



**ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE**

**THE EFFECT OF RELATIONSHIP MARKETING ON
CUSTOMERS' LOYALTY IN BANKING INDUSTRY:
The Case of Commercial Banks in Sebeta City Municipality town**

**A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE OF
BUSINESS AND ECONOMICS SCHOOL OF COMMERCE IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS OF MA DEGREE IN
MARKETING MANAGEMENT**

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Statement of Certification

This is to certify that Wondimu Getu has carried out his project on the topic entitled as “The effect of relationship marketing on customers’ loyalty: the case of commercial banks in Sebeta city municipality town” under my supervision. This work is original in nature and is suitable for submission for the award of Degree of Master of Arts.

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Statement of declaration

I hereby declare that, the effect of customer relationship marketing on customers' loyalty in banking industry: the case of commercial banks in Sebeta city municipality town is wholly the work of Wondimu Getu. I have carried out the present study independently with the guidance and support of the research Advisor Mulugeta G/Medhin (PHD). Any sources used for the study have been referenced in the prescribed manner. The study has not been submitted for award of any Degree or Diploma program in this or any other institution.

Wondimu Getu

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Acronyms

ANOVA: Analysis of Variance

CRM: Customer Relationship Marketing

SPSS: Statistical Package for Social Sciences

4P'S: Price, Place, Promotion and Product

Abstract

Every firm without good marketing team and strategies is bound to fail. In order to be competitive and profitable in the industry, bankers should acquire and retain profitable customers. Definitely this is done with relationship marketing. Relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers rather than acquiring new customers. Therefore, relationship marketing has become more and more important since last decade of 20th century, especially in service industry. This research was conducted to investigate the effect of relationship marketing on customer's loyalty in the banking industry in Ethiopia the case of commercial banks in Sebeta city municipality town. There are many relationship marketing dimensions implemented for retaining customers. This study was aimed to explore the effect of relationship marketing dimensions (trust, commitment, conflict handling and empathy) on customers' loyalty in banking industry in Ethiopia the case of commercial banks in Sebeta city municipality town. A quantitative research approach which is cross sectional study with deductive approach was used in this research. Data was collected from primary sources. In order to collect primary data, a standard questionnaire was designed. The questionnaire was distributed to 280 customers of both private and public commercial banks found in Sebeta city municipality town. Descriptive, correlation and regression analysis methods were used to analyze the collected data using SPSS version 17.00. Questionnaire Reliability test was estimated by cronbach's alpha. The finding shows that relationship marketing dimensions namely trust, commitment, conflict handling and empathy are positively and directly related to customers' loyalty particularly in commercial banks in sebeta city municipality town.

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

CHAPTER ONE

INTRODUCTION

1.1. Background of the study

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. It is true that customers are the king for the organization. It is clear that customer is the only source of the companies' present profit and future growth. And also creating loyal customers is at the heart of every business (Keller and Kotler, 2012). Sustainable and continuous survival of an organization mainly depends on its business relation with its customers. Traditionally, banks had been predominantly occupied in just cash related activities like accepting deposits, paying cash and opening accounts as well as giving out loans to customers.

However in the wake of competition and technological advancements, banks in Ethiopia are becoming more innovative, crafting new ways of reaching out to prospective customers and retaining more customers to their base. Various strategies have been adopted by banks to increase their share of the market in recent years. Organizations need some mechanisms that could increase customer loyalty in a coordinate and change oriented bases. One of the mechanisms that can give such benefit is relationship marketing Morgan and Hunt (1994). Thus Relationship marketing is very important in this modern world, since consumers all around the world, are sophisticated and have good amount of knowledge and seeks better offers. So, this factor force marketers to shift from push marketing to pull marketing strategy. The level of customers' satisfaction determines the firm's success or failure. Therefore, firms are following up customers' retention and their loyalty. Customer loyalty is an important factor that contributes to an organization's earning and profits. Loyal customers normally establish stable relationship with an organization compared to non loyal customers. Customer loyalty can contribute to an increase in a firm's revenue, reduce customer defection rate and develop new business through positive word of mouth advertising (Zeithaml and Bitner, 2003). Thus, at the end of the day, the bank's assets are not only primarily registered on the balance sheet, but also related to the fact

that customers have been successfully retained. If the company is intended to benefit from retaining customers, customers also seek benefit from giving their loyalty to the company (Mudie and Pirrie, 2006). To achieve all the above mentioned goals of customer loyalty, firms devised a new strategy known as relationship marketing (Mudie et al, 2006). Several authors defined relationship marketing (RM) in different ways. To touch a few, Morgan and Hunt (1994), conceptualized relationship marketing as, “all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges”. Several studies are revealing the importance of relationship marketing than traditional or transactional marketing, because it may cost a firm five to six times as much to attract a new customer as it does to retain an existing one. In addition, common wisdom suggests that long-term customers have the strongest and highest-paying relationships (Palmatier, 2008).

Worthington & Horne (1998) conducted research on a new relationship marketing model and its application and concluded that relationship marketing is being put forward as a new paradigm for marketing and is particularly relevant for the marketing of financial services, with their potential for long term and wide relationships between financial institution and customer. Ferguson & Hlavinka (2007) concluded that, banks are customizing their relationship-building strategies to create value propositions as unique as the institutions and customers they serve. They also indicated that when banks use loyalty programs to bring about trust and build confidence in the brand, the customer relationship will develop organically, and so will profits. It is argued that building enduring customer relationships is the secret to furthering growth and should be an unquestioned axiom by bankers.

Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal supporters of the firms goods and services, and finally to advocates who not only buy its products but recommend them to others (Smith, 2003). By converting indifferent customers into loyal ones, companies generate repeat sales. The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones. Studies of the effect of relationship marketing on customer loyalty outcomes lean to approach the way customers encounter a problem with regard to the services provided by the banks. A small group of studies treat that customer loyalty is a function of trust, commitment and conflict handling. The evidence is almost uniformly consistent in indicating that customers are loyal when the

banks relationship marketing is good. A relative handful study of Ndubisi (2006) have specifically examined that relationship marketing such as trust, commitment and conflict handling have a direct effect on customer loyalty. Hence, this study shows the effect of relationship marketing on customers' loyalty in banking industry, the case Sebeta municipality town.

1.2. Statement of the problem

As a competition in the banking industry becomes turbulent, it is difficult for banks to keep loyal customers who will contribute to the long term profit of the organization. Thus, to compete and survive in such interactive marketplace, banks are forced to look beyond the traditional 4p's of the marketing strategy. Sustainable and continuous survival of an organization mainly depends on its business relation with its customers (Keller and Kotler, 2012).

Banking industry is increasing rapidly in Ethiopia. Almost half of the total banks in Ethiopia established in the recent years that is after 1990's. These enormous increases in banks create an opportunity for the customers to choose the bank they want. Thus it is imperative to apply the modern paradigm shift in marketing called relationship marketing. In the complex business environment that exist today only those organizations that are capable of retaining and providing total customer satisfaction can survive (Kotler, 2010). Banks as their very survival depends on the ability to attract and retain valuable customers. But in Ethiopia, customer relationship marketing practice is at its infant stage.

There are some studies conducted on this topic area by Asmamaw Abera (2016) and Cherinet Boke (2015) but focusing on different relationship underpinnings and only focusing on private commercial bank. Cherinet Boke (2015) had concluded that there is a significant and strong correlation between relationship marketing and customer loyalty and there is significant effect of trust, commitment, communication, and gratitude on predicting customers' loyalty. Asmamaw Abera (2016) also addressed the effect of trust, bonding, reciprocity, empathy and responsiveness on customer retention and concluded that there is significant relation between the four relationship underpinnings and customer retention. However, this study was conducted to examine the other component of relationship marketing underpinning which had not been addressed in previous studies conducted in Ethiopia and in addition, this study had examined the significant difference that trust, commitment, conflict handling and empathy has on customer

loyalty between government and private commercial banks in Ethiopia. Particularly, the study looks in to the empirical evidences on the effect of relationship marketing on customer loyalty.

1.3. Research question

The research was designed to answers the following main and sub research questions:

1.3.1 Main research question

- Does customer relationship marketing influence customer loyalty in the banking industry?

1.3.2 Sub research questions

- Does trust influence customers' loyalty in the banking industry?
- Does commitment influence customers' loyalty in the banking industry?
- Does conflict handling influence customers' loyalty in the banking industry?
- In what way empathy will influence customers' loyalty in the banking industry?
- Is there a significance difference between public and private banks in terms of their customer loyalty?

1.4. Objectives of the study

1.4.1. General objectives:

The general objective of the study was to examine the effect of customer relationship marketing on customers' loyalty in banking industry.

1.4.2. Specific objectives

The specific objectives of the study are:

1. To investigate the effect of trust on customers' loyalty in the banking industry.
2. To examine the effect of commitment on customers' loyalty in the banking industry.
3. To determine the effect of empathy on customers' loyalty in the banking industry.
4. To identify the effect of conflict handlings on customers' loyalty in the banking industry.
5. To examine if there are a significance difference between private and government banks in terms of their customer loyalty.

1.5. Hypotheses

H1: Trust has a significant and positive effect on customer' loyalty in the banking industry.

H2: Commitment has a significant and positive effect on customer' loyalty in the banking industry.

H3: Conflict handling has a significant and positive effect on customer' loyalty in the banking industry.

H4: Empathy has a significant and positive effect on customer' loyalty in the banking industry.

H5: There is a significant difference between government and private banks in terms of their customer loyalty.

1.6. Scope of the study

1.6.1. Theoretical scope

Customer relationship marketing is one of the best contemporary marketing strategies for all companies to satisfy their customer needs and wants and attracting, developing, and retaining customers. The study was focused on the effect that customer relationship marketing has on customers' loyalty by focusing only on the four ways of relationship marketing underpinnings (trust, commitment, conflict handling, and empathy) in banking industry, the case of commercial banks in Sebeta city municipality town. Because of limited financial resources and time, other elements or underpinnings of relationship marketing were beyond this study. The study was focused on the banking industry and some logic may not apply to other sectors.

1.6.2. Geographical scope

The study would be important in obtaining a lot of information if it covers all banks in Ethiopia. However, it is impractical and unmanageable to include all the banks because of resource limitation. Therefore, the study was confined to the effect of relationship marketing on customer loyalty in the banking industry, the case of commercial banks found in Sebeta city municipality town.

1.7. Significance of the study

One of the significance of the study was to provide current information on relationship marketing and its effect on customer loyalty in banking industry in Ethiopian context. The study would also provide basic data about relationship marketing and customer loyalty in banking industry in Ethiopia and how to implement strategies that will meet their customers' needs and ultimately win their loyalty. Besides, the findings of the study would be used for other similar studies in the future. So, it was expected that this research can contribute a lot to the efforts made by commercial banks in Ethiopia for the improvement of customer loyalty through provision of appropriate service to the respected customers. The study would also benefit both academicians and other practitioners as a documented study in this area.

1.8. Definition of terms (key concepts)

In order to avoid trouble in understanding the study, essential terms associated with the research are briefly defined as follows:

Relationship marketing: 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. The author also suggested that the goal of relationship marketing is to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. This implies that the key objective of relationship marketing is to foster customer loyalty.

Trust: Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity.

Commitment: Morgan and Hunt (1994) defined commitment as an enduring desire to maintain a valued relationship.

Conflict handling: Dwyer (1987) defined conflict handling as the ability of each supplier's to minimize the negative consequences of manifest and potential conflicts. Conflict handling reflects the supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solution openly when the problem arises.

Empathy: According to Ndubisi (2004) Empathy is the capacity to share and understand another's state of mind or emotion.

Customer loyalty: Oliver (1997) defined customer loyalty as a deeply held commitment to re-buy 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.

1.9. Limitation of the study

The time to collect and analyze data was a limiting factor for the study. The researcher have used convenience sampling technique in which a substantial degree of bias may be introduced in to the sample estimates and thus this is also the other limitation of the study. Even though, 384 questionnaires were distributed to respondents, only 280 were collected and 104 questionnaire left uncollectible which reduced the sample size.

1.10. Ethical consideration

Since the researcher has used the data from customers which have been collected through questionnaire, customers of the bank were asked permission and the information obtained from the customers of the bank was held in strict confidentiality by the researcher. Every person involved in the study was entitled to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. The researcher has also quoted secondary sources which the researcher has used in the research to protect the right of ownership others.

CHAPTER TWO

REVIEW OF RELATED LITRATURE

2.1. Introduction

Today's banking industry is changing rapidly. With the development of international economy and competitive markets, banks are also affected (Gilaninia & et al, 2011). Among banks at the global level, relationship marketing is taken into consideration as the ideal way to create and maintain long-term relationships with customers; because deliverable services in commercial banks is relatively same and for most banks, to differentiate services towards competition is difficult. So many of the worlds' banks are oriented the use of relationship marketing approach and implementation of its foundations. Development of industrial marketing and service marketing led to a new approach that emphasized long term and close relations with customers. Therefore, transaction-based marketing that focus only on the selling of the product shifted to interactive marketing that focus on the establishment of sustainable and long term relations with customers (Abbasi and Torkemani, 2010, p.25). Berry (1983) viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships (Berry, 1983). Gummesson (1993) defined the term as a strategy in which the management of interactions, relationships and networks is a fundamental issue.

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(Gronroos,1994). Rapp and Collins (1990) suggest, similarly, that its goals are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. This is achieved by a mutual symbiosis and fulfillment of promises (Ndubisi 2003). In other words, a key objective is to foster customer loyalty, which Oliver (1999) defined as a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior(Oliver,1999). In the present study according to model of Hunt et al. (2006) variables of trust, commitment, conflict handling and empathy as fundamental variables of relationship marketing have been studied.

2.2. Relationship marketing

Relationship marketing emerged in the 1980s as an alternative to the prevailing view of marketing as a series of transactions, because it was recognized that many exchanges, particularly in the service industry, were relational by nature within a banking setting (Berry,

1983). This author viewed relationship marketing as a strategy to attract, maintain and enhance customer relationships. Gummesson (1994) defined relationship marketing as a strategy in which interactions, relationships and networks are managed. 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. The author also suggested that the goal of relationship marketing is to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides. This implies that the key objective of relationship marketing is to foster customer loyalty.

A definition of relationship marketing that encapsulates most of the viewpoints of the various authors is that relationship marketing refers to all the activities necessary to identify, establish, maintain and enhance profitable relationships with internal and external customers and other stakeholders, so that the objectives of all parties involved are met through mutual exchanges and the making, enabling and keeping of promises (Payne, A. *et al.*, 1995).

2.3. Theoretical framework of the research

Introduction of Competition in the banking industry, coupled with the availability of information and technology have made relationship marketing an important area in service marketing. Relationship marketing emerged in the 1980s as an alternative to the prevailing view of marketing as a series of transactions, because it was recognized that many exchanges, particularly in the service industry, were relational by nature within a banking setting (Berry, 1983). The concept of marketing has shifted from transactional marketing to that of relationship marketing. This has made the focus to shift from single sale to that of customer retention. The benefit a customer seeks to gain from a product here is the focus area as against that of actual product features.

Although relationship marketing is a relatively young field of inquiry, relationship marketing theory is an extremely rich area of research (Hunt et al., 2006). They indicated that relationship marketing can take many forms and, as a result, relationship marketing theory has the potential to increase the understanding of many aspects of business strategy.

In Customer Relationship marketing, customer needs and desire drive behavior and it should be addressed properly in order to lead to high customer satisfaction. Relationship marketing tries to establish an 'intimacy' that is individualized like with customers via strong personal appeal and

continuing commitment (Lee and Carter, 2005 p.421)

This calls for trust and commitment to exist between the banker and the customer in order to ensure loyalty and build relationship. Relationship marketing seeks to promote long term loyalty (Gordon I, 1998).

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/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 empathy that influence customer loyalty. Relationship marketing theory concerned on relational factors and their influence on relationship marketing outcomes like customer loyalty and relational contracting (Hunt et al., 2006). The researcher will use the framework as it is without modification.

2.4. Customer loyalty

Customer loyalty is the most important goal of implementing relationship marketing activities.

Oliver (1997) defined customer loyalty as a deeply held commitment to re-buy 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. It is assumed that customers who are behaviorally loyal to a firm display more favorable attitudes towards the firm, in comparison to competitors. Customer satisfaction and loyalty are highly correlated. Customer satisfaction with a bank relationship is a good basis for loyalty (Leverin and Liljander, 2006).

Knowing the buying motivations of customers has been an important part of understanding customer loyalty and brand switching behavior. Oliver (1997) describes four levels of loyalty based on these components:

1. Cognitive: One brand is preferable based on superior brand attributes.
2. Affective: Liking towards brand has developed over the course of multiple purchase situations that were satisfying.
3. Conative: Affective stage with the express intention to re-buy.
4. Action: Conative stage plus the active desire to overcome situational influences and marketing

efforts that may have the potential to cause switching behavior.

2.4.1. Customer loyalty and customer retention

Today companies are target on developing stronger bonds and loyalty with their ultimate customers. In the past, many companies took their customers for granted. Their customers either did not have many alternative suppliers, or the market was growing so fast that the company did not worry about fully satisfying its customers. These companies need to pay closer attention to their customer defection rate and undertake measure to reduce it. Today's companies are going all out to retain their customers. They are struck by the fact that the cost of attracting new customer may be five times the cost of keeping a current customer happy (Kotler & Armstrong, 2010).

Good customer relationship management creates customer delight. In turn, delighted customers remain loyal and talk favorably to others about the company and its products. Studies show big differences in the loyalty of customers who are less satisfied, somewhat satisfied, and completely satisfied (Kotler & Armstrong, 2010). Even a slight drop from complete satisfaction can create an enormous drop in loyalty. Thus, the aim of customer relationship marketing is to create not just customer satisfaction, but customer delight and customer loyalty. Companies are now realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage.

As companies move from a transaction-oriented view of their customers to a relationship building view, they will create and sponsor programs to keep their customers coming back, buying more, and staying loyal. The challenges is to develop a special relationship with the companies best customers in which they experience good two-way communication and see themselves as receiving special privileges and awards.

2.4.2. Dimension of customer loyalty:

Generally customer loyalty has two dimension- behavioral and attitudinal (Dick and Basu, 1994). Two dimension of customer loyalty are discussed below-

2.4.2.1 Behavioral loyalty:

The Copeland (1923) has done first research on customer loyalty which was behavioral loyalty. Behavioral loyalty refers the more purchase frequency and possibility a particular brand; it is also measure as a brand loyalty (Brody and Cunningham, 1968). Example of behavioral loyalty is repeat purchase of product or services from same brand or seller which leads to more purchase

scope (Yi, 1990).

2.4.2.2. Attitudinal Behavior

Customer loyalty consequently turned into attitudinal measurement tools (Jones and Sasser, 1995). Attitudinal loyalty more emphasize on individual feelings which tend to particular product or services (Fournier and Yao, 1997). To put it different way, attitudinal behavior aggregate the customer preference and willingness for particular product to measures the level of loyalty. Oliver (1997) developed framework for loyalty by combining behavioral and attitudinal loyalty.

2.5. Empirical literature

Boke (2015) have conducted a study on the effect of relationship marketing on customer loyalty (evidence from Zemen bank). The aim of this study is to investigate the influence of relationship marketing underpinnings on customers' loyalty by giving insights to Trust, Commitment, Communication and Gratitude and their effect on customer loyalty in the banking industry in Ethiopia. The study also investigated the mediating role of top management commitment between relationship marketing and customers' loyalty. The research design was descriptive and explanatory. Primary data for the study were gathered through questionnaire and semi structured interview from Zemen bank in Addis Ababa city. Findings of this study reveal that there is a significant and strong correlation between relationship marketing and customers' loyalty. Moreover, the study reveals that there is significant effect of trust, commitment, communication, and gratitude on predicting customers' loyalty. Of these relationships, gratitude emerged as the strongest factor which influences customers' loyalty while conflict management remained statistically insignificant and negligible influence on customers' loyalty in the cumulative model. However, all underpinnings had statistically significant influence on customers' loyalty as individual. Moreover, management commitment had mediating effect between relationship marketing and customers' loyalty. Depending on the findings, practical implications of this study is, in order to ensure loyalty among bank customers; bankers should build a better relationship marketing strategy. Therefore, banks competitiveness and profitability will depend on their ability to build strong relationship bonds with their customers continuously.

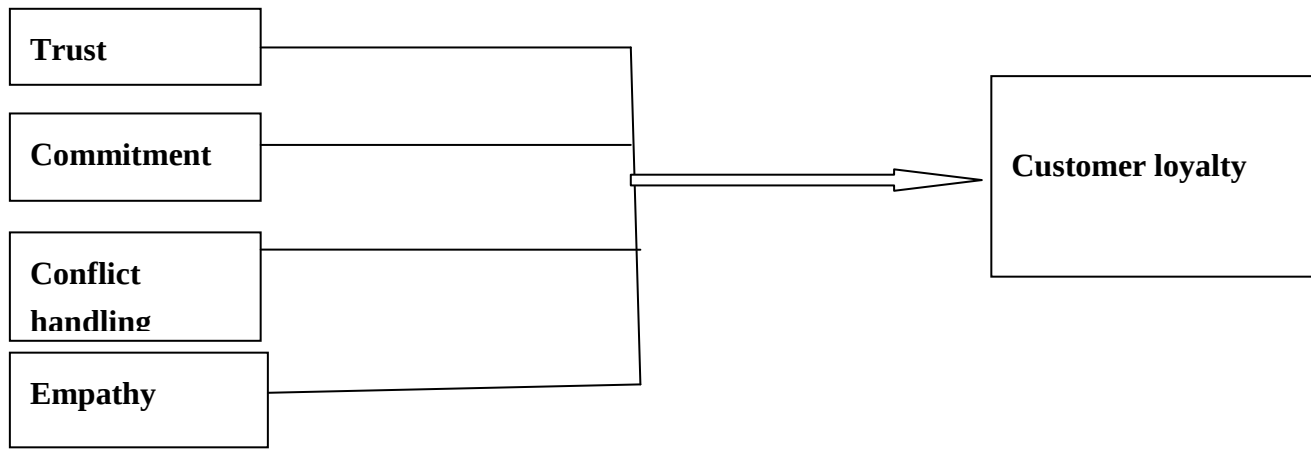
Kuria (2010) has investigated a study on relationship marketing practices among commercial banks in Kenya. The purpose of the study was to establish the nature of relationship marketing practices and to determine the extent to which relationship marketing is practiced among

commercial banks in Kenya. This study was a cross-sectional survey undertaken among the commercial banks in Kenya. The population of the study was the 44 commercial banks. A survey of all banks was undertaken. The study found that the banks have applied products oriented Customer Relationship Marketing practices to a great extent. The findings indicate that employee oriented Customer Relationship Marketing strategies are present and enhanced to a great extent. From the findings it emerges that communication oriented CRM strategies have been applied to a moderate extent. The study further found that loyalty oriented CRM activities are not enhanced in the commercial banks in Kenya. The study recommends that the Kenyan commercial banks need to critically reconsider several aspects of the customer relationship marketing strategies especially on the areas of technology adoption and its interaction with CRM.

Omidinia, S. et al. (2014) have conducted a study on the effect of relationship marketing on customers' loyalty in the public and private banks of the Qom province, the case study public and private banks of the Qom province in Iran. The purpose of the study is to assess the relation of the marketing relationship factors and the customer loyalty and factors priority and the difference of these variables in the public and private banks in the province of Qom. Statistical society of the present research consists of 110 customers of a private bank and a public bank in the province of Qom. The medium for data gathering was a questionnaire, and in this research, a statistical society average test and Friedman test have been used to analyze the data, correlation test to study the relation between marketing factors and customers' loyalty, and the Two-sample T-Test to study the differences among the variables in the two types of public and private banks. The study concluded that there is a positive relation between relationship marketing factors and customers' loyalty. Commitment, trust, communication and conflict handling factors hold the first to fourth priorities in relation to the customers' loyalty. And also among the research variables in the two types of public and private banks, no meaningful difference could be observed.

2.6. Conceptual framework of the research

In the present study according to model of Hunt et al., (2006) variables of trust, commitment, conflict handling and empathy as fundamental variables of relationship marketing will be studied.



Source: *Hunt et al., 2006*

Fig. 2.1 Conceptual framework of the research

2.7. Relationship marketing dimensions

2.7.1 Trust

Relationship marketing is built on the foundation of trust, as research demonstrates (Morgan and Hunt, 1994). They define trust as a willingness to rely on an exchange partner in whom one has confidence. They indicated that trust is a generalized expectancy held by an individual that the word of another can be relied on. Their definition highlights the importance of confidence.

Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty (Ndubisi, 2007). 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.

Morgan and Hunt (1994) conceptualize trust as existing when one party has confidence in an exchange partner's reliability and integrity. They indicated that trust is a generalized expectancy held by an individual that the word of another can be relied on. Their definition highlights the importance of confidence. The literature on trust suggests that confidence on the part of the trusting party results from the firm belief that the trustworthy party is reliable and has high integrity, which is associated with such qualities as consistent, competent, honest, fair, and responsible. Trust in relationship marketing is very important. This is the main focus in service organizations. It needs to go along with commitment. If deliverable is good then trust increases.

Therefore,

H1: Trust has a significant and positive effect on customer' loyalty in the banking industry.

2.7.2 Commitment

Commitment is another 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 (Morgan and Hunt, 1994). These authors defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial. They also suggested when commitment is higher among individuals who believe that they receive more value from a relationship, highly committed customers should be willing to reciprocate effort on behalf of a firm due to past benefits received and highly committed firms will continue to enjoy the benefits of such reciprocity.

In the services relationship marketing area, Berry (1983) maintains that relationships are built on the foundation of mutual commitment. He also argued that a common theme emerges from the literatures on relationship 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. Therefore, commitment is central to all the relational exchanges between the firm and its various partners. As for commitment as a critical factor in building customer loyalty, consisting in the study of accommodating to customers' needs, tailoring products to requirements, and being generally flexible in their customer relationships is needed Ndubisi (2007). He also indicated that banks should recognize the influence of service commitment in keeping loyal customers, and act accordingly. They must also show genuine commitment to customer relations.

Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Lacey (2009) research's suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. He argued that customers who remain within a firm are more likely to increase business volume in the future.

Based on this study through the level of customer participation the highest spending customers receive the greatest rewards. Therefore,

H2: commitment has a significant and positive effect on customer loyalty' in the banking industry.

2.7.3. Conflict handling

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her own personal goals, needs, or desires and those of the other party. In dealing with conflict, people use different strategies to accomplish their goals. Dwyer (1987) defined conflict handling as the ability of each supplier's to minimize the negative consequences of manifest and potential conflicts. Conflict handling reflects the supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solution openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners. According to Evans & Beltramini (1987) in a negotiation setting, cooperative versus competitive intentions have been found to be linked to satisfactory problem solution. In short, good conflict resolution will result relationship quality positively. Conflict handling is an important relationship builder. Even though it is difficult to service industries especially in banking sector to achieve zero service failure all a time, but it is so important that the particular banks put in place effective conflict resolution or problem solving mechanism.

A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementations includes, identifying potential conflicts, solving conflict before they manifest, avoiding potential conflict and blocking them. Those efforts could bring the better relationship and loyalty to the particular bank or service firm (Ndubisi, 2007). Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. As mentioned earlier, the ability of the product or service provider to handle conflict well will also directly influence customer loyalty. Clow & Kurtz (2003) identified and explained the four types of conflict faced by customers.

1. **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.

2. **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.

3. **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's conflict is with the organization and not with the service personnel.

4. **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. Therefore,

H3: Conflict handling has a significant and positive effect on customer' loyalty in the banking industry.

2.7.4 Empathy

According to Ndubisi (2004) Empathy is the capacity to share and understand another's state of mind or emotion. This author also pointed out that the basic idea of empathy should be characterized is that by looking expressions of the people facial or body movement, or by hearing their tone of voice, which will have immediate sense on how they feel. Empathy often characterized as the ability to put oneself into another, or in some way experience the outlook or emotions of another being within oneself. Empathy has the added value of reducing reliance on legal governance, since exchange partners who are governed by the principle of empathy are more likely to treat others in the manner they would like to be treated. Therefore,

H4: Empathy has a significant and positive effect on customer' loyalty in the banking industry.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1. Research Approach

The study has employed quantitative research approach to answer the research question. Quantitative approach is applied to identify and test the effect of relationship marketing on customer loyalty. In this research, quantitative approach was a cross sectional study design with deductive approach.

3.2. Research Design

The research was descriptive and explanatory in nature. In order to describe characteristics of the population and the relationship between variables, descriptive approach was used. Thus, descriptive analysis was used to describe the demographic factors for more clarification and make some general observations about the data gathered for general or demographic questions. Explanatory research approach was also used to explain the variables under consideration. The related data using questionnaire was collected and analyzed. Questionnaire was prepared in English and was designed in a way that tackles misunderstanding and make questionnaire simple and understandable.

3.3. Sampling Design

3.3.1. Population of the Study

The study was conducted to examine the effect of relationship marketing on customer loyalty in banking industry, the case of commercial banks in Sebeta city municipality town. There are 16 commercial banks having 38 branches in Sebeta city municipality town (sebeta municipality investment office report, 2016). Six branches were selected for the study. This six branches have a total customer of 38,980. The population of the study was the saving account holders and current holders.

3.3.2. Sample Size Determination

In addition to the purpose of the study and the population size, five criteria was needed to be specified to determine the appropriate sample size: Population variability (approximated p), the maximum allowed error (E), confidence interval (Z), and the probability of the population not to be occurred (q). Thus the sample size was determined according to the equation developed by Cochran (1963).

$$n = \frac{(z^2 * p * q)}{e^2} \quad \text{Where;}$$

Z= the critical table value of the confidence level (z=1.96)

p= the population variability (p=0.5)

q= the probability of the population not to be occurred (q=1-p=0.5)

e = the maximum allowed error i.e. (e =0.05)

Therefore, the researcher has taken the maximum allowed error as 5% at a confidence interval level of 95% and the moderate population variability interval is 0.5(p=0.5) because this allows the researcher a largest sample size and the minimum error(q=0.5).

$$n = \frac{(1.96^2 * 0.5 * 0.5)}{0.05^2} \text{ which is approximated } 384.16 \text{ approximately } 384 \text{ customers}$$

were selected from 38,980 customers of the six branches.

3.3.3. Sampling Technique

There are 16 commercial banks having 38 branches in Sebeta municipality town. These 16 banks were classified as government and private banks and three branches from each stratum with total of 6 branches were selected randomly. These six branches were commercial bank of Ethiopia sebeta branch, Oromia International bank Sebeta branch, Dashen bank alemgena branch, commercial bank of Ethiopia furi gara bolo branch, Nib international bank sebeta branch, and Birhan international bank alemgena branch. Since it is difficult in terms of time and cost to take all the population and it is not practically possible to get all customers of the bank, 384 customers from the total customers of 38,980 were selected as sample using convenience sampling technique.

3.4. Data collection instruments

The study relayed on primary source of data. Primary data was collected using standard questionnaires and the questionnaire was distributed to and collected from the customers of commercial banks in Sebeta city municipalty town.

3.5. Data analysis

After collecting the data using questionnaire, the process of data analysis begins. Both descriptive and inferential statics was used to analyze the collected data. A descriptive analysis was used to analyze the demographic factors such as gender, age, education, occupation, monthly income and for how many times the customers are using the bank's services. Inferential statistical tools like regression and correlation model was also used. 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 and Correlation analysis was conducted to measure the strength of the association between relationship marketing dimensions and customer loyalty. Tools like tables and percentage was used. Data analysis was performed using inferential analysis by SPSS software version 17.

3.6. Reliability and validity test

3.6.1. Reliability test

Cronbach's alpha was to test the reliability of the data. Reliability refers to the extent to which a scale produces consistent results if repeated measurements are made on the characteristics. Reliability implies consistency, but not accuracy. The alternative measure of reliability as internal consistency is the Cronbach alpha, frequently referred to as the alpha coefficient of reliability, or simply the alpha. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another (WWW.Wikipedia.com).

Table: 3.1. Reliability test result for questionnaire

Item	Number of item	Cronbach's Alpha
Trust	7	0.878
Commitment	8	0.772
Conflict handling	8	0.741
Empathy	5	0.712
Customer loyalty	7	0.799
Overall reliability analysis	35	0.942

Source: SPSS reliability analysis result based on questionnaire survey, 2017(see the original data on the attached appendix)

The result of reliability test of questionnaire is shown in the above table 3.1. Nunnaly (1967), indicates that, the closer the reliability coefficient to 1.00 is the better internal consistency. In general, reliabilities less than 0.6 are considered poor and those above 0.6 are considered to be acceptable. As indicated in the table, the result of the test is between 0.878 and 0.712. This indicates a good acceptable internal consistency of the items in the scale for this study.

3.6.2. Validity test

According to R. Kothari, (2004), Validity is the most critical criterion and indicates the degree to which an instrument measures what it is supposed to measure. Content validity of the survey questionnaire was validated by professionals and the research advisor. Standard questionnaire was used so that the instrument was valid.

3.7. Pilot Test

Prior to the final draft of the questionnaire, a pilot test was carried out by 20 participants for the purpose of improving the questionnaire by identifying and eliminating potential problems. The main objective was to detect the weakness in questionnaire design and instruction. Many aspects of the questionnaire have been tested, including question content, wording, sequence, form, layout, and instruction. Feedback and comments from research advisor was also taken into consideration.

After collecting the feedback, editing was done to correct the ambiguous wording, leading question, and unclear format before mass distribution of the questionnaire.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1. INTRODUCTION

This chapter deals with the presentation of data, analysis and interpretation. To collect the data and extract findings, questionnaires were prepared and distributed to customers of commercial banks in Sebeta city municipality town. A total of 384 questionnaires were distributed to different customers of commercial banks in Sebeta city municipality town, and a total of 280 questionnaires was returned and used for this study, while 104 remained uncollectible. So the analysis was made based on 280 responded questionnaires. The questionnaires were developed in five scales as strongly agree, agree, neutral, disagree, and strongly disagree.

4.2. Data screening and cleaning

The purpose of data screening is to find wrong entries and to find the extreme responses or outliers. By using frequency tables, minimum and maximum of each data are considered and are clear. There is no a minimum less than one and maximum greater than six. The result of was shown in the following table.

4.3. Normality Test

Normality test in statics is used to determine whether the data set is well modeled by normal distribution or not. There are several tests for assessment of normality and shape of a data distribution such as skewness and kurtosis test which were used in present study. Skewness is a measure of symmetry of distribution. A positive value indicates that the distribution has a greater tendency to tail to the right (positively skewed or skewed to the right), and a negative value indicates a greater tendency of the distribution to tail to the left (negatively skewed or skewed to the left). Skewness is 0 for a normal distribution (Keller, 2010).

Kurtosis is a measure of the shape of a distribution. A positive value indicates that the distribution has longer tails than the normal distribution (platykurtosis); while a negative value indicates that the distribution has shorter tails (leptokurtosis). For the normal distribution, the kurtosis is 0 (Keller, 2010). As well as kurtosis refers to peaked-ness or flatness of the distribution, so that the high peak data called a Leptokurtic where the kurtosis value is greater than 3(kurtosis >3). The perfect normal distribution of the data called Mesokurtic, which as a

kurtosis equals 3, while the high flatness data is called Platykurtic, where the kurtosis value is less than three ($kurtosis < 3$) (Bulmer, 1979).

The distribution of the findings can be regarded as normal if it displays a skewness of less than an absolute value of 2.00, and a kurtosis of the distribution of less than 7.00 (West, Finch & Curran 1995). As indicated in table 4.1, all the scale items that were used for the survey fall within these parameters.

Table: 4.1. Normality test

Descriptive Statistics					
	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Trust	280	-1.697	.146	2.201	.290
Emphaty	280	-1.805	.146	3.316	.290
Commit	280	-1.808	.146	2.768	.290
Conflic	280	-1.803	.146	2.975	.290
CustLoyalty	280	-1.710	.146	2.375	.290
Valid N (listwise)	280				

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

4.4. Descriptive analysis

Descriptive analysis refers to statistically describing, aggregating and presenting the constructs of interest or association between these constructs. This descriptive analysis is used to look at the data collected and to describe that information. 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, length of time the respondents use the bank's services and type of the bank customers are using.

4.4.1. Gender of Respondents

Table: 4.2. Gender of respondents

Gender of respondents				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Female	112	40.0	40.0	40.0
Male	168	60.0	60.0	100.0
Total	280	100.0	100.0	

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

Analyzing the data obtained from the questionnaire, Table 4.2. reveals that, 40% of the respondents were female customers while 60% were male respondents.

4.4.2. Age of respondents

Table: 4.3. Age of respondents

Age of respondents				
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below 20 years	14	5.0	5.0	5.0
20-39 years	192	68.6	68.6	73.6
40-59 years	58	20.7	20.7	94.3
60 years and above	16	5.7	5.7	100.0
Total	280	100.0	100.0	

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

In terms of age, 5 % of survey respondents were below 20 years old, 68.6% were between the age of 20-39, 20.7% were under the age between 40-59. The remaining 5.7% respondents were 60 and above years old. The many of the respondents were between the ages 20-39 years representing 68.6%.

4.4.3. Education qualification of the respondents

Table: 4.4. Education Qualification of respondents

Education Qualification					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Primary	13	4.6	4.6	4.6
	Secondary	50	17.9	17.9	22.5
	Diploma	75	26.8	26.8	49.3
	Degree	107	38.2	38.2	87.5
	Postgraduate	32	11.4	11.4	98.9
	Others	3	1.1	1.1	100.0
	Total	280	100.0	100.0	

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

As indicated in the above table 4.4, 38.2% of respondents are degree holders followed by 26.8% of respondents are diploma holders. In the other way, 1.1% of respondents had other education qualification, while 4.6% were primary education attendants. 17.9% of respondents were achieved secondary education and 11.4 had qualified with postgraduates.

4.4.4. Occupation of respondents

Table: 4.5. Occupation of respondents

Occupation of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	government sector	54	19.3	19.3	19.3
	private sector	115	41.1	41.1	60.4
	own business	74	26.4	26.4	86.8
	Student	8	2.9	2.9	89.6
	Others	29	10.4	10.4	100.0
	Total	280	100.0	100.0	

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

As indicated in the above table 4.5, 41.1% of respondent's works in private sector followed by 26.4% are working in their own business. 19.3% of respondents are working in government

sector while 10.4% of work in other business. 2.9% of respondents are students.

4.4.5. Monthly income of respondents

Table: 4.6. Monthly income of respondents

Monthly income of respondents					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below birr 1000	33	11.8	11.8	11.8
	1000-2999 birr	86	30.7	30.7	42.5
	3000-4999 birr	71	25.4	25.4	67.9
	birr 5000 and above	90	32.1	32.1	100.0
	Total	280	100.0	100.0	

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

The results of monthly income of respondents are shown in table 4.6. The table shows that 31.1% and 30.7% of respondents have a monthly income of birr 5000 and above and birr 1000-2999 respectively. On the other hand, 25.4% had monthly income of birr 3000-4999 and the remaining 11.8% had monthly income of birr 1000 and below.

4.4.6. Length of time respondents uses the bank services

Table: 4.7. Length of time respondents uses the bank services

Number of years Customers Used the bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	below 1 year	28	10.0	10.0	10.0
	1-3 years	83	29.6	29.6	39.6
	3-5 years	68	24.3	24.3	63.9
	5-7 years	45	16.1	16.1	80.0
	above 7 years	56	20.0	20.0	100.0
	Total	280	100.0	100.0	

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

As it shown in the above table 4.7, 29.6% of respondents used the banks' services for 1-3 years while 10% of the respondents used the services of the bank below 1 year. On the other hand 24.3% of respondents used the bank services for 3-5- years, 20% used for 7 years and above and

the remaining 16.1% used the banks services for 5-7 years.

4.4.7. Type of the bank

Table: 4.8. Type the bank respondents are using

Type of The Bank					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Government	139	49.6	49.6	49.6
	Private	141	50.4	50.4	100.0
	Total	280	100.0	100.0	

Source: SPSS descriptive analysis result based on questionnaire survey, 2017

As indicated in the above table 4.8, 50.4% of the respondents are the customers of private banks while 49.6% of the respondents are the users of government bank.

4.5. Correlation analysis between relationship marketing dimensions and customers' loyalty.

Correlation measures the strength of the linear relationship between two variables. Thus, Pearson's correlation is used to identify whether there are relationships between the variables and to describe the strength and the direction of the relationship between two variables (Mohammad, n.d). Pearson correlation test was conducted to know the degree of relationship between the independent variable i.e. relationship marketing and the dependent variable i.e. customers' loyalty. According to Berndt et. al (2005), the level of association as measured by Pearson's co-efficient falls between -1.0 and +1.0, which indicates the strength and direction of association between the two variables. The interpretation of the result is as follows; a correlation result between 0 to 1 implies positive relationship, 0 (zero) for no relationship, 1 for perfect positive relationship, -1 for perfect negative relationship and between -1 to 0 indicate the existence of negative relationship. There are no hard fast rules, here is a general rule of thumb concerning the r value (Daniel Arkkelin 2014, p.101); if r values greater than .50 indicate a **strong** correlation, r values around .30 indicates **moderate** correlation and r values less than .20 indicate a **weak** correlation. The scale typed questionnaire entered to the SPSS software version 17.00, to process correlation analysis. Based on the questionnaire which was filled by the customers of both private and government commercial banks, the following correlation analysis

was made.

Table: 4.9. Correlation Analysis between Relationship Marketing Dimensions and Customer Loyalty

		Correlations					
		RM	Trust	Commitment	Conflict	Empathy	Customer Loyalty
RM	Pearson Correlation	1	.560**	.510**	.419**	.618**	.607**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	280	280	280	280	280	280
Trust	Pearson Correlation	.560**	1	.708**	.644**	.624**	.674**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	280	280	280	280	280	280
Commitment	Pearson Correlation	.510**	.708**	1	.794**	.662**	.796**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	280	280	280	280	280	280
Conflict	Pearson Correlation	.419**	.644**	.794**	1	.641**	.752**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	280	280	280	280	280	280
Empathy	Pearson Correlation	.618**	.624**	.662**	.641**	1	.605**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	280	280	280	280	280	280
Customer Loyalty	Pearson Correlation	.607**	.674**	.796**	.752**	.605**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	280	280	280	280	280	280

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

Source: SPSS correlation analysis result based on questionnaire survey, 2017

The result of correlation between relationship marketing and customer loyalty are shown in the above table 4.9. According to the results of the Pearson correlation test is observed that the test is significant at one percent. The result indicates that there is significant and positive correlation between relationship marketing and customers' loyalty. In other words relationship marketing and customers' loyalty have high relationship ($r=0.607$ with $p<0.01$)

As it is indicated in the above table 4.9, there is significant and positive correlation between trust and customers' loyalty. The result shows that Pearson correlation coefficient (r) value is 0.674 which indicates that trust dimension and customers' loyalty are strongly correlated. Thus the first hypotheses, "Trust has a significant and positive effect on customers' loyalty in banking industry in Ethiopia" is accepted.

In other words if customers trust the bank, they will be loyal to their banks otherwise they will not be loyal to their banks. Bank should be able to promise and deliver what it promised and is important to encourage repeat purchase by the customers and to establish strong relationship. 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 with the findings of Ndubisi (2007).

For commitment and customer loyalty variables, Pearson correlation was also conducted and the result was shown in the above table 4.9. As it is shown in the table, there is significant correlation between commitment dimension and customers loyalty. Since the value of r is 0.796 commitment and customers' loyalty have strong relationship. Thus the hypothesis, "Commitment has a significant and positive effect on customers' loyalty in the banking industry in Ethiopia" is accepted.

The commitment of the bank will help to retain customers by improving the services of the bank. The result of Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. Lacey (2009) research's also suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. Therefore, the result of this research on commitment dimension is similar with the above findings that commitment has the power to increase customers' loyalty.

As it is clearly indicated in the above table 4.9, there is significant positive correlation between conflict handling and customers' loyalty. The value of r is 0.752 and thus conflict handling and customers' loyalty have strong correlation. Thus the hypothesis, "conflict handling has a significant and positive effect on customers' loyalty in the banking industry in Ethiopia" is

accepted.

When banks have good conflict handling procedures and solving the manifested problems successfully, the customers express their complaints or any feelings they have freely and will become loyal customers. In order to encourage customers to complain when there is problem, banks are responsible to aware and inform in advance how and where to complain. Generally, appropriate and acceptable conflict handling procedure will create strong relationship with customers'. The result of Ndubusi (2007) indicated that customers tend to be loyal to banks that handle customer complaints which will always happen and other conflicts satisfactorily. Therefore, the result of this research on conflict handling dimension is similar with the above result in indicating that proper conflict handling can increase customers' loyalty.

The above table 4.9 also shows that there is positive relation between empathy and customer loyalty. The result of Pearson correlation coefficient ($r = 0.605$) proves that empathy dimension and customers' loyalty have strong correlations. Thus the hypothesis, "empathy has a significant and positive effect on customers' loyalty in banking industry in Ethiopian" is accepted.

Empathy is one of the important tools to create long term relationship with customers in service provider organizations. Customers want to be treated as they want to be treated by the banks employees. Thus banks have the responsibility to treat customers as they want to be treated to have loyal customers. When the customers are treated in a good way they become satisfied and loyal to their banks. As a result, empathy has power to create lasting relationship with customers and shaping the minds of the existed customers to talk favorably about the banks to other customers. Therefore, banks need to understand their customers' needs and wants and continuously evaluate their services to satisfy and attract customers in the better way.

4.6. T test

Table: 4.10.T test result for type of the bank and customer loyalty

Table 4.11. T- test result-group statistics for type of type of the bank and customer loyalty

Group Statistics

	Type of the bank	N	Mean	Std. Deviation	Std. Error Mean
Customer Loyalty	Government	139	3.9476	.72561	.06155
	Private	141	3.9737	.69307	.05837

Source: SPSS analysis result based on questionnaire survey, 2017

Table: 4.12. T-test result for type of the bank and customer loyalty

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means			
		F	Sig.	t	Sig. (2-tailed)	Mean Difference	Std. Error Difference
Customer Loyalty	Equal variances assumed	1.139	.287	-.307	.759	-.02607	.08479
	Equal variances not assumed			-.307	.759	-.02607	.08482

Source: SPSS analysis result based on questionnaire survey, 2017

As indicated in above table 4.11, the mean of private and government bank are almost equal. Thus, it can be concluded that, no meaningful difference was observed on customers' loyalty between private and government bank. Thus the last hypothesis was rejected and there is no meaningful difference between government and private banks in terms of customers' loyalty. As indicated in table 4.12, the results of the F test determine whether to use the Equal variances assumed rows or the Equal variances not assumed rows in evaluating the t statistic. The decision rule for determining which rows to use is as follows: If the variances for the two groups are equal (i.e., Sig. > .05), then use the output in the Equal variances assumed rows and if the variances for the two groups are significantly different (i.e., Sig. < .05), then use the output in the Equal variances not assumed rows (Daniel Arkellin 2014). Therefore, sig. > 0.05, the output equal variance assumed row was used. Looking this row, the t value was 0.307 and the probability in sig. (2-tailed) column 0.759 was greater than 0.05 meaning that there was no significant difference of customers' loyalty between private and government bank.

4.7. Multicollinearity Diagnosis

Table: 4.13. Multicolliniarity Diagnosis analysis table

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1(Constant)	.074	.170		.433	.665	-.260	.407		
Trust	.142	.043	.166	3.305	.001	.058	.227	.449	2.228
Empathy	.040	.053	.036	.751	.453	-.064	.143	.491	2.039
Commit	.061	.009	.436	6.972	.000	.043	.078	.290	3.443
Conflict handling	.322	.068	.275	4.762	.000	.189	.455	.340	2.942

a. Dependent Variable: Customer Loyalty

Source: SPSS analysis result based on questionnaire survey, 2017

The F test is used to determine whether there is a significant overall relationship between the dependent variable and the set of all independent variables, while Multicollinearity is used to determine the relationship among the independent variables. In short, multicolliniarity refers to the correlation among independent variables. Such high correlations cause problems when trying to draw inferences about the relative contribution of each predictor variable to the success of the model. If the value of VIF reaches 10 the multi-collinearity regarded as a serious one, if so should reduce the collinearity by eliminating one or more variables (O'BRIEN, 2007). Since neither of the predictor variables has a variance inflation (VIF) greater than ten, there are no multicollenariarity problems. Large value of VIF indicates strong relation between predictor variables. In other words there are no variables in the model that is measuring the same relationship as is measured by another variable or group of variables.

A tolerance with minimum value is nearly a linear function of the other variable. Thus commitment (0.290) and conflict handling (0.340) has a minimum tolerance value and are more related to customers' loyalty than other variables. Therefore commitment and conflict handling are the major determinants of customers' loyalty among other variables. It can be seen also from the table that the four independent variables were significant in explaining customers' loyalty. A big absolute value of t value and small p value suggests that a predictable variable is having large effect on the criterion variable. As indicated in the table, commitment (6.972) and conflict

handling (4.672) has a big t value and small p value. Thus, conflict handling and commitment has large effect on customers' loyalty.

4.8. Regression Analysis

This section of the study presents the results and discussions of the 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, conflict handling and empathy) explains the dependent variable that is customers' loyalty. The results of the regression analysis were discussed in the following section.

4.6.1. Multiple Regression Analysis of Relationship Marketing dimensions and Customers' Loyalty

Table: 4.14. Result of Multiple Regression Model Summery

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.829 ^a	.688	.683	.39861

a. Predictors: (Constant), Conflict, Empathy, Trust, Commitment

Source: Multiple Regression analysis result based on questionnaire survey, 2017

In table 4.14, it can be seen in multiple regression analysis that in examining the effect of independent variables (Trust, Commitment, Empathy and Conflict Handling) on customer loyalty are acceptable and significant at a confident level of 95%. Meanwhile, determine R square is equivalent to 0.688 which means that 68.3% of independent variable can predict or affect the dependent variable.

Table: 4.15. Result of Multiple Regression ANOVA

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.260	4	24.065	151.454	.000 ^a
	Residual	43.696	275	.159		
	Total	139.956	279			

a. Predictors: (Constant), Conflict, Empathy, Trust, Commit

b. Dependent Variable: Customer Loyalty

Source: Multiple Regression analysis result based on questionnaire survey, 2017

According to the table 4.15, the Mean Square of Regressions is more than Mean Square of Residual and the sig = 0.000 < 0.05. Thus for this research Regressions is significant at a confidence level of 95%.

Table: 4.16. Result of Multiple Regression Model Coefficients

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	
		B	Std. Error	Beta	
1	(Constant)	.074	.170		.433
	X1=Trust	.142	.043	.166	3.305
	X2=Empathy	.040	.053	.036	.751
	X3=Commitment	.061	.009	.436	6.972
	X4=Conflict	.322	.068	.275	4.762

a. Dependent Variable: Customer Loyalty

Source: Multiple Regression analysis result based on questionnaire survey, 2017

To indicate customers' loyalty explanation and prediction by the four relationship marketing dimensions, multiple regression method was used. As indicated in the above table 4.16, by observing the value of Beta coefficient, commitment (0.436) and conflict handling (0.275) has maximum effect on customers' loyalty and trust (0.166) and empathy (0.036) has minimum effect on customers' loyalty. Thus, regression model can be written as follows in a significant 95%:

$$Y = 0.074 + 0.142X_1 + 0.043X_2 + 0.061X_3 + 0.322X_4$$

Where: Y= Customer Loyalty, X1=Trust, X2= Empathy, X3= Commitment X4= Conflict Handling

As indicated in the table 4.16, trust can explain and predict customer loyalty. Trust has a positive effect on customer loyalty. This means that as trust increases or decreases by 1%, customer loyalty increases or decreases by 14.2% controlling for the other variables (X2, X3, and X4). Similarly, Empathy has can explain and predict customers' loyalty positively. When Empathy increases or decreases by 1%, the dependent variable customer loyalty will increase or decrease by 4.3% controlling for the other variable (X1, X3 and X4). As indicated in the table 4.16, commitment has positive effect on customers' loyalty. As commitment increases or decreases by

1%, customer loyalty increases or decreases by 6.1% controlling for (X1, X2 and X4). Finally, conflict handling has also positive effect on customers' loyalty. As conflict handling increases or decreases by 1%, customer loyalty increases or decreases by 32.2% controlling the other variables (X1, X2 and X3).

4.9. RESULT DISCUSSION

The research used 40% female and 60% male as respondents. In terms of age the majority of the respondents are in between 20-39 years old which was accounted 68.6% and followed by 40-59 years old which constituted 20.7% of the total respondents. With regard to the education qualification of the respondents, the majority are first degree holders 38.2% which is followed by diploma holders which accounted 26.8%. Majority of the respondents are working in private sector which accounted 41.1% followed by 26.4 having their own business%. In terms of the monthly income of the respondents, the majority had income of birr 5000 and above which accounted 32.1% and followed by 30.7% having income in between birr 1000-2999. Most of the customers used the bank services for 1-3 years which accounted 29.6% followed by 24.3% used the banks' services for 3-5 years. From the total respondents, 49.6% are the customers of government bank whereas, 50.4% of customers are private bank users. From demographic factors only number of years customers used the bank is correlated with customers' loyalty. The other dimension has no relation with customer loyalty.

Based on the results from this research, relationship marketing is correlated with customer loyalty. Based on the Pearson correlation test of correlation results, relationship marketing is positively correlated with customers' loyalty ($r=0.607$). The finding shows that the relationship marketing can explain 68.8% loyalty in banking industry. Relationship marketing elements particularly Commitment and conflict handling have greater impact on customers loyalty and it is more important in shaping what customers prefer about the bank.

Based on the Pearson correlation test of correlation results, trust dimension positively correlated with customers loyalty ($r=0.674$). In other words, if customers trust the bank, they will be loyal to their banks otherwise they will not be loyal to their banks. Because of this result the bank should be able to promise and deliver what it promised is important to encourage repeat purchase by the customers and to establish strong relationship. In addition, trust only will exist if customers have confidence in a banks' ability to perform satisfactorily. Therefore, trust has

power to determine the loyalty of customers. With regard to trust dimension, a bank can be perceived by its customers as honest in its performance if the bank has strong and lasting relationship with customers. Customer trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983). So, the finding of Berry (1983) is similar with the results of this research. When customers trust the bank, they will leave all the activities to be performed by the bank and they will talk freely about the banks strengths and weaknesses. Because of this reason, all customers feel that they are responsible for the banks operation. So, it is best for the banks to be trusted by the entire customers. The regression analysis of trust dimension and customer loyalty indicates that 45.5% of the Variance R square in customers' loyalty has been significantly explained by trust. The finding of Ndubisi (2007) showed that trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty. And also the finding of Morgan and Hunt (1994) concluded that customers with trusts in service providers' capability would probably be willing to commit to a service relationship for meeting their expectations. Therefore, the result of this study on trust dimension is similar with the above findings that trust has the power to increase customers' loyalty.

Based on the correlation result as it is shown by Pearson correlation test, commitment dimension is positively and highly correlated with customers' loyalty. The correlation coefficient between commitment and customer's loyalty is the highest of all correlation results of relationship marketing dimensions which is 0.796. This shows that commitment dimension is a major determinant of customer's loyalty and customers will critically evaluate the commitment of the bank employees towards the services gained from the bank. The commitment of the bank will help to retain customers by improving the services of the bank. By having committed employees, banks can continue retaining existed customers and attracting new customers to generate more profit. To this extent the commitment dimension of relationship marketing plays great role. Therefore, banks are expected to have committed employees to offer appropriate services and treat the customers as they want. This result is supported by the study of Fullerton (2003). According to this researcher, commitment has a strong positive effect on the softer aspects of customer loyalty such as advocacy and willingness to pay more for the service. With regard to the regression analysis of commitment dimension and customers loyalty, 79.6% of the variance R square in customers loyalty is significantly explained by commitment. The result of Morgan and Hunt (1994) viewed that a committed partner wants the relationship to endure indefinitely

and is willing to work at maintaining it. Lacey (2009) researchs also suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. Therefore, the result of this research on commitment dimension is similar with the above findings that commitment has the power to increase customers' loyalty.

As it is indicated in the correlation analysis, conflict handling dimension has positive and high relationship with customers' loyalty. The correlation coefficient between conflict handling and customers' loyalty is 0.752. It is the second highest of all correlation results of relationship marketing elements. When banks have good conflict handling procedures and solving the manifested problems successfully, the customers express their complaints or any feelings they have freely and will become loyal customers. In order to encourage customers to complain when there is problem, banks are responsible to aware and inform in advance how and where to complain. Generally, appropriate and acceptable conflict handling procedure will create strong relationship with customers. The regression analysis result for conflict handling and customers' loyalty shows that 56.5% of the variance R square in customers loyalty has been significantly explained by conflict handling. The result of Ndubusi (2007) indicated that customers tend to be loyal to banks that handle customer complaints which will always happen and other conflicts satisfactorily. Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty. Therefore, the result of this research on conflict handling dimension is similar with the above results in indicating that proper conflict handling can increase customers' loyalty.

The other factor that is included in the dimensions of relationship marketing is empathy. It has positive and moderate relationship with customers' loyalty. The correlation coefficient between these variables is 0.605. Empathy is one of the important tools to create long term relationship with customers in service provider organizations. Nearly high number of customers wanted to be treated as they want to be treated by the banks' employees. If this is the case, banks have the responsibility to treat customers as they want to be treated to have loyal customers. When the customers are treated in a good way they become satisfied and loyal to their banks. As a result, empathy has power to create lasting relationship with customers and shaping the minds of the existed customers to talk favorably about the banks to other customers. Therefore, banks need to understand their customers' needs and wants and continuously evaluate their services to satisfy

and attract customers in the better way. With regard to the regression analysis of empathy and customers loyalty, 36.6% of the variance R square in customers loyalty is significantly explained by empathy. The finding of Zeithaml and Bitner (2003) showed that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. As it is mentioned by Parasuraman *et al.*, (1988) empathy is one of the important elements to measure the service quality in service industries area. So, the result of this research on empathy dimension of relationship marketing supports the above findings that empathy has power to make customers' loyalty.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This chapter presents summary of the major findings, the conclusion and recommendation that was drawn from previous chapters of the study.

5.1. Summary of the Major Findings

By undertaking the detailed analysis on the effect of customer relationship marketing on customers' loyalty, the result of the study findings is summarized as follows;

- The research finding indicates that there is a relation between relationship marketing dimensions; namely trust, commitment, conflict handling and empathy on customers' loyalty. Regression testing was also conducted on all variables and the result showed that all components have the power to predict customer loyalty.
- From demographic factors only number of years customer used the bank is positively related with customers' loyalty. The other dimension has no relationship with customers' loyalty (see appendix B under correlation analysis).
- The relationship marketing elements particularly commitment and conflict handling had a greater effect on customers' loyalty. The result of Pearson correlation coefficient for commitment and conflict handling is 79.6% and 75.2% respectively. Commitment had a greater power to determine the loyalty of customers followed by conflict handling. Commitment has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983). So, the finding of Berry (1983) is similar with the results of this research.
- Customers' loyalty does not vary between government and private bank. It can be said that the meaningful difference hasn't been observed among the variables of the research in the public can private banks and the mean of these variables in these two banks are relatively the same. It is not a type of the bank that determines loyalty of the customer rather the commitment of the bank and how the bank manages conflict are the major one.

5.2. Conclusion

The main objective of this study was to examine the effect of relationship marketing on customers' loyalty in commercial banks in Ethiopia by taking evidence from commercial banks in Sebeta city municipality town. 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 empathy. The findings support the view points that relationship marketing dimensions can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty. All customer relationship marketing dimensions namely trust, commitment, empathy and conflict handling have a positive and strong correlation with customer's loyalty.

Among other demographic factors included in this research, the length of time customer used the bank is positively correlated with customer loyalty and the other demographic factors have no relation with customer loyalty. 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 empathy are positively related to customer loyalty. The relationship marketing elements particularly commitment and conflict handling had a greater effect on customers' loyalty. On the regression analysis part, it is clearly shown that relationship marketing explains and predicts customers' loyalty. Customers' loyalty is not affected by type of the bank. Customers' loyalty has no significant difference between private and government banks.

5.3. Recommendations

In light of the major findings and conclusions made above, the following recommendations are suggested as being a valuable to commercial banks in Ethiopia generally and commercial banks in Sebeta city municipality town specifically.

- Among the relationship marketing dimensions that is trust, commitment, conflict handling and empathy; trust is the major predictor of the customers' loyalty. Commitment is an important ingredient in firm-customer relationships and ultimately in development of loyalty (Ndubisi, 2007). Therefore banks should work hard to build an enduring desire to maintain a valued relationship. It was advisable for banks to show a genuine commitment to customer relations.
- In this study conflict handling was the other second factor affecting customers' loyalty. Thus it is better for banks to work hard to reduce the overall level of disagreement between the bank and the customers.
- In today's competitive business environment it is very important to retain and develop loyal customers. Therefore it is advisable for banks to be trustworthy, show commitment, provide individualized attention to customers and must resolve conflict in a manner that eliminate unimportant loss and inconvenience to their customers. Since banking industry is growing from time to time in Ethiopia, each bank have to develop relationship marketing practices to survive and profitable.
- It is better to make adjustments to suit customer needs, be flexible when services are changed and work hard with customers for continual relationship.
- By considering the impact of loyalty on profit, it is better for bankers to build strong relationship strategies because all relationship underpinnings including trust, commitment, conflict handling and empathy have a positive relationship with customer loyalty.
- It is advisable for banks to have strong connection with its customers in order to create and maintain customer loyalty and keep customers from switching to other competitor.
- Being private bank or government bank has no relation with customer' loyalty. Thus it was advisable that each bank has to develop strong customer relationship management instead of seeking support from government.

5.4. Future study

The survival of the organization depends on its customer. Customers are the source of profit to be earned by profit making organization (Keller and Kotler, 2012). Therefore the core reason behind each act conducted by a business is to increase profitability. Thus, the impact of relationship marketing over the profitability would provide a greater and newer aspect to the researcher.

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APPENDIX A

ADDIS ABABA UNIVERSITY

COLLEGE OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

Questionnaires to be filled by customers of the commercial banks

Researcher: Wondimu Getu Nigussa

Contact address: Tel. 0917096518, E-mail. wondimugetu@gmail.com or wondimugetun@yahoo.com

Dear respondents,

I am a graduate student at Addis Ababa University College of business and economics school of commerce. I am conducting a research on “The effect of relationship marketing on customers’ loyalty; the case of commercial banks in Sebeta city municipality town” in partial fulfillment of the requirement of MA degree in marketing management.

I kindly request you to spend some minutes of your time in filling the questionnaire. Any information which you provide will be kept confidential. Your genuine response is highly appreciated for the outcome of the project.

Thank you for your kind cooperation in filling the questionnaire.

General instructions

- ✓ There is no writing of your name
- ✓ In all cases where the options are available, please tick ✓ in the appropriate box

Thank you in advance!!

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 ☐ Secondary ☐ 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. Type of your bank: Private ☐ Public ☐

Part II

Please, indicate your opinion by marking ✓ in the following table on the five point scale.

No	Item	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree(4)	Strongly agree(5)
	Trust					
1	I feel safe in all of my transactions with the bank					
2	The bank always does what it promised to do					
3	I am confident on the financial status of the bank					
4	The bank is trustworthy on calculating charges					
5	The bank is trustworthy during cash payment process					
6	The bank provides consistent quality services at different time					
7	Given my experience, the bank can be trusted Completely					

	Commitment					
8	The bank makes adjustment to suit my needs					
9	The bank offers personalized services to meet customers need					
10	The bank is flexible when its service are changed					
11	The bank is flexible in serving my needs					
12	My relationship with the bank is one that I am very committed to continuing it					
13	My relationship with the bank is very important to me					
14	My relationship with the bank is one that I really care about					
15	My relationship with the bank is worth my effort to maintain					
	Empathy					
16	The Bank employees give individualized attention to customers					
17	The employees of the bank understand my specific needs					
19	The working hours of the bank are flexible and convenient to me					
20	The bank shows a sincere interest in solving my problem.					
21	The bank has guidance signs indicating as to which counters are offering which services.					
	Conflict handling					
22	The bank has the ability to openly discuss solutions when problems arise					
23	The bank is responsive to my complaints					
24	The bank shows a sincere interest in Solving customer problems.					
25	The bank listens to customers' problems.					
26	The bank clearly communicates it's policy to customers (about customers' right, responsibility, and other related issues)					
27	The bank clearly communicates about					

	how and where to complain in case of a problem					
28	The bank gives a prompt response for complaints					
29	The bank tries to avoid potential conflict					
	Customer Loyalty					
30	This bank comes first to my mind whenever I look for banking services.					
31	If I had to do it over again, I would still choose to use the bank					
32	I do not like to change to another bank because I value the bank					
33	I am a loyal customer to the bank					
34	I would always recommend the bank to someone who seeks my advise					
35	My intention to use the services of this bank would not be changed					
36	I do not like to change to another bank because this bank sees my needs					

Source: Ndubisi and Wah, (2005), Bekela (2011), (Ravichandran et.al, 2010 and Frank Kojo Kuranchie); cited by Solomon Amare, 2014 and edited by the researcher.

Appendix B
Correlation Analysis
Correlations

		Gender of respondents	CustLoyalty
Gender of respondents	Pearson Correlation	1	-.011
	Sig. (2-tailed)		.858
	N	280	280
Customer Loyalty	Pearson Correlation	-.011	1
	Sig. (2-tailed)	.858	
	N	280	280

Correlations

		Age of respondents	Customer Loyalty
Age of respondents	Pearson Correlation	1	-.234**
	Sig. (2-tailed)		.000
	N	280	280
Customer Loyalty	Pearson Correlation	-.234**	1
	Sig. (2-tailed)	.000	
	N	280	280

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

Correlations

		Education qualification	CustLoyalty
Education qualification	Pearson Correlation	1	-.056
	Sig. (2-tailed)		.353
	N	280	280
Customer Loyalty	Pearson Correlation	-.056	1
	Sig. (2-tailed)	.353	

Correlations

		Education qualification	CustLoyalty
Education qualification	Pearson Correlation	1	-.056
	Sig. (2-tailed)		.353
	N	280	280
Customer Loyalty	Pearson Correlation	-.056	1
	Sig. (2-tailed)	.353	
	N	280	280

Correlations

		Occupation of respondents	Customer Loyalty
Occupation of respondents	Pearson Correlation	1	-.094
	Sig. (2-tailed)		.115
	N	280	280
Customer Loyalty	Pearson Correlation	-.094	1
	Sig. (2-tailed)	.115	
	N	280	280

Correlations

		monthly income of respondents	Cust Loyalty
monthly income of respondents	Pearson Correlation	1	-.036
	Sig. (2-tailed)		.551
	N	280	280
Customer Loyalty	Pearson Correlation	-.036	1
	Sig. (2-tailed)	.551	
	N	280	280

Correlations

	number of years customers used the bank	CustLoyalty
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number of years	Pearson Correlation	1	.088
customers used the bank	Sig. (2-tailed)		.141
	N	280	280
Customers Loyalty	Pearson Correlation	.088	1
	Sig. (2-tailed)	.141	
	N	280	280

Correlations

		type of the bank	Cust Loyalty
type of the bank	Pearson Correlation	1	-.012
	Sig. (2-tailed)		.838
	N	280	280
Customer Loyalty	Pearson Correlation	-.012	1
	Sig. (2-tailed)	.838	
	N	280	280

Reliability Analysis

Scale: Trust

Reliability Statistics

Cronbach's Alpha	N of Items
.878	7

Scale: Commitment

Reliability Statistics

Cronbach's Alpha	N of Items
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Reliability Statistics

Cronbach's Alpha	N of Items
.772	8

Scale: Empathy**Reliability Statistics**

Cronbach's Alpha	N of Items
.712	5

Scale: Conflict Handling**Reliability Statistics**

Cronbach's Alpha	N of Items
.741	8

Scale: Customer Loyalty**Reliability Statistics**

Cronbach's Alpha	N of Items
.799	7

Scale: Overall Reliability analysis**Reliability Statistics**

Cronbach's Alpha	N of Items
.942	35

Data screening and cleaning

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Gender of respondents	280	1.00	2.00	1.6000	.49078
Age of respondents	280	1.00	4.00	2.2714	.64305
Education qualification	280	1.00	6.00	3.3714	1.07991
Occupation of respondents	280	1.00	5.00	2.4393	1.14686
monthly income of respondents	280	1.00	4.00	2.7786	1.02700
number of years customers used the bank	280	1.00	5.00	3.0643	1.28800
type of the bank	280	1.00	2.00	1.5036	.50088
Trust1	280	1.00	5.00	4.0214	1.05047
Trust2	280	1.00	5.00	3.7214	1.03742
Trust3	280	1.00	5.00	3.9321	1.10669
Trust4	280	1.00	5.00	3.8000	1.07896
Trust5	280	1.00	5.00	3.7429	.90297
Trust6	280	1.00	5.00	3.6143	.97338
Trust7	280	1.00	5.00	4.0679	1.01901
Commit1	280	1.00	5.00	3.8643	.83138
Commit2	280	1.00	5.00	3.9643	.99756
Commit3	280	1.00	5.00	3.8036	1.04074
Commit4	280	1.00	5.00	3.7464	1.10877
Commit5	280	1.00	5.00	4.1429	1.06135
Commit6	280	1.00	5.00	4.1321	1.06779
Commit7	280	1.00	5.00	4.1036	1.03695
Commit8	280	1.00	5.00	4.0286	1.05030
Empathy1	280	1.00	5.00	4.1429	.98789
Empathy2	280	1.00	5.00	3.9679	.99948
Empathy3	280	1.00	5.00	3.9143	1.00882
Empathy4	280	1.00	5.00	3.7321	.89785
Empathy5	280	1.00	5.00	3.8250	.84757
Conflict hadling1	280	1.00	5.00	3.9571	.99007
Conflict hadling2	280	1.00	5.00	3.9750	.95194

Conflict hadling3	280	1.00	5.00	3.9286	.96641
Conflict hadling4	280	1.00	5.00	3.9643	1.00115
Conflict hadling5	280	1.00	5.00	3.8821	1.06611
Conflict hadling6	280	1.00	5.00	3.9250	1.08000
Conflict hadling7	280	1.00	5.00	3.9429	1.03883
Conflict hadling8	280	1.00	5.00	3.7679	1.02288
Customer Loyalty1	280	1.00	5.00	3.8929	1.02441
Customer Loyalty2	280	1.00	5.00	4.0500	.99335
Customer Loyalty3	280	1.00	5.00	3.9929	1.08754
Customer Loyalty4	280	1.00	5.00	4.0714	1.07191
Customer Loyalty5	280	1.00	5.00	3.9857	1.06415
Customer Loyalty6	280	1.00	5.00	3.8893	1.04995
Customer Loyalty7	280	1.00	5.00	3.8429	1.06607
Valid N (listwise)	280				

Source: SPSS result, own survey, 2017