And also descriptive analysis used to analyze customer relationship marketing elements and for the demographic factors such as gender, age, education, occupation, and monthly income and for how many times the customers are using the bank's services. Data analysis was performed by using SPSS software.

3.7 Validity

Validity refers to the conceptual and scientific soundness of a research study or investigation, and the primary purpose of all forms of research is to produce valid conclusions. (Marczyk, DeMatteo and Festinger, 2005). The researcher used standardized questionnaire with few addition. So, the instrument is already valid and tested. There also a large sample size was used to increases the accuracy of the results.

3.8 Reliability

The researcher tasted the reliability of the criteria by using alpha coefficient. Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another.

3.9 Ethical Issue

The researcher used the data from customers which was collected through questionnaire; permission should obtain from the customers. To maintain the

confidentiality of the information that was provide by the respondents, the respondents was instructed not to write their names on the questionnaire and assured of that the responses use only for academic purpose and kept confidential. Brief description of the central objectives or purpose of the study was clearly given in the introductory part of the questionnaire.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

To analyze the collected data in line with the overall objective of the research undertaking, statistical procedures were carried using SPSS. In this part to identify the major issues and to provide workable recommendations for the problems concerning customer relationship marketing and customers' loyalty, the researcher has collected data through questionnaire. In this chapter the findings of the study are presented. During the survey a total of 384 questionnaires were distributed to customers. 305(79.4%) distributed questionnaires were returned. From returned questioners 274(71.4%) were correct whereas, 31(5%) were incorrect. So the analysis was made based on 274 responded questionnaires. The questionnaire were developed in five scales ranging from five to one; where 5 represents strongly agree, 4 agree, 3 no opinion, 2 disagree, and 1 strongly disagree. Customers were selected based on convenience sampling and efforts have been made to have representative sample and the results are considered as representative of the population. Descriptive statistics were used for demographic factors and for Customer Relationship Marketing elements and correlation and regression analysis were conducted for scale typed questionnaires.

4.1 Data Screening and Data cleaning

Data cleaning and screening was done before analyzing the data. Data collected from respondents was screened for missing value and minimum and maximum values of five point Likert-scale questions was 1 and 5 respectively. A total of 384 questionnaires were distributed to customers. 305(79.4%) distributed questionnaires were returned. From returned questioners 274(71.4%) were correct whereas, 31(5%) were incorrect. So the analysis was made based on 274 responded questionnaires.

4.2 Reliability test

According to the stability coefficient Cronbach's Alpha (which measures the consistency and internal stability of elements measure the independent and dependent variables of the study) if the coefficient is less than 0.60, the consistency and internal stability is considered weak, if the coefficient varies between 0.60 and less than 0.80, it is considered as accepted But, if the coefficient varies between (0.80 to 0.85), it is considered good. In case the coefficient is higher than 0.85 to one, it is considered excellent. (Sayed Soliman, 2011). As it indicated in the table, the test result is between 0.71 and 0.889. Therefore, based on the test, the results for the items are reliable and acceptable.

Table 4.1: Reliability test result for the questionnaire

Item	Number of Item	Cronbach's Alpha	Result
Trust	8	0.826	Good
Commitment	6	0.742	Accepted
communication	4	0.710	Accepted
Conflict Handling	5	0.853	Excellent
Customer Loyalty	7	0.889	Excellent
Overall reliability	30	0.915	Excellent

Source: Own Survey Data, 2017

4.3 Normality Test

Normal distribution take a form of a symmetric ball shaped curve. The standard normal distribution is one with a mean 0 and a standard deviation of 1. (Garson,

2012). According to him, skew and kurtosis with range +3 to -3 used to measure normal distribution. The skew and kurtosis result show that there were normally distributed.

Table 4.2 Normality test

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Trust	274	-1.251	.147	2.085	.293
commitment	274	-.957	.147	1.285	.293
Communication	274	-.911	.147	1.169	.293
Conflict Handling	274	-1.210	.147	2.109	.293
Customer Loyalty	274	-.975	.147	.886	.293
Valid N (listwise)	274				

Source: Own Survey Data, 2017

As shown from the above table,

4.4 Respondents Profile

This descriptive analysis is used to look at the data collected and to describe that information. It is used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographics questions. The demographics factors used in this research are gender, age, education qualification, occupation, monthly income, and length of time the respondents uses the banks services.

4.4.1 Gender of respondents

The gender of the respondents is shown in table 4.3. The table shows that 50.4% respondents were male and 49.6% were female.

Table 4.3: Gender of respondents

	Frequency	Percent
Male	138	50.4
Female	136	49.6
Total	274	100.0

Source: Own Survey Data, 2017

4.4.2 Age of respondents

Table 4.4 shows that 64.6% are the age of 20-39 years old, followed by respondent at the age between 40-59 years old with 25.5%, 5.1% were 60 years old and above. The remaining of the respondents 4.7% were below 20 years old.

Table 4.4: Age of respondents

	Frequency	Percent
Below 20 years	13	4.7
20-39 years	177	64.6
40-59 years	70	25.5
60 years & above	14	5.1
Total	274	100.0

Source: Own Survey Data, 2017

4.4.3 Education qualification of the respondents

The education qualifications of respondents are shown in table 4.5. As it is indicated in the table, 41.6% hold a first degree. In the other way, 23.4% were diploma holder, while 17.9% of the respondents achieved secondary education. 9.9% achieved primary education and 6.6% hold a postgraduate degree. 0.7% respondents show that they had other qualification.

Table 4.5: Education qualification of respondents

	Frequency	Percent
Primary school	27	9.9
Secondary school	49	17.9
Diploma	64	23.4
Degree	114	41.6
Post graduate	18	6.6
Others	2	.7
Total	274	100.0

Source: Own Survey Data, 2017

4.4.4 Occupation of the respondents

The results of respondents' occupation are indicated in table 4.6. The table demonstrates that 33.9% of the respondents are working in government sector, 29.9% are having their own business, 23.4% are working in private sector and 12% indicated that they are student.0.7% respond that they are working in other occupation.

Table 4.6: Occupation of respondents

	Frequency	Percent
government sector	93	33.9
private sector	64	23.4
own business	82	29.9
student	33	12.0
Others	2	.7
Total	274	100.0

Source: Own Survey Data, 2017

4.4.5 Monthly income of respondents

The results of monthly income of respondents are shown in table 4.7. The table shows that 42.3% of the respondents had income of 5000 birr and above and 23.4% had income of between birr 3000-4999 monthly. On the other hand, 21.5% had income of between birr 1000-2999 and the remaining respondents 12.8% had income of below 1000 birr.

Table 4.7: Monthly income of respondents

	Frequency	Percent
below birr 1000	35	12.8
birr 1000-2999	59	21.5
birr 3000-4999	64	23.4
birr 5000 and above	116	42.3
Total	274	100.0

Source: Own Survey Data, 2017

4.4.6 Length of time the respondents use the banks services

The results of length of time the customers uses the banks services are indicated in table 4.8. As it is shown in the table, 32.8% of the respondents have used the banks services for above 7 years, 23% have used for 3-5 years and 19.3% have used 1-3 years bank service. On the other hand 14.6% and 10.2% of the respondents have used the banks services for 5-7 years and below 1 year respectively.

Table 4.8: Length of time the respondents uses the banks services

	Frequency	Percent
below 1 year	28	10.2
1-3 years	53	19.3
3-5 years	63	23.0
5-7 years	40	14.6
above 7 years	90	32.8
Total	274	100.0

Source: Own Survey Data, 2017

4.5 Descriptive Analysis

4.5.1 Descriptive statistics of trust

Table 4.9: Descriptive statistics of trust

	N	Mean	Std. Deviation
The bank is very concerned with security for my transactions	274	4.30	.872
The bank's promises are reliable	274	4.17	.950
The bank is consistent in providing quality service	274	3.98	1.032
Employees of the bank show respect to customers	274	4.19	.950
The bank fulfils its obligations to customers	274	4.02	1.005
I have confidence in the bank's services	274	4.12	.909
My bank is always honest to me	274	4.10	.940
My bank has the ability to meet its promises	274	4.06	.998
Trust	274	4.12	0.73

Source: Own Survey Data, 2017

From the above eight items of trust dimension shown on table 4.9, the bank is very concerned with security for my transactions with the highest mean score (4.30) followed by Employees of the bank show respect to customers (4.19). The bank's promises are reliable, I have confidence in the bank's services, my bank is always honest to me, the bank fulfils its obligations to customers and my bank has the ability to meet its promises scores mean (4.12) (4.10) and (4.06) respectively. The bank is consistent in providing quality service scores lowest mean (3.98) from other items of trust. This indicates that the overall perception of the customer on this particular dimension is good. Standard deviation shows that how diverse are the responses of customers for a given construct. High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion. Trust dimensions has scored 4.12 grand mean and 0.73 standard deviation. The overall mean shows perception of customers about trust is good. Standard deviation shows that 68% of participants are within ± 0.73 (1 standard deviation) of the mean 4.12, 95% of participants are within ± 1.46 (2 standard deviations) of the mean 4.12 and 99% of participants are within ± 2.19 (3 standard deviations) of the mean 4.12.

4.5.2 Descriptive statistics of Commitment

Table 4.10: Descriptive statistics of Commitment

	N	Mean	Std. Deviation
The bank makes adjustments to suit my needs	274	3.63	1.142
The bank offers personalized services to meet customer need	274	3.58	1.193
The bank is flexible when its services are changed	274	3.77	1.113
The bank is flexible in serving my needs	274	3.74	1.067
My relationship with the bank is very important to me	274	4.29	.826
My relationship with the bank is one that I am very committed to continuing it	274	4.06	.902
Commitment	274	3.85	0.78

Source: Own Survey Data, 2017

From the above six items of commitment dimension shown on table 4.10, My relationship with the bank is very important to me ability to meet its promises scores highest mean (4.29) followed by mean 4.06 for My relationship with the bank is one that I am very committed to continuing it. The bank is flexible when its services are changed and the bank is flexible in serving my needs with mean 3.77 and 3.74 respectively. The bank offers personalized services to meet customer need and the bank makes adjustments to suit my needs score lower mean than other items of commitment 3.58 and 3.63 respectively. This indicates that the overall perception of the customer on this particular dimension is good. Standard deviation shows that how diverse are the responses of customers for a given construct. High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion. All items of commitment scores grand mean of 3.85 and standard deviation 0.78. The overall mean shows perception of customers about commitment is good. The overall mean shows perception of customers about commitment is good. Standard deviation shows

that 68% of participants are within ± 0.78 (1 standard deviation) of the mean 3.85, 95% of participants are with in ± 1.56 (2 standard deviations) of the mean 3.85 and 99% of participants are with in ± 2.34 (3 standard deviations) of the mean 3.85.

4.5.3 Descriptive statistics of Communication

Table 4.11: Descriptive statistics of communication

	N	Mean	Std. Deviation
The bank provides timely and trustworthy information	274	4.16	.906
The bank provides information when there is new banking service	274	4.16	.866
The bank makes and fulfils promises	274	3.99	.891
Information provided by the bank is always accurate.	274	3.77	1.016
Communication	274	4.02	0.73

Source: Own Survey Data, 2017

From the above four items of communication dimension shown on table 4.11, the highest mean score (4.16) is for two items of communication; the bank provides timely and trustworthy information and the bank provides information when there is new banking service. The bank makes and fulfils promises and Information provided by the bank is always accurate with mean 3.99 and 3.77 respectively. In general communication dimension of Customer relationship marketing has good mean .Standard deviation shows that how diverse are the responses of customers for a given construct. High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion. Communication dimensions has scored 4.02 grand mean and 0.73 standard deviation. The overall mean shows perception of customers about

communication is good. Standard deviation shows that 68% of participants are within ± 0.73 (1 standard deviation) of the mean 4.02, 95% of participants are with in ± 1.46 (2 standard deviations) of the mean 4.02 and 99% of participants are with in ± 2.19 (3 standard deviations) of the mean 4.02.

4.5.4 Descriptive statistics of Conflict Handling

Table 4.12: Descriptive statistics of conflict handling

	N	Mean	Std. Deviation
The bank tries to avoid potential conflict	274	3.92	.832
The bank tries to solve manifest conflicts before they create problems	274	3.95	.877
The bank has the ability to openly discuss solutions when problems arise.	274	3.90	.845
The bank is responsive to my complaints	274	3.91	.899
The bank shows a sincere interest in solving customer problem	274	4.05	.776
Conflict handling	274	3.94	0.68

Source: Own Survey Data, 2017

From the above five items of conflict handling dimension shown on table 4.12, The bank shows a sincere interest in solving customer problem with mean 4.05, the highest mean in conflict handling items. The bank tries to solve manifest conflicts before they create problems, the bank tries to avoid potential conflict, the bank is responsive to my complaints and the bank has the ability to openly discuss solutions when problems arise almost with similar mean; 3.95,39.2,3.91 and 3.90 respectively. This indicates that the overall perception of the customer on conflict handling dimension is similar and good. Standard deviation shows that how diverse are the responses of customers for a given construct. High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that

customers express close opinion. The standard deviation of across Conflict handling items are similar which means, in similar way deviating from the mean of each items. Conflict handling dimensions has scored 3.94 grand mean and 0.68 standard deviation. The overall mean shows perception of customers about conflict handling is good. Standard deviation shows that 68% of participants are within ± 0.68 (1 standard deviation) of the mean 3.94, 95% of participants are with in ± 1.36 (2 standard deviations) of the mean 3.94 and 99% of participants are with in ± 2.04 (3 standard deviations) of the mean 3.94.

4.5.5 Descriptive statistics of Customer Loyalty

Table 4.13: Descriptive statistics of Customer Loyalty

	N	Mean	Std. Deviation
Considering the bank as first choice among other banks in the area	274	4.15	.866
The bank that first comes to my mind when making purchases decision on bank services.	274	4.18	.939
I am a loyal customer to the bank	274	4.21	.876
I do not like to change to another bank because I value the bank	274	3.88	1.090
I would always use this bank's services	274	4.02	.955
I would always recommend the bank to someone who seeks my advice	274	3.88	1.006
My intention to use the services of this bank would not be changed	274	3.85	1.052
Customer loyalty	274	4.03	0.78

Source: Own Survey Data, 2017

From the above seven items of Customer Loyalty, the dependent variable shown on table 4.13, each items mean has good mean score; I am a loyal customer to the bank has mean 4.21, The bank that first comes to my mind when making purchases decision on bank services score mean 4.18, Considering the bank as first choice among other banks in the area mean 4.15 and I would always use

this bank's services has mean 4.02 respectively. Three items score mean less than 4.00; I do not like to change to another bank because I value the bank, I would always recommend the bank to someone who seeks my advice, and my intention to use the services of this bank would not be changed has mean of 3.88, 3.88 and 3.85 respectively. In general the mean of customer loyalty is good. Standard deviation shows that how diverse are the responses of customers for a given construct. High Standard Deviation means that the data are wide spread, which means that customers give variety of opinion and the low standard deviation means that customers express close opinion. Customer loyalty dimensions has scored 4.03 grand mean and 0.78 standard deviation. The overall mean shows perception of customers about customer loyalty is good. Standard deviation shows that 68% of participants are within ± 0.78 (1 standard deviation) of the mean 4.03, 95% of participants are with in ± 1.56 (2 standard deviations) of the mean 4.03 and 99% of participants are with in ± 2.34 (3 standard deviations) of the mean 4.03.

4.6 Correlation analysis

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version, to process correlation analysis. Based on the questionnaire which was filled by the customers of CBE, Dashen bank, Abay bank and Cooperative Bank of Oromia.

Karl Pearson's coefficient of correlation is also known as the product moment correlation coefficient. The value of 'r' lies between ± 1 . Positive values of r indicate positive correlation between the two variables (i.e., changes in both variables take place in the statement direction), whereas negative values of 'r' indicate negative correlation i.e., changes in the two variables taking place in the opposite directions. A zero value of 'r' indicates that there is no association between the two variables.

Pearson correlation test was conducted to know the degree of relationship between the independent variable i.e. Customer relationship marketing and the dependent variable i.e. customer loyalty.

Table 4.14: Correlations between customer relationship marketing and customer loyalty

		Trust	commitment	Communication	Conflict Handling	Customer Relationship Marketing	Customer Loyalty
Trust	Pearson Correlation						
	Sig. (2-tailed)						
	N	274					
Commitment	Pearson Correlation	.588**					
	Sig. (2-tailed)	.000					
	N	274	274				
Communication	Pearson Correlation	.630**	.494**				
	Sig. (2-tailed)	.000	.000				
	N	274	274	274			
Conflict Handling	Pearson Correlation	.595**	.542**	.602**			
	Sig. (2-tailed)	.000	.000	.000			
	N	274	274	274	274		
Customer Relationship Marketing	Pearson Correlation	.852**	.804**	.824**	.821**		
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	274	274	274	274	274	
Customer Loyalty	Pearson Correlation	.470**	.320**	.480**	.589**	.558**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	274	274	274	274	274	274

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

Source: Own Survey Data, 2017

The results of the correlation between these variables are shown in table 4.14. As it is indicated in the table there is significant correlation between relationship marketing and customers' loyalty. In other words relationship marketing and customer loyalty have relationship ($r=0.558$).

Table 4.14 also indicated that, there is significant positive correlation between trust and customer loyalty. In other words trust dimension and customers loyalty are correlated in a relationship ($r=0.47$).

Pearson correlation results are shown in table 4.14, there is significant correlation between commitment and customer loyalty. In other words commitment and customer loyalty have relationship ($r=0.32$).

Pearson correlation results are shown in table 4.14 that there is significant positive correlation between communication and customer loyalty. In other words communication and customer loyalty have a relationship or correlation ($r=0.48$).

As it is clearly indicated in the table 4.14, there is significant positive correlation between conflict handling and customer loyalty. In other words conflict handling and customer loyalty have a relationship or correlation ($r=0.589$).

4 .7 Regression analysis

This regression analysis was conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (trust, commitment, communication and. conflict handling) explains the dependent variable that is customer loyalty.

4.7.1 Testing Regression Analysis Assumptions

In the regression model used in this research the four dimensions were the independent variables that are hypothesized to predict dependent variables; customer loyalty.

Multicollinearity, homoscedasticity, linearity and normality assumption test and Auto correlation or Durbin-Watson test were done to satisfy the common regression analysis assumptions.

4.7.1.1 Multicollinearity test

Multicollinearity exists when there is a strong correlation between two or more predictors in a regression model. Perfect multicollinearity exists when at least one predictor is perfect linear combination of the others. (Field, 2005). He also stated that, perfect collinearity exists when at least one predictor is a perfect linear combination of the others. If the perfect there is perfect collinearity between predictor it becomes impossible to obtain unique estimates of regression coefficients because there are an infinite number of combinations of coefficient that would work equally well.

The regression coefficients become less reliable as the degree of correlation between the independent variables increases. If there is a high degree of correlation between independent variables, there is a problem of multicollinearity.

Field (2005) cited that Variance Inflation Factor (VIF) value above 10 and a tolerance ($1/VIF$) value below 0.10 pose a multicollinearity problem. From table 4.15 VIF Value ranges from 1.691 to 2.113. Tolerance value ranges within the value of 0.473-0.591. In this study, these values (both VIF and tolerance level) indicate that for this analysis, there is no serious multicollinearity problem.

The correlation coefficient above 0.8 or 0.9 is the cut-off point for regression analysis, Field (2005). In table 4.16 Pearson correlation matrix has indicated that the inter-correlation between the CRM dimensions are below the maximum point which is 0.8/0.9.

Table 4.15 Collinearity Test

Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	Trust	.473	2.113
	commitment	.591	1.691
	Communication	.518	1.932
	Conflict Handling	.527	1.897

a. *Dependent Variable: Customer Loyalty*
Source: Own Survey Data, 2017

Table 4.16 Pearson correlation between variables

Correlations

		Trust	commitment	Communication	Conflict Handling
Trust	Pearson Correlation				
	Sig. (2-tailed)				
	N	274			
commitment	Pearson Correlation	.588**			
	Sig. (2-tailed)	.000			
	N	274	274		
Communication	Pearson Correlation	.630**	.494**		
	Sig. (2-tailed)	.000	.000		
	N	274	274	274	
Conflict Handling	Pearson Correlation	.595**	.542**	.602**	
	Sig. (2-tailed)	.000	.000	.000	
	N	274	274	274	274

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

Source: Own Survey Data, 2017

4.7.1.2 Homoscedasticity assumption

At each level of the predictor variable(s), the variance of the residual terms should be constant. This just means that the residuals at each level of the predictor(s) should have the same variance (homoscedasticity); when the variance are very unequal there is said to be homoscedasticity Field, (2005).

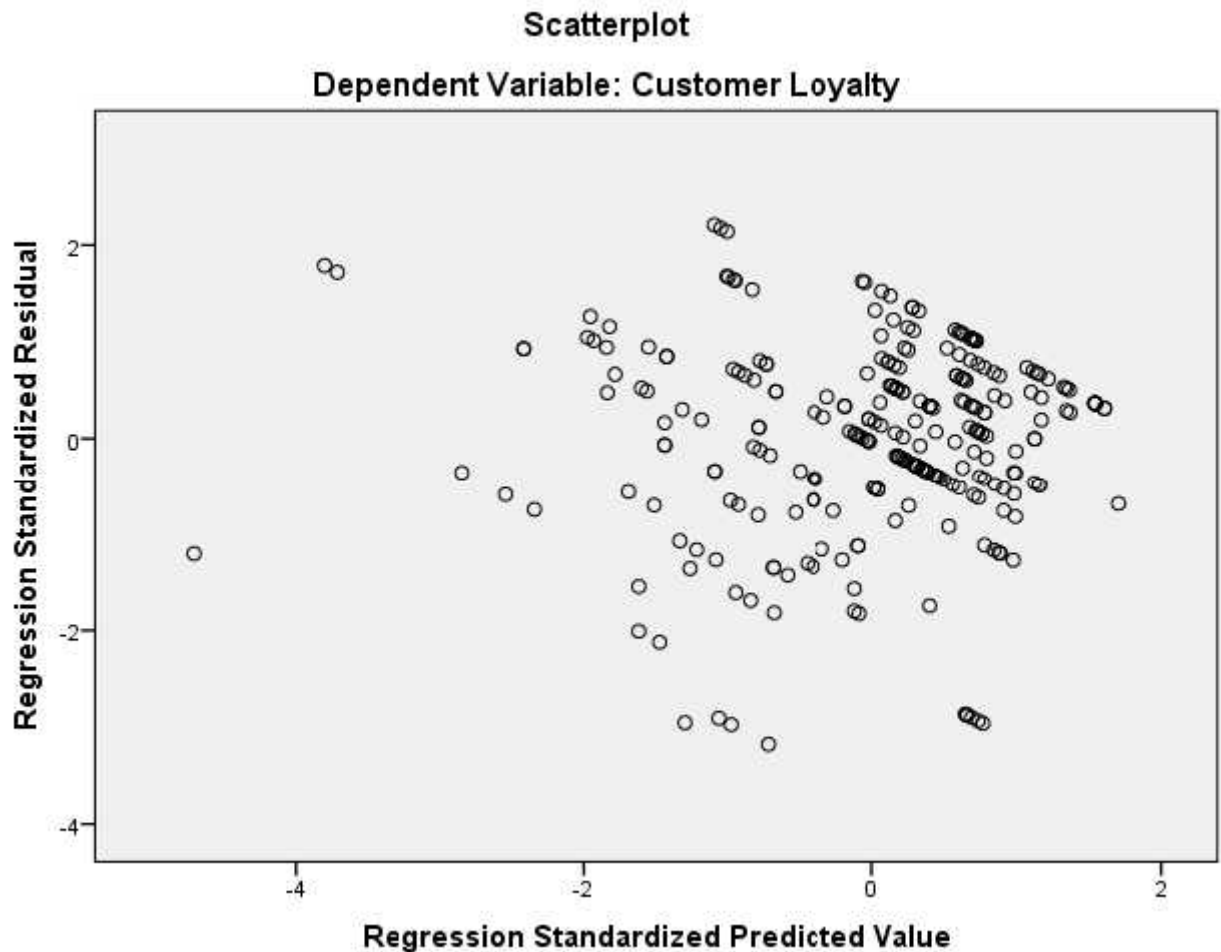


Figure 4.1 Homoscedasticity Variance.

4.7.1.3 Durbin-Watson coefficient

Durbin-Watson coefficient tests for serial correlation between errors. Field (2005). According to (Garson, 2012) the Durbin-Watson statistics should be between 1.5 and 2.5 for independent observations. As indicated below the table 4.17 Durbin-Watson result is 1.734, which is between 1.5 and 2.5.

Table 4.17: Durbin-Watson test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.621a	.385	.376	.61741	1.734

Predictors: (Constant), Conflict Handling, commitment, Communication, Trust
 a. Dependent Variable: Customer Loyalty

Source: Own Survey Data, 2017

4.7.2 Regression analysis of customer relationship marketing and customer loyalty

Table 4.18: Regression analysis of customer relationship marketing and customer loyalty

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.558a	.311	.309	.64987	1.763

a. Predictors: (Constant), customer Relationship Marketing

b. Dependent Variable: Customer Loyalty

Source: Own Survey Data, 2017

The regression analysis model summary table 4.18 indicates that relationship marketing which is entered into the regression model on SPSS has relationship with customer loyalty with correlation coefficient of 0.558. The R square is the explained variance and it is actually the square of the multiple R (0.558)² Therefore, it is pointed out that 30.9% of relationship marketing can explain the dependent variable that is customers loyalty. And R square value of 0.309 confirming that, 30.9% of the variation in customer loyalty is explained by

relationship marketing. As it is indicated in table 4.19, relationship marketing was considered as predictors of customer loyalty and reported high level of significance $p < 0.01$.

Table 4.19 ANOVA result for relationship marketing and customer loyalty

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	51.879	1	51.879	122.839	.000b
	Residual	114.874	272	.422		
	Total	166.753	273			

Dependent

Variable: Customer Loyalty

Source: Own Survey Data, 2017

4.7.3 Regression analysis of trust and customer loyalty

As it is indicated in the model summary in Table 4.20, trust explains customer loyalty. In this case, the results of correlation of trust and customer loyalty and R Square (0.218) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R (0.470)² which is 0.218. Therefore, it is pointed out that 21.8% of Customer loyalty is explained by trust. As it is indicated in table 4.21, trust was considered as predictors of customer loyalty and reported high level of significance $p < 0.01$. And also the R square value of 0.218 confirming that, 21.8% of the variation in customer loyalty is explained by trust. Trust as used for prediction was found to be significantly related to customer loyalty as the p-value is less than 0.01.

4.20: Regression analysis result for trust and customer loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.470a	.221	.218	.69119	1.841

Predictors: (Constant), Trust

Dependent Variable: Customer Loyalty

Source: Own Survey Data, 2017 Table

4.21: ANOVA result for trust and customers loyalty

ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.807	1	36.807	77.045	.000b
	Residual	129.945	272	.478		
	Total	166.753	273			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Trust

Source: Own Survey Data, 2017

4.7.4 Regression analysis of commitment and customers' loyalty

The R² value of a model indicates research what percentage of the variation in dependent variables is explained by all independent variables in the model. Table 4.22 shows the results of regression analysis for commitment and customer loyalty. Here the R square is the explained variance and it is actually the square of the multiple R (0.320)² which is 0.099. Therefore, it is possible to state that 9.9% of customer loyalty is explained by commitment. As it is indicated in table 4.23, commitment was considered as predictors of customer loyalty and reported high level of significance p<0.01. And also the R square value of 0.099 confirming

that, 9.9% of the variation in customer loyalty is explained by commitment. Commitment as used for prediction was found to be significantly related to customer loyalty as p-value is less than 0.01.

Table 4.22: Regression analysis result for commitment and customer loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.320a	.102	.099	.74187	1.849

a. Predictors: (Constant), commitment

a. Dependent Variable: Customer Loyalty
Source: Own Survey Data, 2017

Table 4.23: ANOVA result for commitment and customer loyalty

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.053	1	17.053	30.984	.000b
	Residual	149.700	272	.550		
	Total	166.753	273			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), commitment

Source: Own Survey Data, 2017

4.7.5 Regression analysis of communication and customers' loyalty

Table 4.24 shows the results of regression analysis for communication and customer loyalty. Here the R square is the explained variance and it is actually the square of the multiple R (0.480)² which is 0.227. Therefore, it is possible to state that 22.7% of customer loyalty is explained by commitment. As it is indicated in table 4.25, communication was considered as predictors of customer loyalty and reported high level of significance $p < 0.01$. And also the R square

value of 0.227 confirming that, 22.7% of the variation in customer loyalty is explained by communication. Communication as used for prediction was found to be significantly related to customer loyalty as p-value is less than 0.01.

Table 4.24: Regression analysis result for communication and customer loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.480a	.230	.227	.68701	1.805

a. Predictors: (Constant), Communication

b. Dependent Variable: Customer Loyalty

Source: Own Survey Data, 2017

Table 4.25: ANOVA result for communication and customer loyalty

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	38.373	1	38.373	81.301	.000b
	Residual	128.380	272	.472		
	Total	166.753	273			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Communication

Source: Own Survey Data, 2017

4.7.6 Regression analysis of conflict handling and customers' loyalty

We can also look the regression analysis result of conflict handling and customer loyalty in table 4.26. In this case the R square is the explained variance and it is actually the square of the multiple R (0.589)² which is 0.344 Therefore, it is possible to state that 34.4% of customers loyalty is significantly explained by conflict handling. Conflict handling was considered as predictors of customers loyalty and reported high level of significance p<0.01 as it is indicated in table 4.27. And also the R square value of 0.344 confirming that, 34.4% of the

variation in customer loyalty is explained by conflict handling. Conflict handling as used for prediction was found to be significantly related to customer loyalty as p-value is less than 0.01. It is the first highest of all the independent variables in explaining customer loyalty.

Table 4.26: Regression analysis result for conflict handling and customer loyalty

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.589a	.347	.344	.63281	1.747

a. Predictors: (Constant), Conflict Handling

b. Dependent Variable: Customer Loyalty

Source: Own Survey Data, 2017

Table 4.27: ANOVA result for conflict handling and customer loyalty

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.830	1	57.830	144.413	.000b
	Residual	108.923	272	.400		
	Total	166.753	273			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Conflict Handling

Source: Own Survey Data, 2017

	Type of bank	N	Mean	Std. Deviation	Std. Error Mean
customer Relationship Marketing	private bank	135	3.9373	.56874	.04895
	government bank	139	4.0247	.63314	.05370

4.7.7 Customer Relationship marketing in Private and Public banks

Table 4.28 Customer Relationship marketing mean in Private and Public banks

Table 4.29 Independent Samples Test

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tail ed)	Mean Difference	Std. Error of Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Customer Relationship Marketing	Equal variances assumed	2.076	.151	-1.201	272	.231	-.08738	.07278	-.23066	.05589
	Equal variances not assumed			-1.203	270	.230	-.08738	.07266	-.23044	.05567

Source: Own Survey Data, 2017

From table 4.33, customer Relationship Marketing significant level 0.151 which is higher than 0.05; it can be said that this mean does not have a significant difference since the mean for customer relationship marketing in government bank is 4.0247 and in private banks 3.9373 which shows the mean in both banks is nearly equal.

4.7.8 Hypothesis testing summary

Table 4.30: Coefficients of relationship marketing dimensions

Coefficients					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.987	.251		3.928	.000
Trust	.172	.075	.160	2.298	.022
commitment	-.096	.062	-.096	-1.537	.125
Communication	.164	.071	.153	2.308	.022
Conflict Handling	.518	.075	.453	6.886	.000

a. Dependent Variable: Customer Loyalty

Source: Own Survey Data, 2017

Value of regression coefficient **B** represent the change in the outcome resulting from a unit change in the predictor and that if a predictor is having a significant impact on our ability to predict the outcome then this **B** should be different from 0. Field (2005)

Based on multiple regression result, hypothesis were confirmed and rejected. Beta column under standardized coefficients above shows three dimensions of customer relationship marketing; trust, communication and conflict handling has significant effect on customer loyalty. Whereas commitment dimension of CRM has no significant effect on customer loyalty which has coefficient of -0.96. We can understand that the highest number in the beta is .518 for conflict

handling. Therefore, conflict handling are the major determinant of customer loyalty.

Table 4.31: Hypothesis testing summery

Hypotheses	Result
H1: Trust has a significant and positive effect on customers' loyalty.	Confirmed
H2: Commitment has a significant and positive effect on customers' loyalty	Not confirmed
H3: Conflict handling has a significant and positive effect on customers' loyalty.	Confirmed
H4: Communication has a significant and positive effect on customers' loyalty	Confirmed
H5: There is significane difference in relationship marketing between public bank and private bank.	Not confirmed

Source: Own Survey Data, 2017

4.8 Results Discussion

This research is related with the elements of relationship marketing towards customer loyalty in banking industry. The findings show that relationship marketing activities can explain 30.9% of customer loyalty in banking industry. Relationship marketing elements especially conflict handling have greater effect on customers loyalty and it is more important banks to focus on how to avoid conflict.

The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Therefore, the result of this research is consistent regarding to three dimensions, but different finding result in commitment dimension of CRM with the findings of Ndubisi (2007).

Based result of multiple regression test, three dimensions of CRM are positive and significant effect with customer loyalty and commitment has negative relation. This means customers are more loyal if banks are trusted, has write communication and solving conflicts.

The finding of this research support the finding of Koçoğlu, D. and Kirmaci, S. and (2012), Taleghani, Gilaninia and Mousavian (2011) that customer relationship marketing has significant effect on customer loyalty.

The findings show that relationship marketing activities can explain 30.9% of customer loyalty in banking industry.

Anabila, Narteh, Tweneboah-Koduah (2012) explore the relationship between Relationship Marketing (RM) and customer loyalty in Ghana's banking industry. The study found that commitment and communication were found to be significant drivers of customer loyalty. They state that respondents do not consider trust as a primary factor in determining customer loyalty Trust then should be viewed as a 'hygiene factor', which is not readily recognized by customers but its absence could have negative consequences. In our country's banking industry trust is the determinant variable for customers to be loyal. According to this research trust explain 21.8% of customer loyalty.

The research study by and Shifera Bekele, (2011) shows all independent variable of CRM had significant effect on customer loyalty. This finding result differs in one dimensions of CRM, commitment dimension. The study area of population for the research is different and different Dimensions were taken. As indicated above the three elements of CRM has significant result, whereas commitment dimension has no significant and positive effect.

The result of hypothesis testing for communication and conflict handling confirms the research by Taleghani, M. and Tabatabaei,S.M(2014) examine Effects of relationship marketing include the quality relationships, commitment, trust, By Bank and the Bank's ability to manage conflict Melli Bank to increase customer loyalty. The results suggest that an increase in customer loyalty Melli Bank are three variables the Bank's ability to manage conflict, commitment and quality of communication whereas there are increasing with loyalty variable trust by bank.

The result of hypothesis testing trust, communication and conflict handling confirms the study by (Anabila& Awunyo-Vitor, 2013) assess the relationship between customer relationship management and customer loyalty using a case bank. A correlation analysis revealed that there is a strong positive relationship between CRM practice and customer loyalty.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The main purpose of the study was to examine the effect of relationship marketing on customer loyalty in banking industry. The major goal of relationship marketing is to create lasting relationship with customers. Lasting relationship with customers is the first requirement to survive in a competitive environment and to generate profit.

The relationship marketing dimensions that were included in this research are trust, commitment, conflict handling and communication.

Descriptive result of CRM elements and customer loyalty:

Trust dimensions has scored 4.12 grand mean and 0.73 standard deviation. The overall mean shows perception of customers about trust is good.

All items of commitment scores grand mean of 3.85 and standard deviation 0.78. The overall mean shows perception of customers about commitment is good.

Communication dimensions has scored 4.02 grand mean and 0.73 standard deviation. The overall mean shows perception of customers about communication is good.

Conflict handling dimensions has scored 3.94 grand mean and 0.68 standard deviation. The overall mean shows perception of customers about conflict handling is good.

Customer loyalty dimensions has scored 4.03 grand mean and 0.78 standard deviation. The overall mean shows perception of customers about customer loyalty is good.

With regard to the Pearson correlation analysis, it can be clearly seen as that the four relationship marketing dimensions namely trust, commitment, conflict handling, and communication are positively related to customer loyalty.

✓CRM and customer loyalty have positive relationship, $r=0.558$

✓Trust and customer loyalty have positive relationship, $r=0.47$

- ✓ Commitment and customer loyalty have positive relationship, $r=0.32$
- ✓ Communication and customer loyalty have positive relationship, $r= 0.48$
- ✓ Conflict handling and customer loyalty have positive relationship, $r= 0.589$

Regression analysis result of the study shows that relationship marketing explains customer loyalty. The regression analysis indicated that 30.9% customer loyalty is explained by customer relationship marketing.

The regression analysis result looks like the following.

- ✓ 21.8% of customer loyalty is significantly explained by trust.
- ✓ 9.9% of customer loyalty is significantly explained by commitment.
- ✓ 22.7% of customer loyalty is significantly explained by communication.
- ✓ 34.4% of customer loyalty is significantly explained by conflict handling.

5.2 Conclusion

Based on previous theories and researches conducted in the areas of CRM and its outcomes, this study could show clear links between CRM and customer loyalty, which helps to deeply understand the relationship and interaction between them. The findings partially support the assumption that relationship marketing dimensions can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty. In this study, the effect of four variables (trust, commitment, communication and conflict handling) on customer loyalty was investigated. According to the results of this study, three elements of customer relation marketing, trust, communication, and conflict handling has significant and positive effect on customer loyalty whereas commitment has negative but insignificant effect on customer loyalty.

According to the results obtained from the research, conflict handling is the most important dimension of CRM that banks should focus. Trust and conflict management are variables which has effect on customer loyalty and should be considered by bank management. Today, this fact is accepted the power of market is to customers. Therefore, in intense competition of the market, banks should try to keep their customers by relationship marketing and customer orientation.

5.3 Recommendation

The findings of this research can be important evidence for managers who take charge of relationship marketing. It is helpful for marketers to understand the effectiveness of relationship marketing from consumers' perspective.

In light of the findings and conclusions, the following possible recommendations are suggested as being valuable to the banks for improving relationship marketing activities to assure customer loyalty.

To retain and develop loyal customers, banks should be trustworthy, providing individualized attention to customers and must resolve conflicts in a manner that will eliminate unimportant loss and inconvenience to their customers.

Banks must develop customer relationship program that will help them build and support positive customer relationships. Since the banks are providing services to customers, it is a must to give high value for good relationship. Relationship with customers can be improved by explaining to employees, especially in the frontline and knowing how much each customer is worth to the business. The more employees work together to keep existing customers satisfied, the lesser customer attrition will be.

As it is known, customers are the reason for the survival of the banks. So, banks are expected to invest more on attracting new customers and retaining the existed ones.

Banks should recognize the importance of relationship marketing in creating loyal customers and implement appropriately.

This study directly focuses on relationship marketing dimensions and its effect on customer loyalty in banking sector. This research can be further explored by adding more relationship marketing dimensions like value, empathy, cooperation, and others which could influence customer loyalty.

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APPENDIX 1

ADDIS ABABA UNIVERSITY

SCHOOL OF COMMERCE

MARKETING MANAGEMENT POSTGRADUATE PROGRAM

Dear participants:

The questionnaire is prepared by Master of marketing Management graduate student for the purpose of writing thesis on the effect of customer relationship marketing on customer loyalty in commercial banks in Ethiopia. Your honest response is very much important input to my thesis. I want to assure you that your privacy for responding to this questionnaire is completely kept in secret.

I know that your time is valuable, and I hope that you will take the time (an estimated 15-20 minutes) to complete the questionnaire. Please attempt to answer all the questions and click one appropriate box that best suits your perspective for each statement.

Thank you very much for your time.

Sincerely yours,

Ashagere Ayalew

Tel 09-21-26-45-25

Part I: General information

Choose the suitable answer and tick () in the box given for each question.

1. Gender Female Male

2. Age Below 20 years 20-39 years

40-59 years 60 years and above

3. Education qualification Primary School Secondary School
 Diploma Degree Postgraduate Others

4. Occupation Government sector Private sector

Own Business Student Others

5. Monthly income Below Birr 1000 Birr 1000-2999

Birr 3000-4999 Birr 5000 and above

6. For how many times you have used the bank's services?

Below 1 year 1-3 years 3- 5 years

5-7 years Above 7 years

7. With which bank you are banking?

Private Bank

Government bank

Part II CRM Dimensions

Please, Indicate your opinion by marking the appropriate box on the five point scale where: 1=Strongly Disagree 2= Disagree 3=No Opinion 4=Agree 5=Strongly Agree

	Statements	Str on gly ag ree	A gr ee	No Opi nion	Di sa gre e	Str on gly Di sa gre e
		5	4	3	2	1
TRUST						
1	The bank is very concerned with security for my transactions					
2	The bank's promises are reliable					
3	The bank is consistent in providing quality service					
4	Employees of the bank show respect to customers					
5	The bank fulfils its obligations to customers					
6	I have confidence in the bank's services					
7	My bank is always honest to me					
8	My bank has the ability to meet its promises					
Commitment						
9	The bank makes adjustments to suit my needs					
10	The bank offers personalized services to meet customer need					
11	The bank is flexible when its services are changed					
12	The bank is flexible in serving my needs					
13	My relationship with the bank is very important to me					
14	My relationship with the bank is one that I am very committed to continuing it					

Communication					
15	The bank provides timely and trustworthy information				
16	The bank provides information when there is new banking service				
17	The bank makes and fulfils promises				
18	Information provided by the bank is always accurate.				
Conflict handling					
19	The bank tries to avoid potential conflict				
20	The bank tries to solve manifest conflicts before they create problems				
21	The bank has the ability to openly discuss solutions when problems arise.				
22	The bank is responsive to my complaints				
23	The bank shows a sincere interest in solving customer problem				
Part III : Customer loyalty					
24	Considering the bank as first choice among other banks in the area				
25	The bank that first comes to my mind when making purchases decision on bank services.				
26	I am a loyal customer to the bank				
27	I do not like to change to another bank because I value the bank				
28	I would always use this bank's services				
29	I would always recommend the bank to someone who seeks my advice				
30	My intention to use the services of this bank would not be changed				

Thank you!

APPENDIX 2

አዲስአበባዩኒቨርሲቲ

ንግድ ስራ ት/ቤት

ማርኬቲንግ ማኔጅመንት ማስተርስ ፕሮግራም

ውድ የጥናቱ ተሳታፊዎች፡

ይህ መጠይቅ የተዘጋጀው በአዲስ አበባ ዩንቨርሲቲ የንግድ ስራ ት/ቤት በገበያ አመራር የድህረ-ምረቃ ትምህርት ክፍል ተማሪ ሲሆን፤ አላማውም “*The effect of customer relationship marketing on customer loyalty in commercial banks in Ethiopia*” “የባንኮች የደንበኞች ግንኙነት በደንበኞች ማንነት ላይ ያለው ውጤት” በተመለከተ የመመረቂያ ፅሁፍ ለመጠቀም ነው። ስለሆነም የሚያሰፍሩት ማንኛውም መረጃ ለትምህርታዊ አገልግሎት ብቻ እንደሚውል እንልጻለሁ። ማንኛውም የሚሰጡት መረጃ ሚስጢራዊነት የተጠበቀ መሆኑን አረጋግጥሎታለሁ። መጠይቁን ለመሙላት h 15-20
ደቂቃ ይወስዳል። እባክዎ ሁሉንም ጥያቄዎች ትክክል ኛውን ሳጥንበመምረጥ ይሙሉ።

ጊዜያዊ ሁንስ ለሰጣችሁኝ አመሰግናለሁ።

አሻገረ አያሌው

ስልክ 09-21-26-45-25

ክፍል 1: መሰረታዊ መረጃ

ከዚህ በታች ለተዘረዘሩት መግለጫዎች የ ምልክት-በማድረግ የሚመርጡትን ያመልክቱ።

1. ጾታ ሴት ወንድ
2. ዕድሜ ከ 20 በታች 20-39
 40-59 ከ 60 በላይ
3. የትምህርት ደረጃ የመጀመሪያ ደረጃ ሁለተኛ ደረጃ ዲፕሎማ ዲግሪ ማስተርስ ሌላ
4. የስራ ዎ አይነት የመንግስት ስራተኛ በግል ድርጅቶች ስራተኛ
 የግል ስራ ተማሪ ሌላ
5. የወር ገቢ መጠን በብር ከ 1000 በታች 1000-2999
 3000-4999 ከ 5000 በላይ
6. ከዚህ በታች ክፍለ ገቢዎች ስር ስንት ጊዜ ያህል ያመጡት ሠርተዎል?
 ከ 1 አመት በታች 1-3 3- 5 5-7 ከ 7 አመት በላይ
7. ከየትኛው ባንክ ይገለገላሉ?
 የግል ባንክ የመንግስት ባንክ

ክፍል 2 የደንበኞች ግንኙነት

እባክዎከተቀመጡት አምስት ነጥቦች እርስዎ የተከናወነውን ብለው ያሰቡትን ምልክት በማድረግ ያመለክቱ።

1=በጣም አልሰማም 2= አልሰማምም 3=አስተያየት የለኝም 4=እሰማለሁ 5=በጣም እሰማለሁ

መግለጫዎች	በጣም አልሰማለሁ	እሰማለሁ	አስተያየት የለኝም	አልሰማም	በጣም እሰማለሁ
	5	4	3	2	1
እምነት					
1	ባንኩ በባንኩ ውስጥ ለማድረግ ወግብይት በቁጥብ ቃያደርግልኛል				
2	ባንኩ ለሚገባው ቃል ታማኝነው				
3	ባንኩ ወጥሮ ሆነ ጥራት ያለው አገልግሎት ይሰጣል				
4	የባንኩ ሰራተኞች ለደምበኞች ከበሬታ ያሳያሉ				
5	ባንኩ ለደንበኞች ያለበትን ግዴታ ያሟላል				
6	በባንኩ አገልግሎት ሰጪ ነት ሙሉ እምነት አለኝ				
7	ባንኩ ለእኔ ሁሉም ታማኝነው				
8	ባንኩ የሚገባው ቃል ለመፈጸም አቅም አለው				
ቃል መግባት					
9	ባንኩ ፍላጎቴን ለማርካት ነገሮች ያስተካክላል				
10	ባንኩ የደንበኞችን ፍላጎት ለሚሟላት ግላዊ የሆነ አገልግሎት ይሰጣል				
11	ባንኩ አገልግሎቱን በሚለው ጥበት ጊዜ ማስተካከያ ማድረግ ይችላል				
12	ባንኩ ፍላጎቴን ለሚሟላት ማስተካከያ ማድረግ ይችላል				
13	ከባንኩ ጋር ያለኝ ግንኙነት ለእኔ በጣም አስፈላጊ ነው				
14	ከባንኩ ጋር ያለኝ ግንኙነት አንዱ ናቸው ለጣም መቀጠል የምፈልገው ነው				
ግንኙነት					
15	ባንኩ ጊዜያዊ እና ታላላቅ ግንኙነት ያለው መረጃ ያቀርባል				
16	ባንኩ አዲስ የባንክ አገልግሎት በሚኖርበት ጊዜ መረጃ ይሰጣል				

17	ባንኩ-የሚገባውን ቃል ይፈጽማል					
18	በባንኩ-የሚሰጠው መረጃ ሁሉም ትክክል ነው					
አለመግባባትን መፍታት						
19	ባንኩ ሊከሰቱ የሚችሉ አለመግባባቶችን ለማስወገድ ይሞክራል					
20	ባንኩ አለመግባባትን ወደ ችግር ከመለወጣቸው በፊት ይፈታል					
21	ባንኩ አለመግባባቶች ሲፈጠሩ በግልጽ በመወያየት ለችግሮች መፍትሄ ያመስጠት አቅም አለው					
22	ባንኩ ለማቀርበው ቅሬታ ምላሽ ይሰጣል					
23	ባንኩ የደንበኞቹን ችግር ለመፍታት ጥልቅ ፍላጎት አለው					
ክፍል 3: የደንበኞች ታማኝነት						
24	በአካባቢ ውክሉ ባንኮች ይልቅ ቀዳሚያ ምርጫ ይኖረዋል					
25	ባንኩ የባንክ አገልግሎት መጠቀም ስፊል ግብ መጀመሪያ ወደ አስምር ዩ.ይ.መ.ባ ልኛል					
26	ለባንኩ ታማኝ ደንበኛ ነኝ					
27	ባንኩ ንስሰም ወደ ወደሌላ ባንክ መቀየር አልፏል ግም					
28	ሁል ጊዜ በዚህ ባንክ አገልግሎት አጠቀማለሁ					
29	ባንኩ ንሌሎች ሰዎች እንዲጠቀሙ በትኩረት አመክራለሁ					
30	የባንኩ ንግድ አገልግሎት ለመጠቀም ያለኝ ፍላጎት አይለወጥም					

አመሰግናለሁ!