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THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT ON CUSTOMER LOYALTY: IN THE CASE OF HIBRET BANK S.C

**THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY COLLEGE
OF BUSINESS AND ECONOMICS IN PARTIAL FULFILMENT OF
THE REQUIRMENT FOR MBA MASTERS PROGRAM**

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Declaration

I hereby declare that the research work entitled “**The effect of customer relationship management on customer loyalty**” in the case of Hibret Bank S.C , under the advisory of Tewodros wuhib (Ass/professor) member of the University, and submitted in partial fulfillment of MBA, this research work report has not been submitted any Universities or Institutions for award of degree.

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Statement of Certificate

This is to certify that **Abreham Yilma** has carried out his thesis work on the topic entitled **“The Effect of Customer Relationship Management on Customer Loyalty”** in the case of Hibret Bank S.C under my guidance and supervision. I here assure that his work is appropriate to be submitted for examination with my approval as a thesis.

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This is certify that the thesis prepared by **Abreham Yilma Kebede** titled “**The Effect of Customer Relationship Management on Customer Loyalty**” in the case of Hibret Bank S.C” and submitted in partial fulfillment of requirement for the Master in MBA degree, The thesis adheres to the University's regulations and accepted academic standards.

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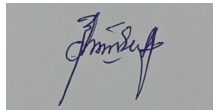
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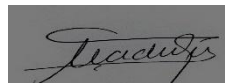
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List of Acronyms

Acronym	Full Form
AI	Artificial Intelligence
ANOVA	Analysis of Variance
ATM	Automated Teller Machine
B2C	Business to Customer
CLV	Customer Lifetime Value
CRM	Customer Relationship Management
CRMO	CRM Organization
ETB	Ethiopian Birr
HR	Human Resources
ICT	Information and Communication Technology
IT	Information Technology
KCF	Key Customer Focus
KM	Knowledge Management
ROI	Return on Investment
S.C.	Share Company
SPSS	Statistical Package for the Social Sciences
TCRM	Technology-Based Customer Relationship Management
TQM	Total Quality Management

Abstract

Customer Relationship Management (CRM) has assumed importance as a strategic approach for service-driven entities towards improving customer loyalty and creating a competitive edge. The banking industry, which is characterized by high competitiveness, similarity in products offered, and potential customer switch-over, is increasingly turning towards efficient CRM practices for customer retention and long-term association. This paper investigates the influence of CRM practices on customer loyalty in respect of Hibret Bank S.C. in Ethiopia.

The research methodology involves using a quantitative research approach and descriptive and explanatory research design. Data was gathered using a structured questionnaire from a population of customers who attended Hibret Bank S.C. branches in Addis Ababa in a population of 384 customers. The researcher used Cochran's formula in determining the sample size and convenience sampling in view of accessibility. The analysis of data was done using SPSS with descriptive statistics, correlation, and multiple regression analysis.

The current study identifies key CRM dimensions, such as key customer focus, knowledge management, CRM organization, and technology-based CRM, which are considered independent variables with customer loyalty as a dependent variable. Findings indicate that CRM practices positively and significantly influence customer loyalty. It is found that key customer focus and technology-based CRM have a strong influence on customer loyalty, whereas knowledge management and CRM organizations follow suit.

In its conclusion, the paper asserts that CRM best practice implementation has increased the behavioral as well as attitudinal elements of customer loyalty. The paper has implications for bank managers due to its emphasis on the need to combine customer-driven approaches, organizational efforts, and the role of CRM technology systems. The paper further bridges the gap within the existing body of knowledge by filling the lack of empirical research on CRM and customer loyalty within the Ethiopian banking industry.

Keywords: Customer Relationship Management, Customer Loyalty, Banking Sector, Hibret Bank S.C., Ethiopia

CHAPTER ONE

INTRODUCTION

This chapter presents the introductory part of the study by describing the background of the study, statement of the problem, research question, objectives of the study, research hypothesis, Significance of study, limitation of study and scope of the studies.

1. Background of the Study

In today's business world, which is marred by cutthroat competition and unending changes in customer expectations, organizations have begun to treat customers not as transactional objects, but as strategic assets. As organizations have become aware of their customers as assets, there has been a paradigm shift in organizations from a product-based or transaction strategy to customer-based or relationship strategy. There has been a growing need for organizations to understand, improve customer satisfaction, and gain customer loyalty through customer relationship management as a strategic approach (Duygu & Sevcan, 2012; Zakaria, 2014).

RMK shall, therefore, comprehensively be referred to as an integrated method involving the usage of people, processes, and technology for managing interactions with clients at different points. Based on the objective and efficient analysis and use of data on clients, RMK provides a mechanism for firms to design customized products and services. Recent technologies, such as data analysis and electronic communication tools, have further bettered the field of RMK and enabled businesses to interface with clients more effectively and efficiently (Payne & Frow, 2005).

The banking industry, in particular, has experienced a paradigm shift because of globalization, innovation in technology, deregulation, and competition. Banking services tend to be intangible, standardized, and easy to imitate; therefore, banks find it increasingly challenging to specifically differentiate themselves through their products or pricing strategies. As such, banks resort to the idea of a relationship-building strategy as a tool for achieving a competitive advantage. CRM stands out as an essential strategy in the banking industry since the approach enables the bank to analyze customer behavior patterns and profitable customers as well as create services tailored to meet the individual customer's need with the intention of boosting loyalty.

Historically speaking, banking primarily focused on transactional business relationships. BANKS were primarily short-term sales focused. But as it became increasingly apparent that it was more costly to sell to a new customer than to retain business from existing ones, there was a gradual realization that adopting long-term relationship marketing would have more sense for BANKS. CRM helps to facilitate stronger business relationships by allowing

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banking to effectively communicate with their consumers, work to establish greater trust as well as improved service.

Customer loyalty has been recognized as an important factor influencing profitability, growth, and viability of an organization for a long time, especially in service organizations such as banking. Customer loyalty not only implies continued purchasing behavior but is also a psychological and emotional bonding of a customer with a service organization. Customer loyalty helps to enhance market share, minimize operating expenses, and maximize profitability, as cited by Bowen and Chen (2001). On a similar note, it has been cited by Zeithaml and Bitner (2003) that customer satisfaction does not guarantee customer loyalty.

Customer loyalty provides various benefits to organizations. These customers tend to have higher possibilities of participating in repeat transactions, buying more products or services, and being less conscious about prices. Also, loyal clients have the tendency to become brand ambassadors to propagate the organization to more people via word-of-mouth communication, which can work as an effective marketing tool. Dissatisfied customers have higher chances of switching to their competitors, which results in higher customer turnover. Customer acquisition cost will increase as well. Therefore, customer loyalty has turned out to be an important aspect of banks.

Technological changes and the development of digital banking systems have added further intensity in the already competitive field of banking. Consumers these days are better informed, empowered, and demanding. They are offered a multitude of choices in financial service providers. Banks are therefore required to adapt themselves to these changes in consumer attitudes and behaviors and meet the requirements of speed and service in order to be competitive and increase their customer base.

CRM solutions help banks manage customers' details from different communication channels and handle customers' grievances and complaints in time.

Within this ever-changing context, a very important role is played by CRM in terms of navigating customers through a loyalty continuity process, commonly termed as a "loyalty ladder." According to Smith, a successful application of CRM results in helping organizations to move their consumers from first-time buyers to return customers, devoted clients, and finally brand ambassadors. Personalized communication, relationship building, and service recovery are some of the successful methods of CRM that improve customer loyalty.

The application of CRM in the banking industry is important given the high level of customer interaction, the long-term nature of the relationship, and the need to offer personalized services. The nature of banking relationships can sometimes entail long-term customer relations in regards to savings, loans, transactions, and advisory services. With the use of appropriate CRM tools and technology, the banking industry can efficiently deal with these relationships in terms of customer satisfaction and the quality of the relationship. In a way, the banking industry can gain the ability to recognize customer preferences in regard to financial services.

Notwithstanding the importance of CRM, effective implementation is still a problem to many. Effective CRM is not only reliant on the technological aspect but also on organizational issues. A poorly designed CRM system may fail to bring forth the desired benefits; worse, it could cause customer dissatisfaction. Hence, understanding the effects of CRM processes on customer loyalty is a critical aspect for those banking institutions that wish to have a better performance.

Considering the ever-growing role of CRM in the banking industry and the importance of customer loyalty for any organizational success, investigating the impact of CRM on customer loyalty is also important in today's context. The aim of carrying out this research is not only to fill the knowledge gaps but also to assist in developing efficient CRM strategies by highlighting its impact on customer loyalty for the banking sector.

1.1 Statement of the Problem

In today's competitive business world, Customer Relationship Management (CRM) has emerged as a crucial tool in the hands of organizations striving for sustained profitability and success. CRM has found special significance in the field of banks because the services offered in banks are mostly intangible in nature, and the level of competition in this sector is very high because switching from one organization to the other is also relatively easier in this sector. Now that banks have realized the value of customers as a source of valuable assets for the organization, the skill of developing, maintaining, and nurturing customer relationships has turned out to be a decisive determinant for the performance of the organization (Zakaria, 2014).

For the effective implementation of CRM in banks, certain important factors related to the relational components of trust, communication, services, response, and personalization need to be integrated. These factors help banks in comprehending customer expectations, delivering added value to them, and increasing their emotional attachments. Zakaria (2014) has stressed the need for direct, frequent customer interactions in order to create customer satisfaction and build customer loyalty. If the implementation of CRM is not done in an appropriate manner, customer dissatisfaction, degradation of customer relationships, as well as loss of competitive superiority can be witnessed.

However, despite the increased recognition of the importance of CRM, banks are viewed as facing daunting tasks in their attempts to harness the potential of CRM in order to increase customer loyalty. Although banks invest considerable amounts in technology-driven CRM solutions and digital solutions, these investments are not always associated with increased success. It has been argued in past research that poor implementation of CRM solutions and failure to adopt a customer-centric mode of operation often offset the potential offered through CRM implementation (Levesque & McDougall, 2000).

In the case of the Ethiopian banking industry, competition has been heightened by recent financial reforms, as well as the growth of private banks and improvements in banking technology. Consciousness regarding choices, as well as greater demands on services, have emerged among Ethiopian bank clients. Service delivery, bank service accessibility,

transparency, and value have become important considerations in this context, which have a big impact on customer satisfaction and loyalty. Under these circumstances, the use of CRM has become important in shaping customer perception.

Hibret Bank S.C., being one of the commercial banks in Ethiopia, has implemented several initiatives in its effort to build improved customer relationships. Such initiatives include the implementation of digital banking technologies, the establishment of customer complaints handling processes, and initiatives for improved customer service provision in its respective branches. However, despite these implemented initiatives, customer dissatisfaction remains a challenge for the bank, in addition to its growing customer switchovers and what seems to be a reduced customer loyalty (Tadikamalla, 2005).

Furthermore, the extent to which customer satisfaction and the management of CRM practices are done on a systematic and integrated approach is a challenge for most banks. According to Levesque & McDougall (2000), service failures, poor service recovery processes, and inconsistent service quality impact customer satisfaction and loyalty. This implies that if CRM practices are not evaluated on a systematic and continuous approach, it will be difficult to identify what aspects impact customer loyalty.

Despite the existence of a number of investigations of the concept of CRM and customer loyalty in a variety of international settings, the empirical knowledge in this area, in the context of the Ethiopian banking industry, still cannot be considered sufficient.

Specifically, there are no empirical investigations of the relationships between the identified components of CRM (trust, communication, service quality, and customization) and the construct of customer loyalty in the commercial banks of Ethiopia. Fewer investigations, if any, have been conducted in the context of Hibret Bank S.C.

In addition, the distinct features of the banking sector in Ethiopia, among others, such as infrastructural deficiencies, differing technological integration, as well as customer expectations, make it necessary to conduct localized research. For instance, CRM approaches that have been successful internationally may not necessarily present a similar impact within the Ethiopian context. Thus, it is significant to familiarize oneself with the effects of CRM approaches on customer loyalty within the distinct setting of Hibret Bank S.C.

In light of this challenges and the existing gaps in the current body of knowledge on CRM practices in different studies, there is every reason for conducting scientific studies to investigate how CRM practices can influence customer loyalty in the case of Hibret Bank S.C. The current study aims to achieve this by exploring how CRM factors can influence customer loyalty and which factors of CRM can influence such processes in order to approach providing effective insights for both bank management as well as developing CRM practices in the banking industry in Ethiopia.

1.2 Research Questions

The study shall be based on the following research questions that would help in determining the significance of Customer Relationship Management to customer loyalty in Hibret Bank S.C.

1.2.1 Main Research Question

How does Customer Relationship Management impact the level of customer loyalty within Hibret Bank S.C.?

1.2.2 Specific Research Questions

In relation to the primary research question, the following questions arise:

1. What actions does Hibret Bank S.C. take in building customer loyalty?
2. How are grievances/complaints, as well as service recovery, handled by Hibret Bank S.C.?
3. What are the weaknesses and strengths of Hibret Bank S.C. regarding Customer Relationship Management processes?
4. In what manner does Hibret Bank S.C. incorporate the concept of Customer Relationship Management?

1.3 Research Objectives

In order to methodically investigate the impact of customer relationship management on customer loyalty, the study's objectives are separated into general and specialized objectives.

1.3.1 General Objective

This study's main goal is to evaluate how customer relationship management affects customer loyalty in the context of Hibret Bank S.C.

1.3.2 Specific Objectives

The study's particular goals are to:

1. List the several strategies used by Hibret Bank S.C. to improve customer loyalty.
2. Examine Hibret Bank S.C.'s customer complaint and service recovery procedures.
3. Evaluate the advantages and disadvantages of Hibret Bank S.C.'s customer relationship management strategies.
4. Find out how Hibret Bank S.C. handles customer relationship management.

1.4 Significance of the Study

This study is important from an academic and practical standpoint.

Practically speaking, Hibret Bank S.C. will benefit from the study's conclusions since they will assist management in identifying crucial client engagement points and assessing the efficacy of current CRM procedures. The analysis will point out the bank's CRM implementation's advantages and disadvantages and offer information that can direct managerial choices meant to raise customer happiness and loyalty.

The report will be a helpful resource for other commercial banks in the Ethiopian financial industry looking to improve client loyalty and retention through efficient CRM tactics. The results could help regulators and bank managers create customer-focused service improvement programs that boost sector competitiveness.

From an academic perspective, this study adds to the body of knowledge already available on customer loyalty and customer relationship management, especially in the context of Ethiopia's banking sector, where there are still few empirical studies. By offering context-specific information on the connection between CRM practices and customer loyalty, the study adds value to the body of literature.

The work will also provide a useful starting point for future researchers who wish to investigate CRM-related subjects. It might direct later research that aims to broaden the focus, use alternative approaches, or look at CRM practices in different industries or regions.

1.5 Limitations of the Study

Like any empirical research, this study has a number of constraints that may restrict the scope, depth, and generalizability of its findings.

First, the analysis solely takes into account Hibret Bank S.C. branches located in Addis Ababa. Customers from branches that operate in different regions of Ethiopia are thus not included in the study. This geographic limitation may limit the findings' application to Hibret Bank S.C.'s whole customer base nationally due to regional differences in customer views and service experiences.

Second, sampling-related limitations affect the study. Access to the bank's whole client database was forbidden due to privacy, security, and confidentiality concerns. Convenience sampling is used in the study to choose participants because of this. Although this method makes it possible to gather useful data, it might not accurately reflect the bank's customer base, which could compromise the findings' external validity and reliability.

Third, the investigation is further limited by time and resource limitations. The scope and depth of data collecting and analysis may be limited by a lack of resources and time. The utilization of comprehensive qualitative research techniques, such as in-depth interviews or longitudinal studies, which may offer deeper insights into CRM practices and customer loyalty, may be particularly impacted by these restrictions.

Fourth, data-related constraints limit the investigation. Secondary data and published empirical studies on CRM practices in Ethiopian financial institutions are few. This limitation limits the study's capacity to substantiate conclusions using a variety of local secondary sources or to make in-depth comparisons with earlier research.

Lastly, operational difficulties could occur when doing the research. Low questionnaire response rates, a lack of organizational staff participation, issues with data processing and analysis, and a lack of past research experience are some examples of these obstacles. These elements could affect the authenticity and dependability of the information gathered.

Despite these shortcomings, the study intends to ensure methodological rigor and provide important insights into the relationship between CRM activities and client loyalty in the selected scenario.

1.6 Scope of the Study

This study's scope is restricted to clients of Addis Ababa-based Hibret Bank S.C. branches. Four main behavioral dimensions—important customer focus, knowledge management, CRM organization, and technology-based CRM—identified by Sin and Yim (2005) are used in the study to analyze CRM practices.

Because Hibret Bank S.C. actively implements CRM methods at corporate, district, and branch levels, it was chosen for this study. In order to gather pertinent data from the target demographic and evaluate the present status of CRM practices and their impact on customer loyalty within the chosen branches, the study uses a descriptive research design.

1.7 Organization of the Study

There are five chapters in this study.

The study's history, problem statement, research questions, research aims, significance, limitations, scope, definitions of important words, and organization are all included in Chapter One, which serves as an introduction to the study.

A survey of relevant literature, including theoretical and empirical research on customer loyalty and customer relationship management, is presented in Chapter 2. The conceptual framework that directs the research is also covered in this chapter.

The research methodology is the main topic of Chapter 3. It describes the study's target population, sample strategies, data collection tools, and data processing procedures.

Data presentation, analysis, and interpretation of the results derived from the gathered data are covered in Chapter 4.

The study's summary, results, and suggestions for Hibret Bank S.C., legislators, and upcoming researchers are presented in Chapter 5. A list of the references utilized throughout the research is included at the end of the study.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2. Chapter Overview

This chapter focuses on the background information of Customer Relationship Management (CRM), conceptual framework, definitions, dimensions, and relationship between CRM and customer loyalty. The chapter further looks into CRM in the banking industry, advantages, success factors, challenges, and empirical evidence on the effect of CRM on customer loyalty. A conceptual framework is featured to highlight the relationship between dimensions of CRM and customer loyalty, with emphasis on Hibret Bank.

2.1 Evolution of Customer Relationship Management (CRM)

Historically, the development of CRM dates back to the pre-industrial period, where consumer-producer direct contact led to consumer loyalty (Parvatiyar and Sheth, 2002). Later, during the industrial age, mass production led to an increase in intermediaries, thereby decreasing direct consumer-producer contact. Over the past decades, technology evolution and marketplace dynamics have significantly influenced the concept of CRM. The main forces driving CRM include: The development of online services such as online banking, symbolizing customers' need for self-service. The rise of the service economy, which promotes the forming of emotional relationships between the service deliverers and the clients. Total Quality Management focusing on the integration of customers and suppliers in the value chain (Mack et al., 2005). The reasons mentioned above have influenced the trend from transaction marketing to relationship marketing, and finally to CRM as an approach for long-term business relationships.

2.2 Theoretical Literature Review of Customer Relationship Management (CRM)

Customer Relationship Management (CRM) is conceptually based on the relationship marketing paradigm, according to which, instead of viewing each transaction as an objective, the key is to build, maintain, and develop relationship structures between businesses and their customers (Berry, 1983). Relationship marketing argues that a superior competitive position can be created through the development of cooperative and non-economic relationship structures between businesses and their customers. In terms of strategic management, CRM can be understood as a holistic approach towards business that emphasizes customer profitability, retention, and lifetime value as key organizational objectives (Brassington & Pettit, 2000; Martin et al., 2010). Strategic management would appear to indicate that for organizations, there is a need for a move from a product-based approach towards a customer-based approach where, based on customers' needs, value is created in a manner that outpaces the competition. CRM is essentially a strategic tool that enables organizations to focus their resources, processes, and capabilities for improved customer value.

Technological perspective on CRM explains that it also underlines the significant role played by information systems in customer interaction management from different contact points (Chen & Popovich, 2003; Foss & Stone, 2001). The technological system in CRM also

allows organizations to store customer data, enabling them to make proper customer service-related decisions. Developments in database management and communication technology have also improved organizations' capabilities to handle customer information from different functional areas in an efficient manner. From a process perspective, the concept of CRM has been defined as a systematic and structured collection of activities that are interrelated for the purpose of managing the overall customer life cycle, right from acquiring them to retaining and developing them (Swift, 2000; Sin et al., 2005). This particular process view recognizes the relevance and importance of efficiently managing customer touch points across the domain of marketing, sales, and service activities. Customer satisfaction and loyalty are the results of efficiently designed and executed process activities that are proactive in nature in meeting customer expectations. An integrated theory perspective offers a combination of strategies, technologies, and processes, which suggest that CRM is more than a technology solution and that it has to be viewed from an overall organizational standpoint with regard to strategies integrating marketing, sales, and service functions with the objective of creating value for customers (Parvatiyar & Sheth, 2002; Kotler & Armstrong, 2010). In other words, CRM can be described theoretically in the context of a managerial approach coupled with a business process, aiming to coordinate organizational operations with the needs, preferences, and expectations of customers. The implementation of CRM leads to increased levels of customer satisfaction, loyalty, and efficiency in business operations.

2.3 Customer Relationship Management - Definition

Customer Relationship Management is defined as an approach that emphasizes the development and nurturing of valuable customer relationships through the delivery of enhanced value and satisfaction (Kotler, 2008). From the point of view of strategy and processes, CRM encompasses certain activities or processes that pertain to customer identification, acquisition, retention, and development (Sin et al., 2005). CRM is specifically an ongoing and dynamic process that requires continuous interaction with customers throughout their entire lifecycle. From the technology-enabled viewpoint, "CRM is the application of information technology to manage customer information and interactions with a view to maximize customer profitability and organizational efficiency" (Sanjay, 2012). Technology helps in the automation of marketing, sales, and service activities, and thus, firms are able to provide their customers with timely and targeted experiences. In the relationship-viewpoint approach, "the relationship-builder seeks to increase attachment after the sale, through bonding, trust, and relationship activities" that serve as methods of improving customer loyalty (Vavra, 1992; Lambert, 2010). This approach acknowledges that customer relationships extend beyond the point of sale and require continuous nurturing to sustain competitive advantage.

2.3.1 Core Elements of CRM

Gray & Byun (2001) describe three main CRM components. The customer aspect of CRM, first, is concerned with customer segmentation with a focus on high revenue-earning customers. The relationship aspect, second, is concerned with sustained communication efforts between customers and an organization so that trust is built, and value is shared on both sides. The management aspect, lastly, is concerned with customer information use, as it guides CRM programs and activities. The importance of customer information and relationship management is supported by these three components.

2.3.2 Types of CRM systems

According to Payne (2005), CRM systems come in three different varieties. Managing front-office business operations pertaining to customer care, marketing automation, and sales force automation is the focus of operational CRM. Analytical CRM places a strong emphasis on customer data analysis with the goal of offering insights that impact segmentation and strategic business choices. Collaborative CRM facilitates the management and exchange of customer-related data among organizational divisions and communication channels.

2.4 Importance of CRM for Organizations

Because CRM has been demonstrated to increase customer satisfaction, cut operational costs, lower complaints, and improve service quality, it is essential to an organization's effectiveness (Gifford, 2002). Because CRM is becoming more and more crucial due to increased competition, higher customer acquisition costs, technological advancements, and customer demands for personal services, organizations can use the technology to make well-informed decisions based on customer actions or preferences (Duran, 2001).

2.5 Critical Considerations in CRM Implementation

Effective CRM deployment is dependent on the recognition and subsequent meeting of heterogeneity among organizational customers. It is worth noting that Holloway (2002) would consider differentiation of valuable customers, loyalty through listening to complain opinions, multiple communications, and correlation with corporate identity and customer expectations as important principles in good relationship maintenance and loyalty.

2.6 Dimensions of CRM and Customer Loyalty

Research by Sin et al. (2005) and Yim et al. (2005) shows the important role of CRM dimensions in customer loyalty. The four-dimension paradigm of CRM, according to Sin et al.'s (2005) and Yim et al.'s (2005) theories, includes key customer focus, CRM organization, knowledge management, and technology-based CRM. Key customer focus involves prioritizing customers who are profitable or of prime importance to the company. CRM organization includes processes, environment, and work practices for customer-focused work. The primary function of knowledge management involves gathering, disseminating, and leveraging customer data for better-informed decisions. Customer loyalty is an "enduring preference for a brand, leading to repeat purchases and positive word-of-mouth

communication" (Uncles et al., 2003, p. 18; McMullan & Gilmore, 2008). By creating a sense of trust, satisfaction, and affinity, CRM reinforces loyalty.

2.6.1 CRM in the Banking Industry

CRM's functions: CRM is an essential strategic tool in banking for providing personalized banking services and cultivating client loyalty. The method assists the bank in identifying consumer behavior and increasing profitability by putting into practice appropriate techniques aimed at achieving certain goals (Rajnish et al., 2003; Xu et al., 2002; Mahaswar & Sweta, 2015). Banks get efficiency and marketing advantages, customers obtain customized goods and services, and employees have access to all customer-related data so they can provide top-notch services.

2.6.2 Success Factors and Challenges of CRM Implementation

Information technology infrastructure, organizational structure and cultural adaptability, employee and senior management support, and suitable communication channels are some of the elements that could guarantee the success of CRM implementation (Marko et al., 2015). However, a lack of funding, inexperienced staff, conclusions drawn from the data, and a lack of technology adoption are some of the difficulties that make CRM implementation difficult (Kale, 2004; Joachim, 2002; Pokharel, 2007). To fully benefit from the CRM process and promote client loyalty, a number of issues need to be resolved.

2.7 Empirical Review

client relationship management, or CRM, has been recognized as a strategic technique that enables businesses to enhance their client interactions and foster customer loyalty. Over the past 20 years, a lot of empirical studies have found that CRM improves an organization's performance, particularly in the banking industry where client retention is crucial. According to Swift (2001), referenced by Rahimi (2007), CRM offers firms a number of strategic benefits, including lowering the cost of acquiring new clients, keeping existing ones, increasing sales through upselling and cross-selling, and increasing profitability. In actuality, keeping existing customers is far more cost-effective than finding new ones. Effective CRM also makes it possible for a business to use consumer data to run precise marketing efforts.

Such efficient CRM helps a company avoid wastage in marketing campaigns as the intended message will reach the targeted customer at the correct time.

2.7.1 CRM & Customer Loyalty

Some studies have examined the relationship between the implementation of CRM and customer loyalty. Others have sometimes used the terms behavioral and attitudinal dimensions of customer loyalty. This can be measured by the customer's continued use of banking products and services by the same bank, including deposits, renewals, or the use of different financial products or services by a customer. On the other hand, the customer's psychological affiliations with the bank and their desire to defend the bank and its products can measure a customer's attitudinal loyalty. A combination of both behavioral and

attitudinal dimensions is critical in the acquisition of profitability in banking (Rundle-Thiele et al. 2001; McMullan et al. 2008). For example, in an empirical study carried out on the Ethiopian commercial banks, it was observed that customers' retention was seen to increase within the concerned banks that adopted CRM practices related to personalization, responsiveness, and knowledge management, with conclusions presented in a paper authored by Gebremichael in 2021. Likewise, another empirical study carried out among Egyptian and Sudanese commercial banks suggested that customers' repeat usage and advocacy were observed to increase with CRM systems facilitating cross-sales and personalized communications, with conclusions presented in an article authored by Ali & Khan in 2020.

2.7.2 CRM Components and Organizational Performance

According to empirical evidence, CRM's effect on customer loyalty is dependent on incorporating various dimensions, such as:

Customer Focus: Customer segmentation and prioritization allow companies to efficiently target high-value clients. According to authors Ryals and Knox (2001), companies must concentrate on high-value clients; as a direct result, client retention and overall client profit will increase.

Knowledge Management: Knowledge management encompasses the dissemination of information related to customers within the organization. The findings of a study conducted by Shi & Yip (2020) highlighted that banks which effectively managed knowledge were able to gauge customer needs accurately. The result was the improvement of customer satisfaction and loyalty.

CRM Organization: The organizational structure, culture, and finally, collaboration between various departments are essential to successfully implement a CRM solution, as rightly explained by Liu (2021); without organizational alignment, even an advanced CRM solution may not achieve its forecasted outcomes.

Technology-Based CRM: IT helps to have access to customer information and personalized marketing and support services. Recent studies conducted by Attia (2023) and others in 2022 have indicated significant benefits to banks using AI CRM, in terms of efficiency and service cost and customer interaction.

2.7.3 CRM ROI in Banking

Some research has emphasized the value of finance gained through CRM systems used by banks. Ogunleye and Ojo (2020) found that banks which used comprehensive CRM tools experienced an increase of 12% to 18% customer retain age, which positively impacted their profitability. Conclusive evidence also shows that small customer retention increases of 5% translate to 25% to 95% growth in profits (Reichheld & Sasser, 1990; Ali, 2007). Within the context of Ethiopia, the use of CRM in banks such as Commercial Bank of Ethiopia, Dashen Bank, and Awash Bank has led to increased customer satisfaction levels and improved customer service in terms of selling more products such as mobile-internet banking, educational loans, and insurance policies (Vikram, 2015; Mahaswar & Sweta, 2015). The

[Type text]

above-mentioned cases highlight how CRM is used both to foster relationships and to add to financial performance.

2.7.4 Comparative Studies: Ethiopia vs Global Trends

Internationally, banks are adopting the increased use of AI and CRM platforms for improved customer experiences. Ethiopian banks, though adopting CRM technology, are caught in the limitations of their digital infrastructure, unstandardized staff training programs, and budget limitations (Kale, 2004; Joachim, 2002). However, the awareness of CRM technology and its utilization in the banking sectors for improved customer services through customer segmentation programs and knowledge-sharing sessions have significantly increased (Pokharel, 2007; iiste.org, 2021).

Table 2.2: CRM Adoption in Ethiopian Banks vs Global Banks

CRM Dimension	Global Trend	Ethiopian Banks
Technology-Based CRM	AI, big data analytics, cloud platforms	Core CRM software, limited AI/analytics
Customer-Centric Culture	Fully integrated, cross-departmental alignment	Emerging, inconsistent adoption
Knowledge Management	Advanced customer analytics	Manual or semi-automated data usage
Loyalty Programs	Personalized, predictive targeting	Standardized, less targeted programs
ROI Focus	Measured via retention, lifetime value, profitability	Partially measured; focus on retention and service efficiency

(Source: Synthesized from Khan et al., 2022; Vikram, 2015; iiste.org, 2021)

2.7.5 Recent Empirical Evidence (2020-2025)

Current studies again prove that CRM is a crucial factor in building and maintaining business profit and loyalty.

- **Ethiopian Banks:** Gebremichael (2021) highlighted that tailored customer interaction and complaint handling resulted in a substantial improvement in behavioral and attitudinal loyalty.
- **Egyptian Banking Sector:** Ali & Khan (2020) proved in a study conducted in mid-sized banks that CRM implementation increased customer retention by 15% and customer advocacy by 12%.
- **AI-Enabled CRM:** Attia (2023) demonstrated the success of AI-enabled CRM systems implemented by banks for the purpose of customer segmentation and predictive support services delivery, resulting in noticeable increments in ROI and customer retention.
- **Digital Banking :** In 2025, a report by Springer emphasized the role of digital CRM systems in Ethiopia to provide 24-hour services to clients, improve customer satisfaction, and lower the customer turnover rate in the competitive banking industry.

Collectively, these studies affirm that CRM is not a technology, but a strategic way of thinking that seeks to harmonize the enterprise's operations in a manner that builds trust while improving both behavioral and attitudinal aspects of customer loyalty.

2.7.6 summary

From the empirical studies, the positive impact of CRM practices on customer satisfaction, retention, and profitability in the banking industry is evident. The convergence of customer focus drivers, knowledge management, organizational factors, and technology-based CRM increases behavioral and attitudinal loyalty. Although the banking industry in Ethiopia has limitations in the adoption of overall CRM implementation in comparison with the global scenario, evidence shows its successful implementation in the area of customer retention, service delivery, and profitability. The overall empirical studies from 2020 to 2025 identify the importance of CRM in customer relationship-building and banking industry performance.

2.8 Summary of Related Empirical Studies

For the purpose of providing a comprehensive overview, the following section will offer a synthesis of the existing empirical research concerning the relationship between CRM and customer loyalty, with a focus on the banking sector. CRM has long been recognized within the literature as a strategic tool, allowing firms to build lasting relationships with their customers in the competitive financial sector.

The following is a summary of selected empirical studies carried out in Ethiopia and other countries relating to the impact of CRM practices on customer loyalty. Based on a review of

existing bodies of literature, there have been four broad CRM practices widely recognized as important in ensuring customer loyalty. These include: key customer focus, knowledge management, CRM organization, and technology-based CRM.

A comparative analysis of existing empirical research reveals that personal customer focus, which entails identifying and catering to high-value customers, is one of the most commonly identified antecedents of customer loyalty. Those banking institutions that engage in personalizing their services and cultivating a close relationship with their clientele seem to register better customer retention and loyalty.

Knowledge management is also identified as a significant determinant, as it contributes to better management of the customers' information, which helps in managing customer needs, anticipating those needs, and allowing them to have tailor-made financial solutions. Empirical evidence shows that better-integrated knowledge management systems lead to increased levels of behavioral and attitudinal loyalty.

Organizational role of CRM, encompassing organizational design, employee engagement, service culture, or interdepartmental coordination, has been highlighted by many researchers. Without adequate organizational support and a customer focus, advanced technology itself in a CRM system may fail to generate the intended loyalty effect.

Finally, technology-based CRM in core banking systems, mobile banking, customer databases, and service automation systems enables interactive, efficient, and personalized communication. Research has also shown that banks that have adopted technology-based CRM systems have improved customer engagement and loyalty.

In general, it can be concluded from the reviewed literature that customer loyalty is driven, not by a particular CRM strategy, but through simultaneous integration of multiple CRM dimensions.

2.8.1 Empirical Evidence from Ethiopian and International Studies

Empirical research conducted in the Ethiopian banking industry indicates a positive relationship between CRM and customer loyalty. For example, Gebremichael (2021) concluded that customers are likely to be retained and show loyalty to Ethiopian commercial banks if such banks focus on personal service delivery, handling complaints, and managing customer knowledge. Ethiopian customers are prone to remaining loyal to banks they believe are concerned and aware of their needs.

Along the same lines, another study conducted by Mahaswar and Sweta (2015) revealed that the efforts undertaken by banks within Ethiopia have led to an improvement in the aspect of cross-selling, as well as boosting client trust, resulting in an improvement in client loyalty as a result. International research also presents reliable findings. Sin et al. (2005) and Yim et al. (2005) clearly showed that behavioral elements, which include key client attention, organizational support for CRM, as well as knowledge management, present a significant positive impact on client loyalty within the financial service field.

In emerging economies like Egypt, Nigeria, and India, studies have also shown evidence of a positive impact of CRM adoption on high repeat use rates, lower switching, and greater advocacy behavior (Ali & Khan, 2020; Ogunleye & Ojo, 2020). This confirms that CRM application applies universally, but its success is subject to different levels of readiness.

2.8.2 Comparative Summary of CRM Dimensions and Customer Loyalty

A comparison among the studies yields the following results:

- **Key Customer Focus** is always identified as a major driver for customer loyalty in most studies.
- **Knowledge Management** makes banks' personalization of services and building a relationship with customers possible.
- **CRM Organization** acts as an intermediary in aligning people, processes, and business culture with CRM.
- **Technology-Based CRM** helps to improve the efficiency of services and customer engagement, mainly when dealing with online banking.

Although commercial banks in developed nations concentrate on making use of sophisticated CRM tools like AI, the Ethiopian commercial banks are making use of traditional CRM systems. Nevertheless, it has been found that basic CRM applications have a large potential to increase customer loyalty functionality to a considerable extent.

2.8.3 Summary and Research Implications

All the reviewed studies clearly illustrate the significant positive influence of the Customer Relationship Management approach on the customer loyalty within the banking industry. All these aspects of the customer focus—that is, knowledge management, CRM organization in the company, as well as technology-driven CRM—contribute to the customer loyalty.

For instance, within the context of the Ethiopian banking industry, factors such as a lack of technology and variability in employee training are a reality. This is opposed to suggestions from literature that CRM, if implemented in a strategic and customer-focused manner, is able to mitigate such factors and yield significant rewards for customer loyalty.

2.9 Gaps in the Current Body of Knowledge

Despite the increasing amount of research on Customer Relationship Management (CRM) and the impact of CRM on customer loyalty, previous research has focused on explaining CRM practices and exploring the general outcomes, with little quantification of each CRM dimension. Although some research has shown the strong correlation between CRM and customer loyalty (Sin et al., 2005; Yim et al., 2005; Ali et al., 2020), few empirical studies examine the relationship between the interaction of the above parameters and the mid-sized banks of Ethiopia like Hibret Bank S.C.

In addition, most of the previous literature on the subject has been undertaken in developed nations or in giant multinational banking organizations, which could fail to capture, in whole, the distinct challenges faced in the Ethiopian banking industry, such as a lack of technology infrastructure, inconsistencies in employee training, and a lack of resources (Joachim, 2002; Kale, 2004). The fact that very little literature exists in the field of the Ethiopian banking industry means that there is a lack of understanding in terms of how the implementation of customer loyalty through knowledge management, use of technology, and alignment in the industry is environment-specific.

2.10 Measure of Customer Loyalty (Dependent Variable)

This can be defined as how well bank customers demonstrate behavioral and attitudinal loyalty. This means that behavioral loyalty can be described as recurrent interactions with a particular bank through such areas as account maintenance and loan renewal. Additionally, attitudinal loyalty can be defined based on attachment and loyalty towards a particular bank (Rundle-Thiele & Bennett, 2001; McMullan & Gilmore, 2008). Customer loyalty in the case of Hibret Bank S.C. can be identified using the following measures:

Repeat Use of Banking Products – Frequency of transactions for accounts, loans, and other banking products.

Customer Advocacy - The probability that a customer would personally recommend Hibret Bank to family, friends, or colleagues.

Customer Retention - This refers to continuity of customer relations.

Emotional Attachment - The reported customers' trust and satisfaction levels in the services offered by the bank.

“We examine the behavioral and attitudinal components of customers' loyalty and CRM practices' impact on those aspects to ensure a full evaluation of customer loyalty and the impact of CRM practices on long-term relationship outcomes.”

2.11 Independent Variables (CRM Dimensions)

Based on a behavioral CRM model proposed by Sin et al. (2005), as well as a study by Yim et al. (2005), four important dimensions of CRM are identified in this study, acting as independent variables in creating consumer loyalty to Hibret Bank S.C.:

key Customer Focus

This represents the discovery and prioritization of valuable customers so that the banks can target them effectively. According to Ryals and Knox (2001), the strategy of targeting valuable customers increases customer retention and profitability.

Knowledge Management

Knowledge management entails the process through which customer information can be gathered and utilized to satisfy their needs. This helps banks react to customer demands and expectations, enhancing both quality and customer loyalty (Shi and Yip, 2020).

CRM Organization

Organizational factors such as organizational culture, structure, and interdepartmental cooperation are essential in achieving CRM success. According to Liu (2021), failing to align organizational processes and CRM goals can cause sophisticated CRM systems to be ineffective in increasing customer satisfaction and loyalty.

Technology-Based CRM

“This dimension involves IT systems and technology for managing customer data, personalized marketing, and automated service delivery. Banks offering CRM using technology can have greater efficiencies and increased customer engagements, resulting in higher levels of customer loyalty” (Attia, 2023; Khan et al., 2022).”

2.12 Research Hypotheses

The following theories are proposed for Hibret Bank S.C. based on theoretical and practical literature:

- H1: Customer loyalty is positively impacted by key customer focus.
- H2: Customer loyalty is positively impacted by knowledge management.
- H3: CRM organization has a favorable impact on customer loyalty.
- H4: Customer loyalty is positively affected by technology-based CRM.

With evidence-based insights unique to the Ethiopian banking industry, these hypotheses seek to investigate the direct effects of CRM aspects on customer loyalty.

2.13 Conceptual Framework

This conceptual framework illustrates clearly how each independent dimension of CRM is linked to the dependent variable, that is, customer loyalty:

The research uses the behavioral CRM approach of Sin et al. (2005) and Yim et al. (2005).

Independent Variables:

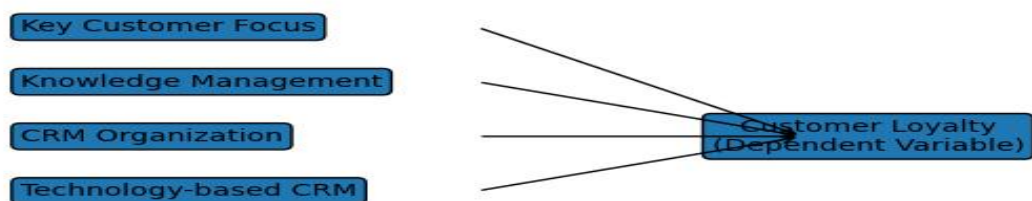
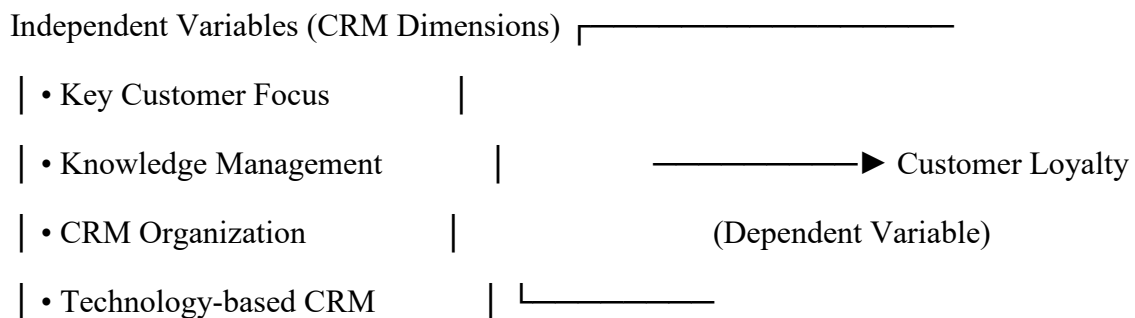
- Key Customer focus
- Knowledge Management
- CRM Organization
- Technology-Based CRM

Dependent Variable:

Customer Loyalty

Conceptual Model:

The conceptual framework represents the impact of the components of CRM on customer loyalty.



This framework also draws attention to how CRM strategies used in Hibret Bank S.C. are expected to influence behavioral loyalty as well as attitudinal loyalty, guiding managerial decisions and policy formulation.

CHAPTER THREE

RESEARCH METHODOLOGY

3. Introduction

The approach utilized to address research issues in studies is the main topic of this chapter. Investigate strategy and design, target population, sample size and sampling method, and data collection Techniques of data analysis are described. This section also explores the dependability and data validity and ethical issues

3.1. Research methodology

Research methodology is how of a research study in practice, to be more precise, it concerns the methodical ways in which a researcher plans a study to guarantee accurate and trustworthy outcomes that answer the goals, objectives, and research questions. more especially, the manner in which the researcher arrived at. (Goundar, 2012). Research methodology is an outline of a given piece of research is carried out and it define the techniques or procedures that are used to identify and analyze the data regarding a specific research topic (Goundar, 2012).

3.2. Research Approach

Research methodologies include deductive and inductive reasoning. The deductive method uses theories or general statements for testing purposes in hypothesis testing (Trochim, 1998-2000). The inductive method, on the other hand, builds theories based on observation and patterns in data (Stromgren, 2007).

The research will use a deductive method because it aims to validate the hypothesis that the CRM factors have a significant impact on customer loyalty at Hibret Bank based on existing models presented in the literature by Sin et al. (2005) & Yim et al. (2005).

Furthermore, studies may also be qualitative, quantitative, or mixed. In qualitative studies, the aim is non-numeric knowledge with a primary emphasis on the personal understanding of experiences and behaviors (Leedy and Ormrod, 2001). For instance, quantitative studies involve the use of numbers and statistical methods to analyze the relationship between variables. In the light of the research aim of quantifying the impact of the CRM factors on customer loyalty, the approach used in the research is quantitative.

3.3 Research Design

Research design serves as a guideline for responding to research questions and fulfilling research objectives (John et al., 2007). Research design includes strategies for data collection, measuring variables, sampling, and analysis. The research uses a descriptive and explanatory research design.

Descriptive design is utilized to discuss demographic factors and describe CRM practices in Hibret Bank customers (Kothari, 2004).

Explanatory design examines cause-and-effect relationships between the dimensions of CRM (independent variables) and customer loyalty (the dependent variable), through the analysis of correlation and regression in order to discover the CRM factors with the greatest impact on customer loyalty.

The combination of descriptive and explanatory designs ensures both an accurate portrayal of current CRM practices and empirical assessment of their impact on customer loyalty.

This allows both an accurate representation of how CRM is practiced presently and an empirical investigation of the effects which this has upon customer loyalty.

3.4 Population and Sampling Methods

3.4.1 population

All of Hibret Bank's client in Addis Ababa, whether they are walk-in customers or have bank accounts, make up the target population. This group serves as the analytical unit for evaluating how well CRM fosters customer loyalty.

3.4.2 Sampling techniques

The research uses convenience sampling, which is a non-probability sampling method where the respondents are chosen depending on their ease of access and willingness to take part (Albaum, 1997; Zikmund, 2003). Though this reduces the level of generalization, this sampling method is ideal when the information needs to be obtained fast or when the research wants to get the opinions of customers who use banks actively.

3.5 Sample Size Determination

Cochran's formula for large populations (Cochran, 1977) was used to get the sample size:

$$n = Z^2 p(1-p)/d^2$$

The predicted percentage of the population with the relevant attribute is $Z = Z$ -score (1.96 for 95%) for the selected confidence level p (0.5 for maximum variability if unknown). d is the error margin (0.05). In order to give a statistically sound representative of the Hibret Bank client,

$$n = (1.96)^2 \times 0.5 \times 0.5 / (0.05)^2 = 384 \text{ respondents were chosen.}$$

3.6 Data Sources and Types

The study makes use of both primary and secondary sources of data.

Primary Data: Gathered from Hibret Bank customers using methodical, structured questionnaires.

Secondary data: includes information that has been published in books, journals, research articles, and reliable websites regarding CRM and customer loyalty.

Because primary and secondary sources enable the researcher to both investigate and realistically validate hypotheses, their use increases the validity of a study (Catherine, 2007).

3.7. Data Collection Instrument

The main tool for gathering data is a structured questionnaire. One advantage of this is that it allows respondents to provide uniform answers suitable for analysis (Cohen et al., 2011).

The study will employ two sections of a structured questionnaire:

Demographics: This variable provides information about the participants' age, gender, kind of account, and level of banking experience.

CRM and Customer Loyalty: Examines the perceived importance of key CRM components, such as Technology-Based CRM, Knowledge Management, CRM Organization, and Key Customer Focus.

Each variable is measured using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Both statistical analysis and attitude measurement can benefit from this.

3.8 Data Collection Procedures

Data gathering will comprise the following:

1. **Primary Data:** The researchers will send questionnaires to the clients of the selected Hibret Bank branches in Addis Ababa. The surveys will be gathered as soon as they are completed.

Semi-structural interviews with particular bank staff and customers will be conducted to augment the data obtained from surveys.

2. **Secondary Data**

Relevant data, research, and literature on CRM and customer loyalty will be obtained to support the analysis.

A predetermined plan will be followed to guarantee efficient and well-organized data collecting.

3.9 Reliability and Validity

Reliability This refers to the consistency of the measurement. A pilot test involving 30 respondents was administered, and the Cronbach Alpha level of 0.96 revealed high internal consistency (Nunnally, 1987).

Validity It guarantees that the instrument measures what it intends to. Construct validity was established by formulating this study’s questionnaires on CRM literature that has long existed (Sin et al., 2005; Yim et al., 2005).

3.10 Data Analysis

Both descriptive and inferential statistics will be used in the data analysis, which will be carried out using the software "SPSS version 27."

CRM behaviors and demographics are described using descriptive statistics such as mean, frequency, and percentage. Inference from Statistics Examine the connection between CRM features and customer loyalty using Pearson correlation analysis. To determine the impact of each CRM parameter, use multiple regression analysis. Differences between customer groups are examined using independent t-tests. Regression model significance can be assessed using ANOVA. Tables will also display the test outcomes.

3.11 Reliability Analysis

Consistency means a primary concern of reliability, it speaks of which methods used for data collection & analysis have produced reliable results (Bryman & Bell, 2015). The internal Consistency of a scale’s items are measured by Cronbach Alpha, that shows how closely related a questionnaire’s items are to one another (Hair et al., 2003). It also indicates that whether a scale is one-dimensional or multidimensional. The normal range of Cronbach’s coefficient alpha value ranges between 0-1 and the higher values reflects a higher degree of Internal consistency. Different authors accept different values of this test in order to achieve internal reliability. Cronbach alpha value of at least 0.7 can be regarded as an acceptable level of reliability.

Table -2 Reliability results

Variable	Cronbach’s Alpha	No of items
Customer loyalty	.833	8
Key customer focus	.854	5
CRM organization	.887	5

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Knowledge management	.823	5
Technology based CRM	.822	5

Source: Own survey, computed in SPSS Version 27

To make it reliable, Cronbach's alpha for every construct was computed. A result of 0.70 and above was deemed acceptable, which indicated internal consistency of the data. A small sample of respondents was used in a pilot test to check for uncertainties in the study, which were eliminated.

As (Kothari, 2004) stated, “good measurement is central to, and a prerequisite for, good management,” and research & test of reliability as important test to sound measurement. Therefore, to maintain reliability of the instrument and ensuring the data collection tool is providing repeatable results, Reliability analysis was carried out on each instrument used in this study once full scale testing. Data is gathered, & the Cronbach's coefficient alpha score is presented below.

Table 2: Reliability statistics of independent variables

Independent Variables	Cronbach's Alpha if Item Deleted	Number of Items
Technology Based CRM	.822	5
Knowledge Management	.823	5
CRM Organization	.887	5
Key customer focus	.854	5

Source: Own survey, computed in SPSS Version 27

The Cronbach's Alpha Test reliability statistics for independent variables are shown in Table 2. The dependability of the items used to define a variable is assessed using the Cronbach's Alpha Test. A higher Cronbach Alpha number indicates greater reliability. A Cronbach Alpha value of more than 0.70 is ideal, and more than 0.80 is highly dependable.

With five elements, the Cronbach's Alpha level for technology-based CRM is 0.822, falling inside the high range of acceptable internal consistency. Knowledge management offers acceptable reliability because its Cronbach Alpha score is 0.823 with five elements. With five components, the CRM Organization's Cronbach's Alpha value is 0.887. This suggests that the scale is trustworthy. With five items, Key Customer Focus has a Cronbach's Alpha value of 0.854, indicating strong dependability. Every independent variable's Cronbach alpha value is

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higher than the cutoff point of 0.70. As a result, this confirms the scales' dependability. Therefore, every object is eligible for additional examination.

Table 3: Reliability statistics of Customer loyalty

Cronbach's Alpha if item deleted	Number of Items
.833	8

Source: Own survey, computed in SPSS Version 27

With a Cronbach Alpha of 0.833, the 8-item scale used to assess customer loyalty to Hibret Bank was judged to be reliable, as shown in Table 3 above.

Table 4: Reliability statistics

Reliability Statistics	
Cronbach's Alpha	N of Items
.870	5

Source: Own survey, computed in SPSS Version 27

In Table 4 , the Cronbach's Alpha construct is shown. Cronbach's Alpha for a scale with 5 items is 0.870. A value above 0.80 suggests good internal consistency. This suggests that the measuring instrument using these 5 items measures one thing.

Conclusion

The findings supported the contention that the scale of Customer Loyalty had high levels of reliability, and as such, all five questions are retained and deemed to be usable for further statistical analysis.

3.12 Model Specification

Model specification begins with determining the independent and dependent variables from a conceptual framework. This study has customer loyalty as a dependent variable, with key customer focus, knowledge management, CRM organization, technology-based CRM as independent variables. The dominant aim of this study seeks to investigate how the independent variables affect customer loyalty. Multiple regression analysis was used to ascertain the relationship between these variables. Before doing regression analysis, the data were tested for multicollinearity. This ensured that there were no highly correlated

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independent variables. The calculation of variance inflation factors was done. A value above 10 showed that there was multicollinearity. The regression equation was defined as follows: Customer Loyalty = $\beta_0 + \beta_1$ key customer focus + $\beta_2 + \beta_3$ knowledge management + β_4 CRM organization + β_5 technology-based CRM + ϵ

Where: β_0 = intercept

β_1 to β_5 are the coefficients that measure the effects of CRM, ϵ represents error, which describes remaining variability.

The relevance of the coefficients was determined with a significance level of 95% confidence. Model fit was determined using R-square, and other tests like residual analysis were done to test for conditions of linearity, homoscedasticity, and normality. Should there be any violations, transformations and robust regression would be employed.

3.13 Expected Findings

Customer loyalty and CRM components were found to be positively and strongly correlated by the study. Identifying implementation errors and inconsistent CRM usage brought on by insufficient technology deployment. Suggestions for enhancing CRM techniques to boost client loyalty and retention.

3.14 Ethical Considerations

This study is ethically sound since all participants will be asked for their informed permission. Participants are able to leave at any moment. Anonymity and confidentiality will be guaranteed. Confidential information will be handled with care, and data and information will be retained securely. All of this is done to guarantee that ethics are followed during the research process.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4. Introduction

Chapter includes the presentation; analysis and Interpretation of the data on the findings under Chapter Four. Presentation with the intention of fulfilling the research objective. In This regard, the unit reveals the data cleaning process; reliability analysis scores on the instrument used in the study; the resulting from testing assumptions; descriptive statistics regarding the demographic data of the respondents, inferential analysis which is conducted to examine the relationship of variables and influence of independent variable (Key customer focus, CRM organization, Knowledge management, Technology based CRM) over dependent variable (Customer loyalty) and summary of proposed hypotheses.

4.1. Data Cleaning

Based on the methodologies set in the last unit, 384 questionnaires were distributed and all questionnaires were submitted for analysis, On the other hand, when the data was evaluated for its completion and response pattern, all 384 questionnaires turned out to be valid and usable responses. Accordingly: Those 384 workable responses collected from respondents were used for data analysis using Statistical Package for Social Science (SPSS) Version 27. which is licensed statistical software, for Descriptive analysis.

Table 1:

Case Processing Summary

		N	%
Cases	Valid	384	100.0
	Excluded ^a	0	.0
	Total	384	100.0

Source: Own survey, computed in SPSS Version 27

384 questionnaires were distributed and included in the study, according to the Case Processing Summary. None of the cases were rejected (0%) because of missing or insufficient data, and every instance was valid (100%). Because each observation may be used for statistical analysis, this result shows excellent data quality and completeness. By keeping

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the entire sample size of 384 respondents for further analysis, the study's statistical power and reliability were enhanced.

Interpretation

Valid cases (N = 384, 100%): Every response satisfied the requirements for inclusion.

Excluded cases (N = 0, 0%): No surveys were eliminated.

Total occurrences (N = 384): The sample that results accurately reflects the information

The lack of rejected cases indicates a well-designed questionnaire and appropriate data collection methods.of your cases)

4.2 Descriptive Analysis

Demographic questions are included in Part I of the questionnaire. Both personal and demographic Age group, gender, educational background, employment status, and monthly income level are among the details shown.

Table: 5 Demographic Characteristics of Respondents

Variable	Category	Frequency	Percent (%)	Cumulative Percent (%)
Age	18–25 years	50	13.1	13.0
	26–35 years	90	23.4	36.5
	36–45 years	126	32.8	69.3
	46–55 years	70	18.2	87.5
	56 years and above	48	12.5	100.0
Gender	Male	224	58.3	58.3
	Female	160	41.7	100.0
Educational Background	No formal education	12	3.1	3.1
	High school diploma	52	13.6	16.7
	Bachelor's Degree	254	66.1	82.8
	Master's Degree	64	16.7	99.5
	PhD and above	2	0.5	100.0
Employment Status	Employed (private/public)	220	57.3	57.3
	Self-employed	111	28.9	86.2
	Unemployed	49	12.8	99.0
	Others	4	1.0	100.0
Monthly Income Level	Less than 5,000 ETB	18	4.7	4.7
	5,000–10,000 ETB	51	13.3	18.0
	10,001–20,000 ETB	152	39.6	57.6
	20,001–30,000 ETB	105	27.3	84.9
	Above 30,000 ETB	58	15.1	100.0

Source: Own survey, computed in SPSS Version 27

Table 5 presents the demographic profile of the 384 respondents included in the study.

As shown in table in the sample of Hibret Bank, the majority of the employees, 58.3% were male and 41.7% were female. With regard to age of respondents 32.8% were age between 36-45 years old, 23.4% were age between 26-35 years, 18.2% were between 46-55 years, 13.1% were age between 18-25 years and 12.5% respondents were age between 56 and above years old. With regard to educational qualification, the highest number of the employees 66.1% were Bachelor's Degree holder, 16.7% were Master degree holder, 13.6% were high school diploma holder, 3.1% were no formal education and 0.5% were PhD and above degree holders. With regard to employment status of respondents 57.3% were employed, 28.9% were Self-employed, 12.8% were unemployed and 1.0% were others. Regarding to monthly income level of respondents 39.6% were get monthly salary between 10001-20000ETB, 27.3% were earn between 20001-30000ETB, 13.3% were earn between 5000-10000ETB, 15.1% were earn above 30000ETB and 4.7% were earn less than 5000ETB.

4.3 Determinant factors of Customer Loyalty

Descriptive Statistics

	Mean	Std. Deviation	N
Customer Loyalty	3.86	0.509	384
Key customer focus	3.65	0.509	384
CRM Organization	3.86	0.775	384
Knowledge Management	3.88	0.543	384
Technology Based CRM	3.86	0.543	384

Source: Own survey, computed in SPSS Version 27

Table 6 displays descriptive statistics (mean and standard deviation) of customer loyalty and its determinants based on data from 384 participants. The mean values are assessed using a Likert scale that shows the level of agreement with the claims.

Customer Loyalty

With a standard deviation of 0.509, the average customer loyalty score is 3.86. This shows how much the responders want to stay with the company. Furthermore, when the standard deviation is lower, the opinions are more consistent.

Key Customer Focus

Key Customer Focus has a mean score of 3.65 and a standard deviation of 0.509, indicating a moderate to high level of agreement. It is assumed that customers believe the company is appropriately attending to their critical demands.

CRM Organization

The standard deviation is 0.775 and the mean is 3.86 for CRM Organization. A favorable perception of corporate support for CRM techniques is reflected in the high mean value. A comparatively higher standard deviation indicates differences in respondents' perceptions in relation to other variables.

Knowledge Management

Knowledge management gets the highest mean score (3.88) with a standard deviation of 0.543. This suggests that respondents think the highest level of customer loyalty is fulfilled by effective knowledge management procedures.

Technology-Based CRM

Technology-Based CRM had a mean of 3.86 and a standard deviation of 0.543. This suggests that there was a high level of consensus among respondents about the use of technology to assist in customer relationship management.

General Interpretation

Furthermore, the mean value of each determining factor is higher than 3.5. This explains why CRM practices and customer loyalty elements are seen favorably by all. Among all the influencing factors, "Knowledge Management" has the greatest mean value, and "Key Customer Focus" has the lowest. This implies that there might be room for development in this regard.

4.4 Assumptions of Multiple Linear Regression Analysis

The relationship between a dependent variable and two or more independent variables is examined using multiple linear regression. There are more than two independent variables in multiple linear regressions.

The following is the formula for multiple linear regressions:

$$- Y=b_0+b_1x_1+b_2x_2+\dots+b_kx_k+E$$

Where Y is the dependent variable, the X are the independent variables, the b is are the regression coefficients, and b_0 is the constant.

4.5 Normality

According to Field (2009), the assumption of normality is important in research using Regression (or general linear models) and helpful to generalize the results of the analysis beyond the sample collected. Among several ways to check for the normality assumptions for multiple linear regression analysis, it is advisable to inspect to see if a distribution is normal through a Q-Q plot. Therefore, to establish the validity of these assumptions, the researcher also checks for the normality through Q-Q plot of sample commercial Banks as follows.

- Ho: Normally distributed errors

- Ha: Non-Normal Distribution error

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Studentized Residual	.044	384	.074	.992	384	.031

a. Lilliefors Significance Correction

Source: Own survey, computed in SPSS Version 27

The results of the Kolmogorov-Smirnov and Shapiro-Wilk normality tests performed on the studentized residuals of the regression model are shown in Table 7.

Our data is not normally distributed due to the huge sample size; nonetheless, Kolmogorov-Smirnova is normally distributed since the P-value is greater than (>0.05). This is because the Shapiro-Wilk result is significant because $p < 0.05$.

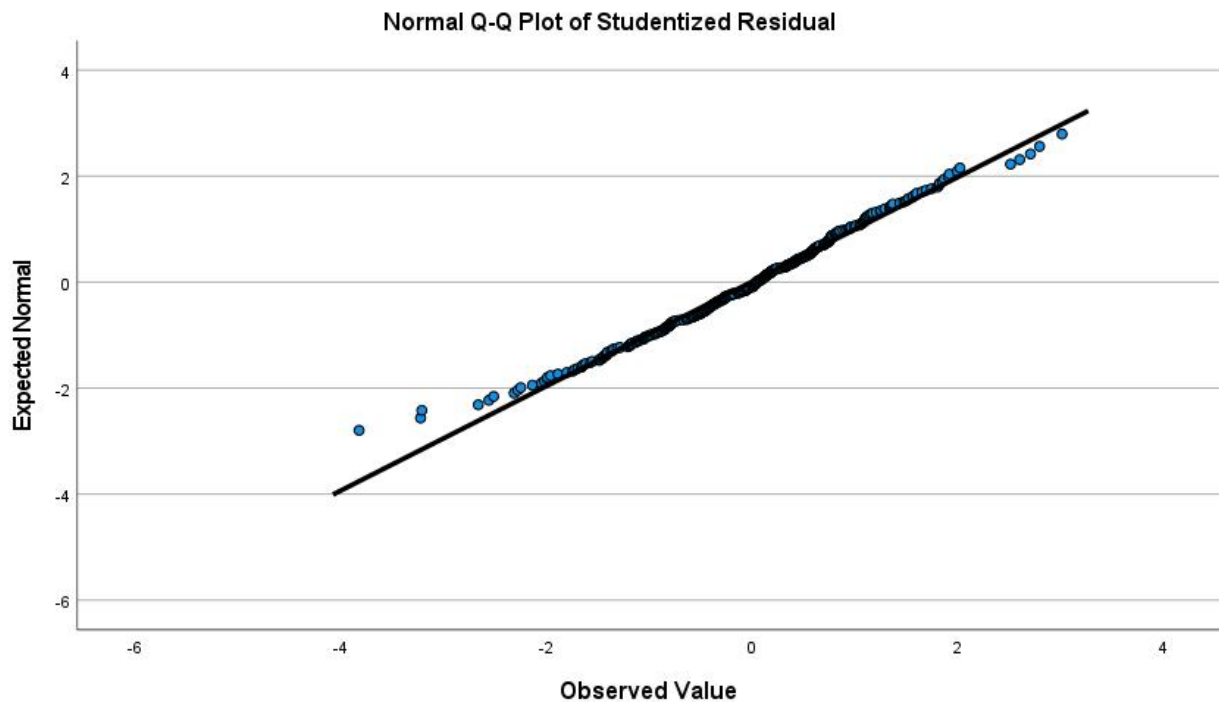
The Kolmogorov-Smirnov and Shapiro-Wilk tests were used to determine whether the studentized residuals were normal. The residuals are normally distributed, according to the Kolmogorov-Smirnov test, which yields a significance value of $p = 0.074$, which is bigger than 0.05, which is statistically non-significant.

Despite a modest departure from normalcy, the Shapiro-Wilk test was statistically significant ($W = 0.992$, $p = 0.031$), which is less than 0.05. Since the Shapiro-Wilk test is extremely sensitive to small deviations from normality in big samples, this result is probably impacted by the large sample size ($N = 384$). Regression analysis's normality assumption is satisfied since the residuals are generally thought to be about regularly distributed.

Interpretation & Decision

Though Shapiro-Wilk test reveals slight non-validity for normality, this should be noticed with utmost care because the sample size is large ($N = 384$). A large sample size is very susceptible to normality test, and minor non-normality may be detected that does not influence regression on regression models. Kolomogorov test evidences normality, There is large sample size, Minor deviation from normality is robust in multiple regression techniques, It can be concluded that (or assumed that) the normality test is approximately met, and data are good for multiple regression test. In general, the residuals of the regression model follow a normal distribution, and there is not a serious concern for the normality assumption and the validity of the regression analysis.

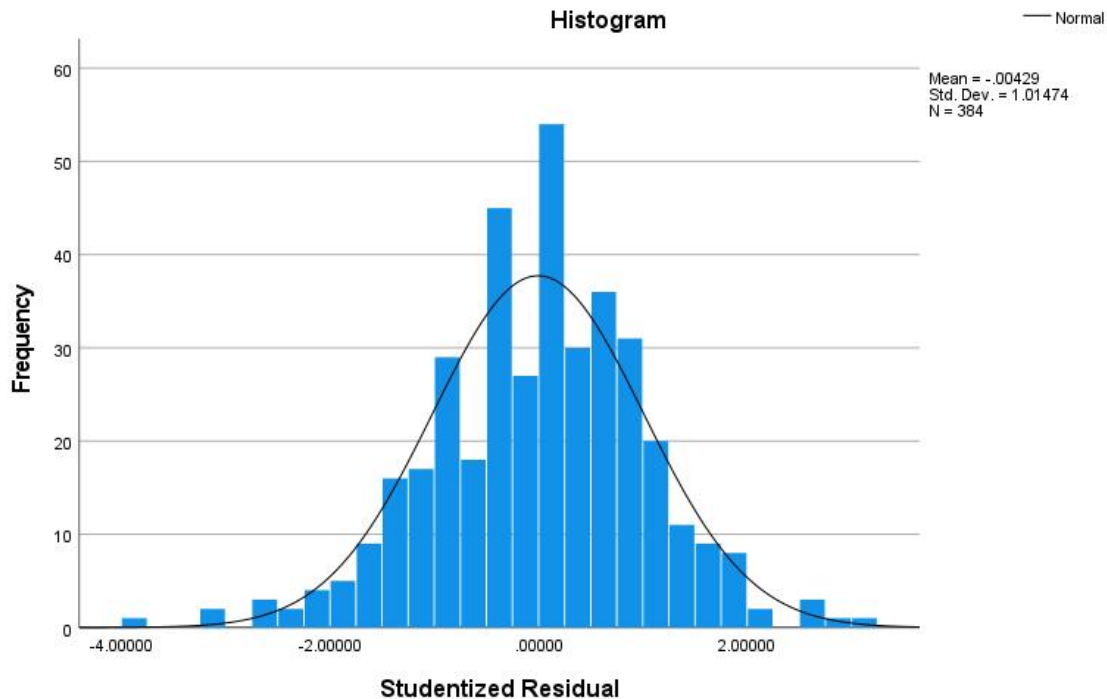
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Source: Own survey, computed in SPSS Version 27

Interpretation of the Normal Q–Q Plot of Studentized Residuals

The Normal Q-Q Plot of the studentized residuals is used to analyze the normality requirement of the multiple linear regression model. The graph allows for the following conclusions to be made: Since most of the observed residuals fell very close to the diagonal graph, it is assumed that the residuals are normally distributed. The discrepancies are most apparent at the top and lower tails of the graph, which deviate slightly from the straight line. These tiny differences are often the result of large sample sizes. Since there is no obvious pattern, there may not be any appreciable skewness or kurtosis.



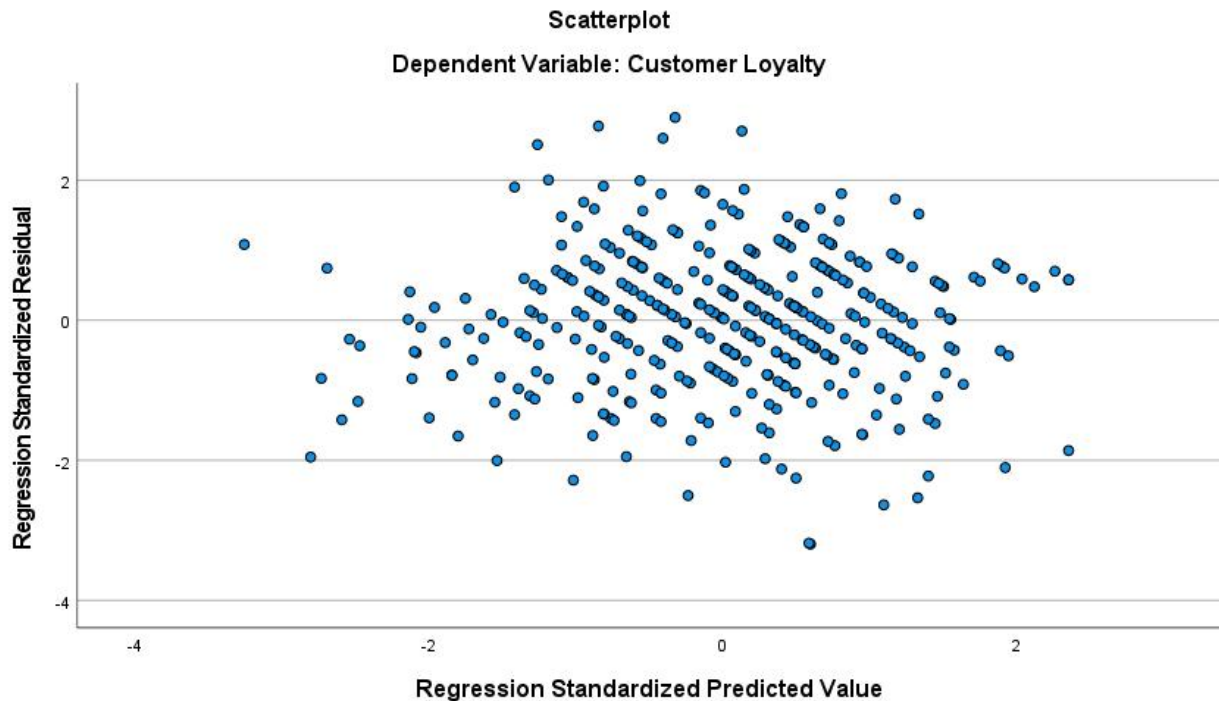
Source: Own survey, computed in SPSS Version 27

Interpretation of the Histogram of Studentized Residuals

Another assumption that the data has a normal distribution is tested and confirmed using the studentized residuals histogram with a normal distribution curve superimposed on top. This histogram's analysis shows that: The distribution of residuals near zero is symmetrical. The mean (Mean= -0.00429) is close to zero. Similar to a normal distribution, the histogram has a bell shape. This data fits well with the graph of a normal distribution. As might be predicted in residuals, the standard deviation is roughly 1 (1.01474). Although some data points are in the tails, this is not very significant. The histogram aids in verifying that the studentized residuals are normal.

4.6 Test of Homoscedasticity

This assumption assumed that variance of the errors is constant. Assumptions can be checked by scatter plot diagram. The result plots the values the model would predict, against the residuals obtained. As the predicted values increase, the variation in the residuals should be roughly similar. The graph looks like random array of dots. So, the model is homoscedasticity.



Source: Own survey, computed in SPSS Version 27

Customer loyalty was the dependent variable in the multiple linear regression model, and the homoscedasticity assumption was verified using a scatter plot of standardized residuals and standardized predicted values. The scatter plot reveals the following: Around the zero line, the points are scattered at random. The points are not arranged in a wave, funnel, or other structured manner. For every level of expected values, the point spread appears to be roughly constant. The absence of any particular pattern as well as any unequal dispersal present in the scatter plot confirms that the variance existing in the residuals is constant, hence meeting the requirement for homoscedasticity. Thus, there are no issues concerning heteroscedasticity within the regression equation, and the multiple linear regression analysis is reliable.

4.7 Test of Autocorrelations

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Sig. Change	F	Durbin-Watson
					R Square Change	F	df1	df2			
1	.799 ^a	.638	.634	.308	.638	167.039	4	379	.000	1.705	

a. Predictors: (Constant), Technology Based CRM, CRM Organization, Key customer focus, Knowledge Management

b. Dependent Variable: Customer Loyalty

Source: Own survey, computed in SPSS Version 27

[Type text]

Multiple linear regression model assume residuals are independent of one another, the Durbin Watson statistic is used to test for the presence of serial correlation among the residuals. If the Durbin-Watson statistics within the range of 1.50 - 2.50, it is an acceptable range. From the result Durbin-Watson was 1.705 & it was within the range of 1.50-2.50, as a result assumption of independence of residuals was satisfied. Table X presents the model summary of the multiple linear regression analysis used to test for autocorrelation among the residuals, employing the Durbin–Watson statistic. The regression model reports a Durbin–Watson value of 1.705. As a general rule, Durbin–Watson values between 1.5 and 2.5 indicate the absence of serious autocorrelation in the residuals. The value of the Durbin-Watson statistic obtained is 1.705, very close to the ideal value of 2. This indicates that the residuals are independent of each other. This also indicates the absence of positive or negative autocorrelation in the regression model. Therefore, the regression assumption of the independence of errors is satisfied for the multiple regression process.

4.8 Test of Multicollinearity

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error				Lower Bound	Upper Bound	Zero-order	Partial	Partial	Tolerance	VIF
1 (Constant)	.683	.130		5.260	.001	.428	.938					
Key customer focus	.095	.041	.095	2.310	.021	.014	.175	.556	.118	.071	.566	1.767
CRM Organization	.026	.026	.040	1.029	.304	-.024	.077	.503	.053	.032	.629	1.590
Knowledge Management	.227	.048	.242	4.771	.001	.133	.320	.706	.238	.147	.371	2.693
Technology Based CRM	.480	.045	.513	10.556	.001	.391	.569	.769	.477	.326	.405	2.469

a. Dependent Variable: Customer Loyalty

Source: Own survey, computed in SPSS Version 27

The results of multicollinearity analysis for the independent variables in the multiple linear regression model used to predict Customer Loyalty are presented in Table X.

[Type text]

Key Indicators:

The tolerance measures are between 0.371 and 0.629

Values of the Variance Inflation Factor (VIF) lie between 1.590 and

Interpretation:

Values greater than 0.1 reveal that there is no serious problem of multicollinearity.

A VIF value of 5 (or 10, depending on the source) is considered a cut-off level for multicollinearity. Most sources consider a VIF value above 5 or 10 as a point beyond which multicollinearity is a concern. In this study, the VIF value is 2.693 for Knowledge Management, which is still within the normal limit. Collinearity between predictors, also known as zero-order correlation, since the multicollinearity test shows that there are no highly collinear factors among the independent variables, the results of the linear regression analysis are understandable. This satisfies the multicollinearity assumption.

Summary table collinearity statistics

Model	Collinearity Statistics		
1	(Constant)	Tolerance	VIF
	Key customer focus	0.566	1.767
	CRM Organization	0.629	1.590
	Knowledge Management	0.371	2.693
	Technology Based CRM	0.405	2.469

Source: Own survey, computed in SPSS Version 27

-H₀: There is a Multicollinearity problem

- H_a: There is no Multicollinearity problem

The value of all VIF factors is less than 10, and the tolerance levels are greater than 10% respectively. Thus, there is no effect of multicollinearity among independent variables. Therefore, we can reject Null Hypotheses.

Based on Table X below, the collinearity diagnostic for the independent variables within the regression equation is summarized: All the tolerance levels for the predictors are between 0.371 and 0.629, which are all above 0.10. This means that there are no highly correlated variables.

The values of VIF are between 1.590 and 2.693, well below 5, thus ensuring there are no issues with multicollinearity in the concerned variables.

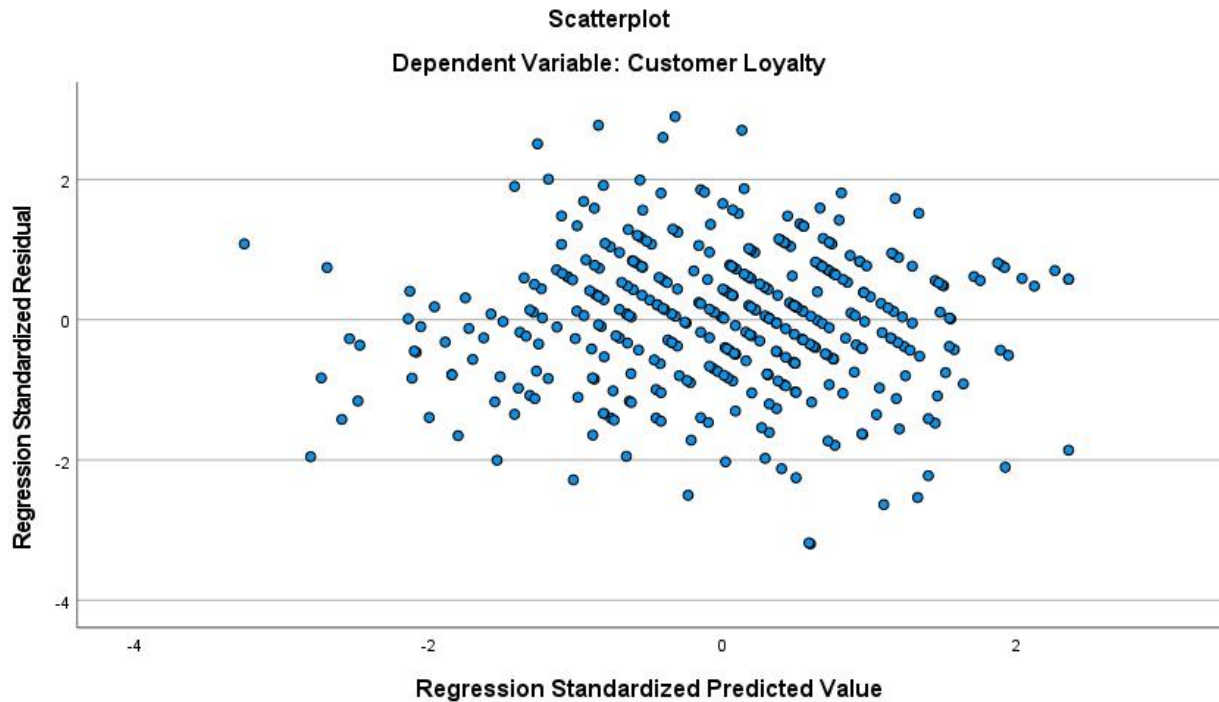
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In fact, these results show that these independent variables, namely Key Customer Focus, CRM Organization, Knowledge Management, and Technology-Based CRM, are not likely to present multicollinearity problems when included in a regression analysis.

4.9 Test for Heteroscedasticity

Ho: There is no Heteroskedasticity problem

Ha: There is heteroscedasticity



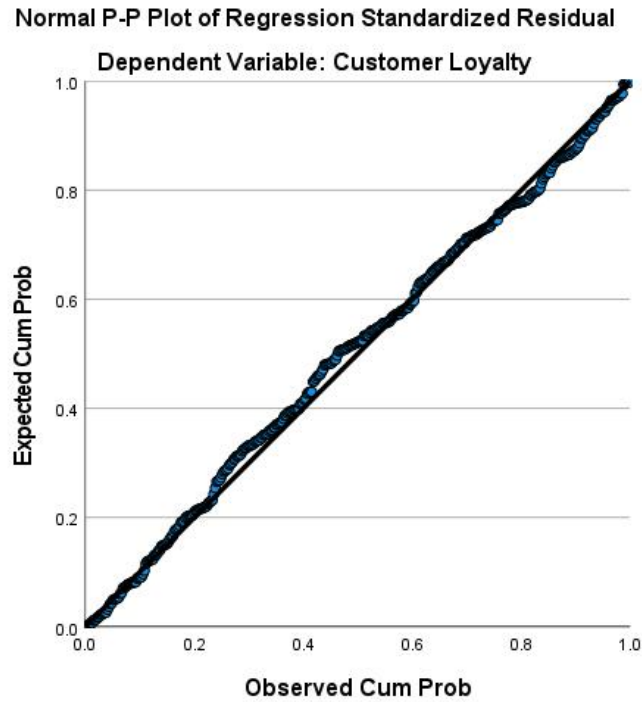
Source: Own survey, computed in SPSS Version 27

Base on the scatterplot output above, it appears that the spots are diffused and do not form a clear pattern, so it can be concluded that the regression model does not occur heteroscedasticity problem.

4.10 Test of Linearity

Multiple linear regression model assumptions assume there is a linear relationship between the independent variables and the dependent variables. The linearity assumption of multiple linear regressions is that the relationship between the independent variable and the dependent variable can be characterized by a straight line. The linearity assumption already linear from the equation of multiple linear regression models of the independent variables and dependent variable (Gujarat, 2004).

[Type text]



Source: Own survey, computed in SPSS Version 27

4.11 Correlation Analysis

Correlations

		Customer Loyalty	Key customer focus	CRM Organization	Knowledge Management	Technology Based CRM
Pearson Correlation	Customer Loyalty	1.000	.556	.503	.706	.769
	Key customer focus	.556	1.000	.494	.624	.567
	CRM Organization	.503	.494	1.000	.550	.551
	Knowledge Management	.706	.624	.550	1.000	.747
	Technology Based CRM	.769	.567	.551	.747	1.000
Sig. (1-tailed)	Customer Loyalty	.	< 0.001	< 0.001	< 0.001	< 0.001
	Key customer focus	.000	.	.000	.000	.000
	CRM Organization	.000	.000	.	.000	.000
	Knowledge Management	.000	.000	.000	.	.000
	Technology Based CRM	.000	.000	.000	.000	.
N	Customer Loyalty	384	384	384	384	384
	Key customer focus	384	384	384	384	384
	CRM Organization	384	384	384	384	384

[Type text]

Knowledge Management	384	384	384	384	384
Technology Based CRM	384	384	384	384	384

Source: Own survey, computed in SPSS Version 27

The Pearson correlation coefficients between the independent variables—Key Customer Focus, CRM Organization, Knowledge Management, and Technology-Based CRM—and the dependent variable, Customer Loyalty, are shown in Table X. At the 0.01 level (1-tailed), every correlation is significant.

Key Findings:

Customer Loyalty is positively and significantly correlated with all independent variables:

With Technology-Based CRM ($r = 0.769$), showing a strong positive relationship.

With Knowledge Management ($r = 0.706$), also a strong positive association.

With Key Customer Focus ($r = 0.556$), indicating a moderate positive relationship.

With CRM Organization ($r = 0.503$), a moderate positive correlation.

The independent variables themselves are moderately to strongly correlated with each other:

For example, Technology-Based CRM and Knowledge Management have a high correlation of 0.747.

Other pairs show moderate correlations ranging from about 0.494 to 0.624.

Interpretation:

The significant positive correlations suggest that as the quality or strength of each CRM-related factor increases, Customer Loyalty tends to increase.

The strongest correlations with Customer Loyalty are observed for Technology-Based CRM and Knowledge Management, highlighting their potential importance as drivers of loyalty.

The moderate correlations among independent variables suggest some shared variance but not to the extent that multicollinearity is problematic (consistent with earlier VIF and tolerance findings).

Summary table of correlation matrix

Correlations

	Customer Loyalty	Key customer focus	CRM Organization	Knowledge Management	Technology Based CRM
Key customer focus	.556	1			
CRM Organization	.503	.494	1		
Knowledge Management	.706	.624	.550	1	
Technology Based CRM	.769	.567	.551	.747	1

Source: Own survey, computed in SPSS Version 27

The following table represents the correlation between Customer Loyalty and the important key determinants: Key Customer Focus, CRM Organization, Knowledge Management, and Technology-Based CRM. The findings indicate that there exist positive and significant correlations between the variables, signifying that the best practices of Customer Relationship Management influence the improvement of customer loyalty.

The strongest correlation exists between Customer Loyalty and Technology-Based CRM ($r = 0.769$, $p < 0.01$). This suggests that when organizations implement technology-enabled CRM solutions like electronic customer data management, online service delivery, and data analysis, the degree of customer loyalty gets significantly and positively affected. When businesses are able to use technology for better customer needs analysis and efficient service delivery, customers are likely to remain loyal to an organization.

The relationship between Customer Loyalty and Knowledge Management is also relatively strong and significant ($r=0.706$, $p<0.01$). It is clear that institutions which can easily identify and utilize consumer knowledge stand a better chance at increasing consumer satisfaction levels as well as consumer loyalty. Management of consumer knowledge will enable the organization to react accordingly to the consumers' needs.

Moreover, Customer Loyalty is positively and significantly correlated with Key Customer Focus ($r = 0.556$, $p < 0.01$). This result suggests that organizations that emphasize satisfying key customers' needs are more likely to increase customer loyalty. A business that is customer-focused is likely to be perceived as trustworthy by its customers and thus increase service quality and, as such, improve long-run customer relationships.

Likewise, Customer Loyalty is positively correlated to CRM Organization, as their correlation coefficient is 0.503 with a significance level of less than 0.01. This implies that

[Type text]

organization, roles, and coordination among various departments within an organization play an important role within CRM to ensure that customer relationships are managed effectively, which leads to customer loyalty.

Concluding, the results indicate that an enhancement of CRM practices, especially technology-based CRM, knowledge management practices, customer-oriented strategies, and organizational support for CRM, can make a significant contribution to customer loyalty. The organizations that adopt the CRM practices are likely to retain their customers and gain a competitive advantage.

4.12 Regression Analysis

The regression analysis is used to determine the degree in which the dependent variable can be explained from the independent variables. It's also used to understand how much each independent variable such as Key customer focus, CRM organization, Knowledge management, Technology based CRM explains the dependent variable.

4.13 Model Significance

The ANOVA table shows the result of linear regression analysis to measure the influence of Key customer focus, CRM organization, Knowledge management, Technology based CRM on the dependent variable (Customer Loyalty), if the P-value is <0.001 there is a strong correlation between dependent and independent variables. The F value shows the correlation of dependent and independent variables, based on the result from SPSS: The F-statistic ($F = 167.039$) indicates that the regression model is statistically significant, meaning that the independent variables jointly have a significant effect on the dependent variable.

If the P-value is less than 0.05 we will reject the null hypotheses, based on the ANOVA table

Result p-value is <0.001 .

- $H_0 = b_1, b_2, b_3 = 0$

- $DFI = b_0 + b_1FL + b_2DI + b_3RF$

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	63.247	4	15.812	167.039	.000 ^b
	Residual	35.875	379	.095		
	Total	99.122	383			

a. Dependent Variable: Customer Loyalty

b. Predictors: (Constant), Technology Based CRM, CRM Organization, Key customer focus, Knowledge Management

Source: Own survey, computed in SPSS Version 27

From total sum of square 99.122 the independent variables combined explain 63.247 and rest are error term 35.875 (unexplained variance). Hence, the regression model is good fit of the data. Furthermore, determinant factor has statistically significant impact on the Customer Loyalty.

4.14 Model summary

The model summary below shows the statistical relationship of the dependent variable (Customer Loyalty) and independent variables.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					
					R Square Change	F Change	df 1	df 2	Sig. F Change	Durbin-Watson
1	.799 ^a	.638	.634	.308	.638	167.039	4	379	.000	1.705

a. Predictors: (Constant), Technology Based CRM, CRM Organization, Key customer focus, Knowledge Management

b. Dependent Variable: Customer Loyalty

Source: Own survey, computed in SPSS Version 27

The relationship between dependent variable and independent variables are represented by R. This is based on the assumption that R value of 0.799 this shows a strong relationship between the two variables. R Square represents the % of customer loyalty that can be explained by independent variables, all the four determinant factors are explained 63% of dependent variable the remaining 37% are not explained through this study. The regression model examines the role of Technology-Based CRM, CRM Organization, Customer Focus, and Knowledge Management in determining Customer Loyalty. The relationship between the independent and dependent variable in the model is high because the value of the multiple correlation coefficient (R) is 0.799, which shows a positive relationship between the variables and customer loyalty. In general The present model shows that there is a very strong and significant link between CRM practices and customer loyalty. The result reveals that

[Type text]

enhancing technology-based CRM, organizational CRM, focus on key customers, and knowledge management practices have the potential to increase customer loyalty.

4.15 Hypothesis Testing

coefficients ^a

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.683	.130		5.260	.001
	Key customer focus	.095	.041	.095	2.310	.021
	CRM Organization	.026	.026	.040	1.029	.304
	Knowledge Management	.227	.048	.242	4.771	.001
	Technology Based CRM	.480	.045	.513	10.556	.001

a. Dependent Variable: Customer Loyalty

Source: Own survey, computed in SPSS Version 27

Unstandardized coefficient B 0.683 represents the expected value of dependent variable when independent variables are equal to zero, first 0.095 represents every one unit increase in key customer focus the dependent variable is expected to increase by 0.095, second 0.026 represents every one unit increase in CRM Organization the dependent variable is expected to increase by 0.026, third is 0.227 represents every one unit increase in knowledge management the dependent variable is expected to increase by 0.227, and the fourth one 0.480 represents every one unit increase in technology based CRM the dependent variable is expected to increase by 0.480. The variable with the highest beta value contributes the most to explaining dependent variable variance, which is controlled by all other variables in the model, in beta column beneath standardized coefficients the highest contribution is technology based CRM $B=0.480, P<0.001$, the second knowledge management $B=0.227, P<0.001$, next key customer focus $B=0.095, P<0.021$. and CRM Organization $B=0.026, P<0.304$

4.16 Proposed Hypotheses in this study

The coefficients table illustrates how much each of the independent variables—Key Customer Focus, CRM Organization, Knowledge Management, and Technology-Based CRM—individuals to customer loyalty.

Constant

The constant is significant and has a value of 0.683 ($t = 5.260, p = 0.001$). This means that customer loyalty is positively valued when its other dimensions in CRM are held constant.

[Type text]

- **Key Customer Focus**

$$B = 0.095$$

$$\text{Beta} = 0.095$$

$$t = 2.310$$

$$p = 0.021$$

Key customer focus has a significant positive impact on customer loyalty at the 5% significance level. This finding shows that greater emphasis on key customers is associated with greater customer loyalty.

Hypothesis concerning key focus on customers is accepted (we can't reject the hypothesis).

- **CRM Organization**

$$B = 0.026$$

$$\text{Beta} = 0.040$$

$$t = 1.029$$

$$p = 0.304$$

The results for the effect of the CRM structure on the loyalty of the customers show that the result is positive but not statistically significant since the p-value is greater than 0.05.

Hypothesis related to CRM organization is rejected. (we reject the hypothesis).

- **Knowledge Management**

$$B = 0.227$$

$$\text{Beta} = 0.242$$

$$t = 4.771$$

$$P = 0.001$$

Knowledge management has a strong, positive, and statistically significant impact on customer loyalty. This implies that customer knowledge management and utilization are crucial in optimizing customer loyalty.

Hypothesis associated with knowledge management is accepted (we can't reject it)

[Type text]

- **Technology-Based CRM**

B = 0.480

Beta = 0.513

t = 10.556

P = 0.001

The beta value for Technology-based CRM is the largest, indicating it has the greatest impact on customer loyalty. This is positively significant. This shows that technologies used for CRM have played an important role in improving customer loyalty.

The hypothesis related to the Technology-based CRM is accepted (we cannot reject this hypothesis).

Comparative Importance of Predictors

[Beta variables can be ranked as follows using the standardized beta coefficients:

1. Technology-Based CRM ($\beta = 0.513$) - Strongest
2. Knowledge Management ($\beta = 0.242$)
3. Key Customer Focus ($\beta = 0.095$)
4. CRM Organization ($\beta = 0.040$) – Weakest and Insignificant

Conclusion

The results from hypothesis testing clearly show that technology-based CRM, knowledge management, and key customer focus are significant antecedents to customer loyalty, whereas CRM organization does not appear to be a significantly impacting variable in the equation. Overall, technological and knowledge-driven CRM practices are the most critical determinants of customer loyalty.

4.17 Results and Discussion

This study is associated with the issue of measuring the extent of determinants of Customer Loyalty. The research objective was primarily to analyze the extent and significance of Customer Relationship Management dimensions for Customer Loyalty in the context of Commercial Banks, with particular emphasis on Hibret Bank.

In relation to the research objective, the research framework has since been adopted from the empirical research carried out in the critical review presented in Chapter Two, and this research comprises the following four dimensions of Customer Relationship Management: Key Customer Focus, CRM Organization, Knowledge Management, and Technology-Based CRM.

The first research question of this study was: To what extent does key customer focus influence customer loyalty in commercial banks? The results obtained shed light on the context that Key Customer Focus positively impacts Customer Loyalty in a statistically significant manner (Mean = 3.65, $\beta = 0.095$, $p=0.021$). This is an indication that customers, being assured by the bank that their needs, desires, and future ties will be taken care of, tend to stick to the organizations for longer. Nevertheless, in comparison to the impact that is being made by the remaining aspects, this is relatively lower. It is therefore imperative that commercial banks in the country make use of approaches that are centered around customers in order to improve loyalty.

The second research question was: How does CRM organization affect customer loyalty in commercial banks? However, the result suggests that CRM Organization positively but non-significantly influences Customer Loyalty (Mean = 3.86, $\beta = 0.040$, $p = 0.304$). The result suggests that organizational framework and internal organizational settings do not directly promote customers' loyalty but must ensure that they are reflected in service delivery. It is more likely that customers are less concerned with organizational settings and more focused on organizational outcomes. The result suggests that for a bank to promote customers' loyalty effectively, it must ensure a proper organizational framework is customer-centric rather than organizational.

The third research question of the study was: To what extent does knowledge management influence customer loyalty? Analysis of the data showed that Knowledge Management has an important positive and significant effect on Customer Loyalty (Mean = 3.88, $\beta=0.242$, $p<0.001$). This shows that proper acquisition, sharing, and use of customers' information help significantly in enhancing customer loyalty. If banks are able to manage customers' knowledge appropriately, they will be able to comprehend customers' needs and serve them accordingly.

The findings, therefore, highlight that the true potential of CRM could be achieved with proper management of knowledge. This underlines the importance of knowledge in helping banks to serve their customers better, and as a result, customers remain loyal to the banks.

The fourth research question addressed: How does technology-based CRM influence customer loyalty in commercial banks? The results indicate that Technology-Based CRM exerts a strong positive and statistically significant influence on Customer Loyalty (Mean = 3.86, $\beta = 0.513$, $p < 0.001$). This finding indicates the importance of implementing CRM technology, including digital-based banking services, automated service delivery, and customer data analytics, in improving customer loyalty. In this regard, customers will more readily display loyalty to a bank if its services are efficient, effective, and enabled with advanced technologies. This finding underscores the prominent influence of technology-based CRM on customer loyalty within the current banking environment.

Overall, the results suggest that all the CRM constructs positively affect customer loyalty; Technology-Based CRM and Knowledge Management have the strongest influence, followed by Key Customer Focus, whereas CRM Organization has no significant influence. It can be

[Type text]

seen that banks should concentrate not only on customer-oriented practices but also on technology adoption and efficient knowledge management to better enhance customer loyalty.

4.18 Research Implications

Based on the research findings that Technology-Based CRM exerts the strongest positive impact on Customer Loyalty, followed by Knowledge Management and Key Customer Focus, the following implications for Commercial Banks and policymakers are determined.

Implications for Commercial Banks

Invest in Technology-Based CRM Solutions: Commercial banks should give priority to technology-based CRM solutions such as online banking systems, customer databases, and automated customer support tools.**Improve knowledge management practices:** Banks should endeavor to gather, process, and utilize customer data to comprehend their preferences and behavior in order to deliver superior customer service.**Encourage customer-oriented strategies:** Although key customer focus has a positive effect on customer loyalty, banks should make an effort to provide their customers more customer-oriented approaches and tactics. **Alignment between CRM structure and service delivery:** The internal structure and processes of CRM must be in line with customer service delivery in order to ensure that the finished result is advantageous to the customers.

Implications for Policymakers and Regulators

Promote the digital transformation of the banking sector by passing legislation that will make it easier for CRM and digital banking systems to be used.**Encourage data governance and consumer protection:** The regulations should be created to protect customer data while encouraging CRM system innovation. **Encourage collaboration:** Policymakers should promote collaboration between banks, fintech firms, and technology providers in order to increase customer loyalty in the banking sector and accelerate CRM innovation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5. Summary of Findings

The purpose of this study was to quantify and examine the elements that influence customer loyalty in the context of Hibret Bank. The study specifically looked at the impact of technology-based CRM, knowledge management, CRM organization, and key customer focus on customer loyalty. The following is a summary of the study's main conclusions based on the data gathered from clients and the statistical analysis carried out: Customer loyalty has a positive correlation with all four CRM determining elements, according to the descriptive study results. The majority of respondents had positive opinions of the bank's CRM procedures. According to the regression results, a significant amount of the variation in customer loyalty may be explained by independent factors taken together. Strong explanatory power was demonstrated by the model's ability to explain 63.8% of the variation in customer loyalty. Technology-Based CRM showed the strongest positive and statistically significant influence among the determining elements, making it the most significant predictor of customer loyalty. Knowledge management was found to be the second most important element influencing customer loyalty, suggesting that long-term connections and consumer trust are improved through efficient management and use of client knowledge. Although it had a smaller impact than technology-based CRM and knowledge management, Key Customer Focus also shown a positive and statistically significant influence on Customer Loyalty. CRM Organization was found to be statistically insignificant while having a positive relationship with customer loyalty. This implies that unless organizational structures and internal CRM arrangements are effectively translated into customer-facing services, they have no direct impact on customer loyalty. While CRM Organization showed a modest association, correlation research further verified substantial and favorable relationships between Customer Loyalty and Technology-Based CRM, Knowledge Management, and Key Customer Focus.

5.1 Conclusion

The main objective of this study was to examine and analyze the factors that determine Customer Loyalty in the context of Hibret Bank. The study also set out to explore whether a link exists between CRM practices and Customer Loyalty. From this study, it was concluded that:

- The determinant factors of CRM that had been examined in the research are important for increasing the loyalty of the customers to commercial banks.
- Customer Loyalty in the Hibret Bank is mainly accounted for by Technology-Based CRM, Knowledge Management, Key Customer Focus, and CRM Organization, which together explain 63.8% of the variation in Customer Loyalty.

- Technology-Based CRM is the most important key determinant of Customer Loyalty, suggesting that CRM technology utilization significantly enhances customer retention and satisfaction.
- Knowledge Management helps in a significant way in developing customer loyalty by enabling banks to recognize customer needs and accordingly provide them with effective services.
- Key Customer Focus is positively contributing to customer loyalty; however, the banking sector still has room for improvement in making its strategies more customer-centric to reap the full benefits of this best practice.
- CRM Organization, a considerably less important variable regarding internal coordination, does not currently affect customer loyalty, implying the effectuality of service result outcomes for customers compared to internal organizational structures.

In conclusion, the paper identifies that customer loyalty within the banking industry has been influenced by technology-enabled knowledge-driven CRM practices.

5.2. Recommendations

All CRM dimensions considered in this study play an important role in influencing Customer Loyalty. In the current competitive banking scenario, development of strong, enduring relations with customers is required for successful growth. Based on the inferences made in this research, the following proposals or suggestions are presented:

- The commercial banks should focus on investing in the use of technology-based CRM systems, such as digital banking, automation, and data analysis, which will greatly affect customer loyalty.
- Banks must improve their knowledge management process in order to effectively tap customers' information, so as to improve their service response.
- More attention needs to be given to the key customer focus of building loyalty programs and methods of communication to better engage with the customers.
- The organizational structure of CRM must be aligned with services in order to ensure that CRM strategies within an organization can be efficiently reflected in its operations in regard to its customers.
- There should be collaboration with fintech firms and technology vendors to promote CRM functionality and service innovation.

5.3. Suggestions for Further Studies

Although this study has dealt with the objectives and has offered valuable insight, certain limitations still prevail. Therefore, the following proposals have been set forward for future study:

- Four dimensions were used as CRM factors in this research; other factors that could be used in future research include service quality, trust, customer satisfaction, perceived value, and switching cost. These factors would offer a more complete perspective on the topic of customer loyalty.
- The paper focused on a single commercial bank. Future research work may include multiple banks and may be on an industry-wide scale for better generalizability.

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- Lastly, future studies might focus on model development on CRM or theory development on customer loyalty. There seems to be limited theory development in this area of banking.

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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

MASTERS OF BUSINESS ADMINISTRATION (MBA) PROGRAM

Survey Questionnaire

This questionnaire is designed by the final year post graduate students of Addis Ababa University, entitled: “The Effect of Customer Relationship Management on Customer Loyalty in Hibret Bank S.C.” for the partial fulfillment of the course MBA thesis.

The information provided by you will be held strictly confidential and is used for academic purpose only. And you will not be held responsible for anything arising thereof. You are hereby kindly requested to duly fill up and return the questionnaire promptly. Thank you in advance for your cooperation in advance for your utmost participation for the successful completion of the study. For further inquiry, I will be available with the following address:

Name: Abreham Yilma

Tel (Mob) : +251 939466848

Email: abrishyilma6@gmail.com

Instructions!

No need to write your name;

Please put a (v) mark for your response ;

Duly fill and return the questionnaire promptly

[Type text]

PART ONE: Background information of the respondents

Age

18 – 25 Years	<input type="text"/>	<input type="text"/>
26 -35 Years	<input type="text"/>	
36 – 45 Years	<input type="text"/>	
– 55 Years		
56 Years and above	<input type="text"/>	

Gender

Male	<input type="text"/>
Female	<input type="text"/>

Educational Background

No formal education	<input type="text"/>
High school diploma	<input type="text"/>
Bachelor’s Degree	<input type="text"/>
Master’s Degree	<input type="text"/>
PhD	<input type="text"/>

[Type text]

Your employment status

Employed (private/public)	<input type="text"/>
Self Employed	<input type="text"/>
Unemployed	<input type="text"/>
Other, please specify.....	<input type="text"/>

Monthly Income Level

Less than 5000 ETB	<input type="text"/>
5000 – 10000 ETB	<input type="text"/>
10001 – 20000 ETB	<input type="text"/>
20001 – 30000 ETB	<input type="text"/>
Above 30000 ETB	<input type="text"/>

Part two: Factor affecting CRM on Customer loyalty

Please indicate your level of agreement by putting a (v) mark for your response for the following multiple questions presented below using a five points Likert’s scale, where Key: 1=strongly disagree, 2= disagree, 3=moderately Agree, 4= agree, 5= strongly agree

N O	Statement	Strongly disagree (1)	Disagree (2)	Mode rate (3)	Agree (4)	Strongly Agree (5)
A) CRM Dimensions						
I. Key customer focus						
1	The bank understands and values my individual needs					
2	I receive personalized service when I visit the bank.					
3	The bank offers specialized					

[Type text]

	financial services and products					
4	The banks provide all services and am satisfied with the convenience of using them.					
5	The physical facilities (ATMs, branches) support the servicea					
II.CRM Organization						
1	Employees are trained to understand and respond to my needs					
2	The bank's structure supports effective customer service					
3	The bank provides consistent and dependable electronic banking services.					
4	The system performs transactions accurately and reliably.					
5	Customer service is prioritized at all levels of the bank.					
III.Knowledge Management						
1	The bank keeps accurate records of my previous interactions.					
2	The bank's support team provides helpful solutions promptly.					
3	I can easily reach customer support when I need assistance.					
4	The bank often fails to address my individual needs.					
5	The bank learns from customer					

[Type text]

	feedback and improves services.					
IV. Technology-Based CRM						
1	Online banking services are user-friendly and accessible.					
2	I am satisfied with the mobile and digital services provided					
3	I trust the bank to handle my online transactions accurately and without error.					
4	Technology has made it easier to interact with the bank.					
5	I believe the bank is reliable and competent in managing electronic banking services.					
B) CUSTOMER LOYALTY						
1	I intend to continue using Hibret Bank in the future.					
2	I would recommend Hibret Bank to others.					
3	I prefer Hibret Bank over other banks for my financial services.					
4	My loyalty to Hibret Bank has increased due to their CRM efforts.					

[Type text]

5	I feel valued as a customer at Hibret Bank.					
6	I am satisfied with the bank's overall approach to maintaining my financial security.					
7	The online banking platform is easy to access from different devices.					
8	Overall, I am satisfied with the banking services provided.					

Thank you for taking time to complete this questionnaire.