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ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

**FACTORS AFFECTING CUSTOMER RETENTION IN THE ETHIOPIAN
BANKING SECTOR (STUDY ON COMMERCIAL BANK OF ETHIOPIA
CUSTOMERS IN ADDIS ABABA)**

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A thesis submitted to Addis Ababa University, school of business and economics, in partial fulfillment of the requirement of master of business administration (MBA).

December 2025

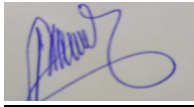
Addis Ababa

Declaration

I, Aregaw Tadele, hereby declare that the research titled “factors affecting customer retention in the Ethiopian Banking Sector (Study on Commercial Bank of Ethiopia customers in Addis Ababa)” submitted to Addis Ababa University, School of Business and Economics, in partial fulfillment of the requirement of Master of Business Administration (MBA), is a record of original work carried out by me. This research has never been submitted to this or any other institution for any other degree or certificate. The assistance acquired from my advisor to conduct this research work has been duly acknowledged.

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Signature: _____



Date: Feb 10,2026

Certification

This is to certify that the research work titled “factors affecting customer retention in the Ethiopian banking sector (study on commercial bank of Ethiopia customers in Addis Ababa)” in partial fulfillment of the requirement of master of business administration (MBA), was carried out by Mr. Aregaw Tadele reg. No GSD/6144/15 under my supervision. His research work has been examined and found acceptable for the award of master of business administration (MBA) from Addis Ababa University, college of business and economics.

Abera Legesse (PHD)
(Advisor)

A handwritten signature in blue ink, appearing to read 'Abera Legesse', is written over a horizontal line.

Feb 10/2026
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Abstract

This study looked at how customer experience and quality service affect customer retention in the Ethiopian banking sector. It focused on the mediating roles of customer satisfaction, trust, customer loyalty, and corporate image. The study aimed to address ongoing challenges in customer retention that banks face, even with service improvements and growing competition.

A quantitative, explanatory research design was used with a cross-sectional survey approach. Researchers collected data from 389 bank customers through structured questionnaires, using simple random sampling. They analyzed the data with descriptive statistics, correlation analysis, and multiple regression techniques. They performed mediation analysis following the Baron and Kenny method, along with Sobel tests to check the significance of indirect effects.

The findings revealed that customer experience and quality service has a significant and positive effect on customer retention. Furthermore, customer satisfaction, trust, customer loyalty, and corporate image were found to significantly mediate the relationship between customer experience and customer retention, indicating both partial and full mediation effects across the proposed pathways. These results highlight the importance of managing not only service delivery but also relational and perceptual factors to enhance long-term customer relationships.

The study adds to the existing literature by expanding customer experience and relationship marketing theories through a detailed mediation framework in the Ethiopian banking context. It offers practical insights for bank managers and policymakers, highlighting the need for overall customer experience strategies and quality service to boost customer retention and maintain a competitive edge. The study also suggests future research directions, especially in using longitudinal designs and comparing different sectors.

Keywords: Customer Experience, Quality service, Customer Retention, Customer Satisfaction, Trust, Customer Loyalty, Corporate Image, Ethiopian Banking Sector

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List of Abbreviations

CBE: Commercial Bank of Ethiopia

CEX: customer experience

CIMG: corporate image

CLOY: customer loyalty

CRET: customer retention

CSAT: customer satisfaction

NBE: National Bank of Ethiopia

SE: standard error

SPSS: Statistical Package for Social Science

SQL: quality service

TST: trust

VIF: variance inflation factor

WB: World Bank

Chapter One

1. Introduction

This chapter provides the back ground of the study, statement of the problem, research objectives, research questions, significance of the study, delimitation of the study, limitation of the study, and Organizational structure of the paper.

1.1 Background of the study

Today's banking sector worldwide has been experiencing significant transformation. Similarly, the Ethiopian banking sector is also experiencing stiff competition, the emergence of digital banking, and changing customer expectations Leninkumar (2017). Therefore, banks must concentrate on strategies that provide them a competitive edge and aid them in keeping customers. Keeping current customers is not only more economical than attracting new ones but also promotes brand loyalty and supports sustained profitability (Almohaimmeed, 2019).

Identifying the factors that impact customer retention is essential for banks to create successful strategies and achieve a competitive advantage. In various businesses, a small increase of 5% in customer retention can lead to a substantial rise in net present value, potentially varying between 25% and 95% (Dawkins and Reichheld, 1990).

Other scholars found in their research that keeping customers increases efficiency and lowers costs associated with customer retention (Boadu and Achiaa, 2019). Customer retention is an economic and beneficial business approach that is essential in today's competitive market landscape. For a bank, retaining customers is crucial to attract liquid funds that can be lent to entities demanding financial support; this generates profit for the bank and enhances its financial stability (Lay et al., 2024).

CBE is the largest state-owned bank, and as of June 2023, it has 1,937 branches and 40.3 million customers and is accessible in every corner of the country. Due to stiff competition and the emergence of new banks, its market share is declining. Although its market share declines year

after year, it remains the most important bank. At the end of June 2024, its total assets and deposits constituted under half (47.9 percent and 47.10 percent, respectively) of the whole banking sector.

Commercial bank of Ethiopia (CBE) as one of the state-owned commercial banks is also confronted with problems, how to increase customer retention. As a company involved in the field of banking services, customer retention is the key to business success, because the level of high customer retention can increase in a range of performance, not only the performance of the field of marketing, but also the performance of the financial sector, such as improved years profit.

The intense competition among banks in the financial industry requires a solid understanding of successful customer retention strategies. Customers are some of the most valuable resources for banks, as many interact with them daily to access different services (Jackson, 2011). With more options available and greater awareness, customers are becoming more demanding. However, banks often struggle to meet their needs and expectations adequately (Shah, 2015). According to Negesu (2015), factors influencing the intense competition in the Ethiopian banking sector include aggressive expansion by commercial banks and the similar services they provide. As customers become more informed and selective, they can easily switch from one bank to another. This situation creates challenges for management in the banking sector, especially regarding customer retention strategies. These observations emphasize the need to explore the impact of previously overlooked factors, such as quality customer service, customer satisfaction, customer retention, customer relationships, and trust, on customer retention in private commercial banks. This will help to better understand the issue and develop effective customer retention strategies.

1.2 Statement of the problem

Within the context of the contemporary nature of the banking industry, customer retention is central to the strategic process and accounts for the rise in competition and homogeneity across the industry. Additionally, the rise of customer expectations underscores the importance of efforts towards improving the quality of service and experiences for the customers; however, banks face risks owing to customer switching or reduced customer loyalty and unstable customer relationships. This phenomenon demonstrates itself visibly within the Ethiopian context, where expansion and competition do not result in customer retention (Girma, 2024).

This can be seen in the Ethiopian banking sector, which has experienced rapid growth and technological changes with intensified rivalry in the industry, especially among private banks. Although these banks are adopting digital marketing and other technological advancements in e-banking services, knowledge indicates that higher service homogeneity coupled with inadequate insight into preferences has resulted in volatile long-term relationships and customer defection (Dereje, 2025).

Currently available literature indicates that customer experience has an important role in influencing customer retention (Lemon & Verhoef, 2016). However, the empirical evidence is yet not conclusive on the aspects through which customer experience influences retention (Klaus & Maklan, 2013). Most of the previous studies have focused on either the direct relationship between customer experience and customer retention or single mediating variables such as customer satisfaction, resulting in a limited understanding of the collective roles of trust, customer loyalty, and corporate image in driving retention outcomes (Fatma et al., 2018; Foroudi et al., 2018). As such, banks are devoid of enough empirical evidence to understand how relational and perceptual factors interactively influence customers' decisions to stay with their banks (Hwang & Choi, 2020).

Moreover, most empirical studies reported in literature have utilized in developed economy contexts, rendering it difficult to generalize findings to developing economies (Melaku, 2021; Kebede, 2020). Likewise, customer experience and retention study findings within Ethiopia can be characterized as fragmented with limited utility of effective mediation analysis to understand customer experience and retention relationships (Alemayehu & Gebre, 2020; Tadesse & Kassa, 2021). This is also driven by conflicting findings within literature on whether customer experience directly or indirectly, through mediators, impacts customer retention (Kebede, 2020; Hwang & Choi, 2020).

Accordingly, there exists a necessity to conduct an in-depth empirical research to address the issue by evaluating the influence of customer experience on customer retention while considering the moderating impacts of customer satisfaction, trust, customer loyalty, and company image in the context of the Ethiopian banking industry (Ibrahim & Najajreh, 2023; Caruana, 2002). It is crucial to resolve the issue not only from the theoretical perspective but also to guide bank management in developing appropriate strategies to attain enhanced competitive advantage (Porter, 2008; Wondimu & Shanko, 2021; Zeithaml et al., 2018).

1.3 Research questions

This study raised the following research questions and subsequently attempted to address them accordingly.

- I. To what level does Quality Customer service influence customer retention in the commercial bank of Ethiopia particularly in Addis Ababa city?
- II. To what level does customer experience influence customer retention in the commercial bank of Ethiopia particularly in Addis Ababa city?
- III. To what extent does trust and customer loyalty mediate customer experience and customer retention in the commercial bank of Ethiopia particularly in Addis Ababa city?
- IV. To what extent does customer satisfaction and corporate image mediate quality service and customer retention in the commercial bank of Ethiopia particularly in Addis Ababa city?

1.4 Research objectives

This study aimed to accomplish the following general and specific objectives:

1.4.1 General objectives

The general objective of this study is to investigate the effect major factors influencing on customers retention in the Ethiopian banking sector, particularly in Addis Ababa city.

1.4.2 Specific objectives

This study also aimed to accomplish the following specific objectives:

- I. To examine the effect of customer experience on customer retention.
- II. To examine the effect of customer experience through the mediation of trust.
- III. To examine the effect of customer experience through the mediation of customer loyalty.
- I. To examine the effect of service quality on customer retention.

- II. To examine the effect of service quality on customer retention through the mediation of customer satisfaction.
- III. To examine the effect of service quality on customer retention through the mediation of corporate image.

1.5 Significance of the study

The researcher conducted this study in the sense that it contributes something to the bank's leaders and to those researchers as an empirical reference.

- I. The study's main contribution is it gives the commercial bank of Ethiopia an important information on why customers decide to stick with them and enables managements to identify pinpoint areas for improvement and assist in creating effective plans to keep current clients and eventually boost profitability.
- II. The study helps the management of the commercial bank of Ethiopia to solve the operational problem in relation to customer retention.
- III. The study adds empirical source to the body of marketing literature already in existence regarding the factors influencing customer retention in the Ethiopian banking sector.

1.6 Delimitation of the study

The scope of the study conceptually restricts to identify the factors affecting customer retention in Ethiopian Banking sector particularly in CBE .Geographically, the study restricted to Addis Ababa, and its conclusion would not apply to Ethiopia's banking sector as a whole.

1.7 Limitation of the study

The study examined only six factors —customer experience, service quality, customer satisfaction, corporate image, loyalty, and trust —that may have an impact on customer retention in the Ethiopian banking sector, specifically CBE branches in Addis Ababa. Methodologically, out of 32 commercial banks operating in Ethiopia, only one bank was investigated for this research purpose. The sample size examined was also too small in comparison to the population, despite the fact that CBE has an excessive number of customers.

1.8 Organizational structure of the paper

This research paper was divided into five sections. The first chapter covered the introduction, including the background, problem statement, research objectives, and research questions, significance of the study, delimitations, limitations, and structure of the paper. Chapter two concentrated on reviewing literature on factors influencing customer retention. The third chapter outlined the methodology employed in the study.

Chapter four presented the analysis, summary, and presentation of the data. Finally, chapter five discussed the main findings, conclusions, and recommendations, limitation and area for further study.

Chapter Two

2. Literature review

2.1 Introduction

This chapter discusses a concept that is vital to this study and serves as input for this thesis by starting with a broad discussion. The chapter was structured to narrow down the idea of factors affecting customer retention in the commercial banks Ethiopia. It includes a conceptual review, an empirical review, and the conceptual framework for the study.

2.2 Conceptual Review

This section presented a conceptual review on various constructs on which this study gives the utmost emphasis. Ideas, concepts, and definitions on the constructs of the study are presented as follows:

2.2.1 Customer retention

Customer retention refers to the likelihood of a client being kept by the organization (Morgan & Hunt, 1994). Hall (1997) also viewed customer retention as the ability to keep customers for life. Other scholars found in their research that keeping customers increases efficiency and lowers costs associated with customer retention (Boadu and Achiaa, 2019). Leninkumar (2017) also stated that the banking sector is highly competitive in today's market, provoking banks to implement strategies aimed at retaining their existing customers to maintain their competitive edge in the industry. Hence, the financial impact of a customer's lifetime value on any business can be recognized in their overall financial performance.

2.2.2 Customer experience

Gahler et al. (2019) defined customer experience as the personal emotions that customers experience during their engagement with the service provider, resulting in emotional, mental, physical, relational, sensory, and symbolic reactions.

Customer experience encompasses the emotional responses that customers have when interacting with a company at all touch points, whether these interactions are direct or indirect (Kavitha & Haritha, 2018). Beyond the definitions, customer retention is the most effective strategy for preserving corporate reputation, ensuring customer satisfaction, building trust, and enhancing customer loyalty (Manyanga, Makanyeza, and Muranda, 2022).

2.2.3 Service quality

Philip Kotler (1991) defines service quality as the capacity of a service provider to efficiently satisfy its clients and keep them as loyal. According to Philip Kotler (1991), service quality is the capacity of a service provider to efficiently satisfy its clients and keep them as loyal. Other scholars have also indicated that service quality refers to how customers are treated within an organization, which can be either satisfactory or poor. Koduah and Farley (2015) highlighted that one of the factors that customers consider when selecting a bank is the quality of goods and services the bank provides. Thus, quality service helps banks to attract new customers and keep the existing customers as well.

2.2.4 Customer satisfaction

Skogland and Sigauw (2004) defined customer satisfaction as the overall evaluation of efficiency based on all previous encounters with a business. On the other hand, Parawansa (2018) stated customer satisfaction is the gap between the customer's expectations and the customer's actual experience perceived. Similarly, Leninkumar (2017) defined customer satisfaction as the customer's emotional reaction, attitude, and assessment after the purchase process. The emphasis of all the authors mentioned is that satisfied customers are inclined for a repetitive purchase and service and help firms to retain customers.

2.2.5 Corporate image

Corporate image has been defined as «...Perceptions of an organization reflected in the associations held in consumer memory» (Keller,1993).The results of the study from Hatch et al. (2018) stated that corporate image encompasses the feelings of company employees and the perspectives of

customers, shareholders, the media, the general public, and external interested parties on the corporation. Similarly, Worcester (1997) described corporate image as the cumulative effects of people's experiences, impressions, beliefs, feelings, and knowledge about an organization.

This implies that the overall attitude or feeling developed in the minds of the customers helps the company to attract new customers and aids them in retaining the existing customer as well.

2.2.6 Loyalty

Leninkumar (2017) stated that customer loyalty is the ability of a company to continuously outperform competitors in gaining a certain customer. It is a continuous process that, rather than meeting the customer's needs, results in the creation of a long-term, recurring purchasing relationship with the client over a certain brand. The banking industry is highly competitive in today's banking business environment, and banks are currently concentrating on implementing strategies that assist them to retain the existing customers and survive in the competitive market.

Adisucipto, Alhabsji, and Suharyono (2018) stated loyalty for a bank is an important determinant that needs to be adhered to. In the banking sector, customer loyalty is defined as a customer's strong dedication and readiness to continuously utilize a product or service over a long period of time (Twineboah-Koduah and Farley, 2015).

2.2.7 Trust

The faith that a consumer has in a firm is known as customer trust. It demonstrates that a company has faith in its ability to fulfill its commitments and act in the best interests of its customers (zendesk.com). A party's belief, attitude, or anticipation that the company they depend on would be the main beneficiary of the relationship partner's actions is known as customer trust (Andaleeb, 1992). Furthermore, Moorman, Zaltman, and Deshpande (1992, p. 82) defined trust as the readiness to depend on an exchange partner in whom one has confidence.

2.3 Empirical review

This section presented empirical findings on the elements that impacted customer retention in the commercial bank of Ethiopia, branches located in Addis Ababa. Given the volume of empirical

literature accessible on the issue of this research, it would have been difficult to provide the findings of all investigations. But I tried to see some of the research conducted on factors affecting customer retention in the commercial bank of Ethiopia, Addis Ababa city branches, as follows:

2.3.1 Customer Experience

Customer experience refers to the emotional reactions customers experience with the company at every touchpoint, whether directly or indirectly (Kavitha & Haritha, 2018).

Gahler et al. (2019) defined customer experience as the customer's personal feelings during their interaction with the service provider, which leads to emotional, mental, physical, relational, sensory, and symbolic reactions.

Customer experience is the impressions of the customer throughout their interaction with the company (Bhatt & Patel, 2020).

Customer experience is viewed as the most effective strategy for upholding corporate reputation, ensuring customer satisfaction, fostering trust, and enhancing customer loyalty (Manyanga, Makanyeza, and Muranda, 2022).

Deregulation and technological advancements in the banking industry have reduced entry barriers and increased competition in the banking industry. Recently banks sell similar products and services, and they exhibit fierce competition in the industry. Thus, banks will gain a real differentiation by great customer experiences (Fernandes and Pinto, 2019).

Customer experience includes all elements of a company's products and services. The quality of customer care, the advertising, the packaging, the product and service attributes, user-friendliness, and dependability influence the customer's views on the firm's service (Meyer and Schwager, 2007). Customer experience encompasses all interactions a customer has (whether in-person or online) with companies throughout the customer journey, which consists of pre-purchase, purchase, and post-purchase support (Shrivastav, 2024).

According to the former Dell computer chief information officer Jerry Gregoire, "The customer experience is the next competitive battleground" (Sugarcrm, 2022; np), and CX has become so important to the business success. In Ethiopia, it is difficult to find published literature on customer

experience (CX), despite the fact that it has emerged as the next paradigm that affects consumer satisfaction, loyalty, retention, and business profitability.

2.3.2 Quality service

Tamilselvi (2016) indicated that service quality refers to how customers are treated within an organization, which can be either satisfactory or poor. The author defines service quality as “the differences between customer expectations and perceptions of service. Service quality is defined as the result of a client’s overall assessment of a service provider by contrasting their expectations with the quality they received (Parasuraman et al., 1988). Service quality is defined as the result of the customer quality evaluation of a service provider by comparing their expectations and their perceived quality obtained (Sao Mai & Tri Mai, 2021).

In their study Twineboah-Koduah and Farley (2015) highlighted that one of the factors that consumers consider when selecting a bank is the quality of goods and services the bank provides. A bank's ability to consistently provide high-quality service is a key factor in determining its clients' loyalty. This impression is produced during the course of interactions between bank employees and clients.

2.3.3 Customer satisfaction

According to Skogland and Siguaw (2004), customer satisfaction can be described as the total assessment of effectiveness derived from all past interactions with a company. The study by Parawansa (2018) described satisfaction as determined by the gap between customer expectations and actual experiences. Additionally, satisfaction is an overall attitude of customers towards a service provider. Fornell (1992) views customer satisfaction as an attitude formed from the experience clients have after purchasing a product or using a service and making payments for them. Similar to this, Leninkumar (2017) described satisfaction as an emotional response, attitude, and evaluation expressed by the customer following the purchase process. It is an indication of being pleased with a product or a service. The definition given by Yap, Ramayah, and Shahidan (2012) posited satisfaction as an overall customer attitude towards a service provider.

2.3.4 Corporate image

Corporate image, as an external marketing dimension, is the result of consumers comparing the different business organization qualities.

Given the ambiguity around the service providers' credibility, it assists clients in choosing which one to choose. Twineboah-Koduah and Farley, (2015). Worcester (1997) described corporate image as the cumulative effects of people's experiences, impressions, beliefs, feelings, and knowledge about an organization. Consumers today have greater options for their financial requirements than at any time in the past. Winston (2013) states technology, globalization, increased competition, and increased consumer mobility have significantly transformed the banking experience for individuals. Corporate image has been defined as «...Perceptions of an organization reflected in the associations held in consumer memory» (Keller, 1993).

The results of the study from Hatch et al. (2018) stated that corporate image encompasses the feelings of company employees and the perspectives of customers, shareholders, the media, the general public, and external interested parties on the corporation.

2.3.5 Trust

Customer trust refers to the confidence a customer places in a company. It demonstrates the assurance in a company's dedication to fulfill its commitments and act in the best interest of the customer (zendezk.com). Customer trust is the belief, attitude, or expectation of a party that the relationship partner's behavior or the main beneficiary from the trust is the company in which the customers rely on (Andaleeb, 1992). Furthermore, Moorman, Zaltman & Deshpande (1992, p. 82) described trust as a readiness to depend on an exchange partner in whom one has faith.

2.3.6 Loyalty

Customer loyalty is the ability of a company to continuously outperform competitors in gaining a certain customer. It is a continuous process that, rather than meeting the customer's needs, results in the creation of a long-term, recurring purchasing relationship with the client over a certain brand. The banking industry is highly competitive in today's banking business environment, and banks

are currently concentrating on implementing strategies that assist them to retain the existing customers and survive in the competitive market (Leninkumar, 2017).

Following his study, Dick (1994) highlighted that customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and repeat patronage.

The relationship is seen as mediated by social norms and situational factors. Cognitive, affective, and cognitive antecedents of relative attitude are identified as contributing to loyalty, along with motivational, perceptual, and behavioral consequences. Adisucipto, Alhabsji, and Suharyono (2018) stated loyalty for a bank is an important determinant that needs to be followed. In the banking sector, customer loyalty is defined as a customer's strong dedication and readiness to continuously utilize a product or service over a long period of time (Twineboah-Koduah and Farley, 2015).

2.3.7 Customer retention

According to Leninkumar (2017), the banking business is extremely competitive in the present banking industry, and banks are focusing on putting strategies into place that help them keep their current customers in order to ensure competitiveness in the industry.

2.4 Research gaps

In spite of extensive research into customer retention and service quality in the banking industry, there are some significant gaps in the literature that provide a justification for conducting this study:

Much of the research regarding customer satisfaction, loyalty, and retention comes from developed markets or within specific banking contexts, whereas studies conducted within Ethiopian banking sectors are scarce. For instance, the available researches on service quality and customer satisfaction in Ethiopian banks are scanty and have barely looked into satisfaction and loyalty features in the absence of bigger relational constructs such as trust or corporate image, customer experience, (Balcha, 2023).

Most research in the banking industry applies either correlation or simple regression analysis without the formal testing of the mediation mechanism based on structured procedures such as the approach by Baron and Kenny or Sobel tests. This generally restricts an understanding of how and why customer experience and service quality translate into retention (Kim, Jindabot and Yeo, 2024).

2.5 Conceptual framework

In the banking industry the changes in one variable can have an impact on other variables, either directly or indirectly. Numerous researches explained on this link in the following ways, which in turn can help to formulate the conceptual framework of this study. For the banking industry, the connection between customer satisfaction and customer experience is crucial.

Positive emotions enhance customers' happiness and elevate their satisfaction levels, according to Pei et al. (2020). Therefore, customer experience positively influences customer satisfaction.

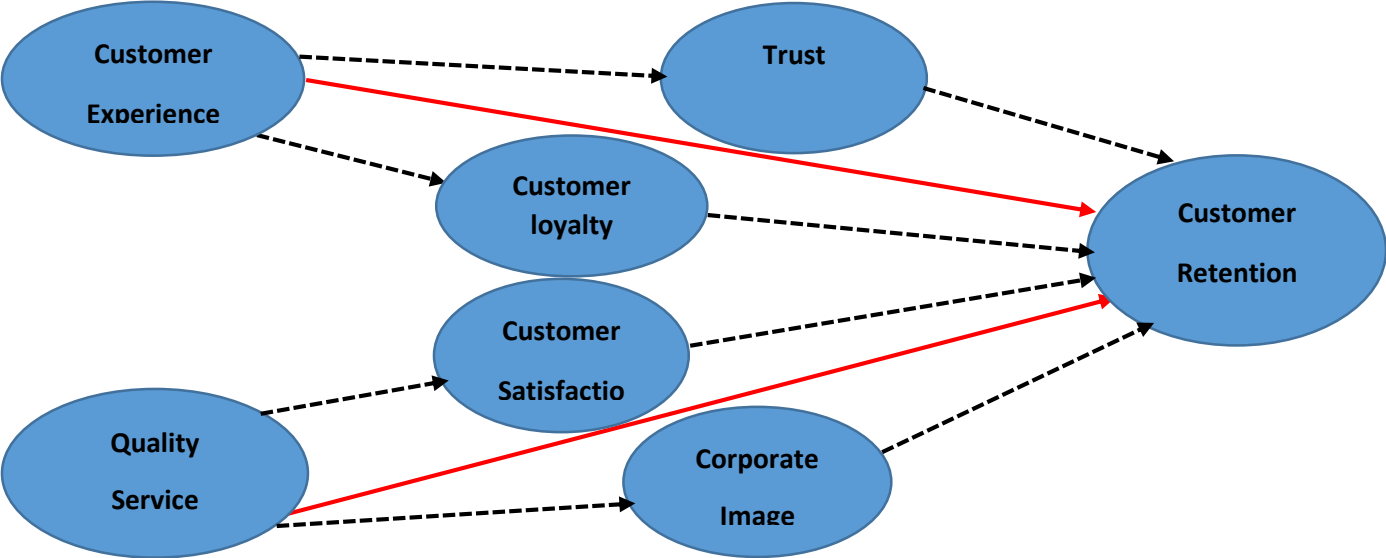
In their study, Yingfei, Mengze, and Ki-Hyung (2022) found a strong correlation between corporate image and customer experience. According to their research findings, a company's corporate image and brand reputation are positively impacted by the customer experience. Several studies show that customer satisfaction is significantly impacted by high-quality service. For example, a study conducted by Khan and Fasih (2014) examined the relationship between service quality and customer satisfaction in the banking industry and found that service quality significantly impacts customer satisfaction.

Khoo (2022) found that customer satisfaction and company image are positively impacted by service quality. According to several academics, brand image and service quality are significantly correlated (Hsieh et al., 2018; and Wu et al., 2011). Previous studies show that service quality positively affects brand image and acts as an antecedent of it (Hsiehet al., 2018; and Wu et al., 2011). A substantial positive correlation between satisfaction and trust was discovered in studies conducted by Crosby et al. (1990), Yoon (2002), and Dabholkar and Sheng (2012).

Andreassen and Lindestad (1998) discovered in their research that corporate image significantly influences customer loyalty and has a direct relationship. In relation to customer retention, it can

be explained that trust and commitment are part of the customer's positive behavior, which is reflected in the continuing good relationship with the company, and trust positively influenced customer retention (Morgan and Hunt, 1994). The role of loyalty is more pronounced in the service industry compared to other industries (Gwinner, Gremler, and Bitner, 1998). Therefore, many service companies use loyalty as a measure to design marketing strategies. On the other hand, Dowling and Uncles (1997) state that loyal customers spend more with their companies.

Figure 1.conceptual framework



Source: Adapted and modified from (Lay, Alhabsji, and Suharyono, 2018).

2.6 Research hypothesis

This study presents a set of research hypotheses to investigate the connections between customer experience, service quality, customer retention, and the suggested mediating variables. These hypotheses are based on the theoretical foundations and empirical evidence reviewed in the preceding sections. In addition to the direct effects of customer experience and service quality on customer retention, the hypotheses are designed to test the indirect effects that operate through corporate image, trust, customer loyalty, and customer satisfaction. These hypotheses direct the interpretation of the study's results and offer an organized foundation for empirical testing utilizing regression and mediation analysis techniques.

2.6.1 The effect of customer experience on customer retention

Customer experience is an emotion that connects a customer and a business (Young, 2006). According to Palmatier, Jarvis, Bechkoff, and Kardes (2009), this feeling helps sustain their relationship and affects the exchange partner's trustworthiness. This, in turn, influences the customer's ongoing trust in that partner. Williams (2004) argues that since people often rely on their emotions when judging others, their feelings and attachment impact how they view others' trustworthiness. This affects their willingness to trust and cooperate with them. Positive feelings about someone should improve perceptions of their reliability, as noted by Palmatier et al. (2009). People typically use their initial feelings toward someone to decide if they can trust them (Jones & George, 1998). Moreover, Yim et al. (2008) found that customer affection for a company and its salespeople affects trust. Accordingly, the study proposes the following hypothesis:

H1: Customer experience positively influence customer retention

2.6.2 The effect of customer experience on customer retention through the mediation of trust

In the world of banking, trust plays a crucial role that must be nurtured, as customers are unlikely to deposit their money without it. Building trust is critical to sustaining a lasting relationship between the company and its customers. For customers who have strong confidence in the company tend to persist in relation with the company. Therefore, trust can encourage long-term

loyalty and strengthen buyer and seller relationships in the business world; trust is seen as a major factor that precedes stable and collaborative relationships. Confidence arises when one party feels confident about the reliability and integrity of the exchange partner (Morgan and Hunt, 1994). The nature of trust in organizational relationships is the knowledge that the seller will not act in a risky way that is perceived as a threat by the buyer. Consumers who trust a company means that they have high confidence in the company that will ultimately affect the commitment and loyalty. In relation to customer retention, it can be explained that trust and commitment are part of the customer's positive behavior, which is reflected in the continuing good relationship with the company, and trust positively influenced customer retention (Morgan and Hunt, 1994).

Hence, the relationship between trust and customer retention can be proposed as follows:

H2: Trust mediate the relationship between customer experience and customer retention.

2.6.3 The effect of customer experience on customer retention through the mediation of customer loyalty

The role of loyalty is more pronounced in the service industry compared to other industries (Gwinner, Gremler, and Bitner, 1998). Therefore, many service companies use loyalty as a measure to design marketing strategies. On the other hand, Dowling and Uncles (1997) state that loyal customers spend more with their companies.

Accordingly, the study proposes the following hypothesis:

H3: customer loyalty mediate the relationship between customer experience and customer retention.

2.6.4 The effect of service quality on customer retention

Numerous studies have demonstrated that service quality plays a crucial role in determining customer satisfaction and customer retention. Gupta and Shaw (2014) stress that it is essential and mandatory to deliver exemplary service quality to satisfy customers and to maintain customer retention.

Numerous studies demonstrate that high-quality service greatly influences customer satisfaction. For instance, Khan and Fasih (2014) carried out research on how service quality affects customer

satisfaction in the banking sector and reported that service quality has a significant influence on customer satisfaction.

Dam, S.M., and Dam, T.C. (2021) confirmed that there is a significant and positive relationship between service quality and customer satisfaction.

There is a positive correlation between service quality and customer satisfaction. Providing exceptional service quality to meet customer expectations allows companies to set their service apart from competing businesses (Dominic et al., 2010).

Therefore, we offered the following hypothesis:

H4: Service quality positively affects customer retention.

2.6.5 The effect of quality service on customer retention through the mediation of customer satisfaction

Customer satisfaction is measured in terms of the fulfillment of the gap between customer expectation and customer actual experience; customer retention denotes the ongoing relationship between the organization and its customer (Ibojo and Asabi, 2015).

Bowen and Chen (2001) underline the significance of customer satisfaction to ensure customer retention and positively impact customer retention. Subsequently, the following hypothesis is proposed:

H5: customer satisfaction mediate the relationship between quality service and customer retention.

2.6.6 The effect of quality service on customer retention through the mediation of corporate image

Khoo (2022) discovered that the quality of service positively impacts both corporate image and customer satisfaction. Some scholars stated there is a significant link between service quality and brand image (Hsieh et al., 2018; and Wu et al., 2011). Earlier research indicates that service quality acts as an antecedent of brand image and has a positive influence on it (Hsiehet al., 2018, and Wu et al., 2011). In various industries, multiple researchers have also validated the significance and positive influence of perceived service quality on corporate image and brand reputation (Geraldine and David, 2013). Service quality positively affects corporate image. In addition to giving a business a competitive edge, a good and positive company image promotes customer buybacks

(Porter and Claycomb, 1997). Therefore, a positive corporate image in the eyes of customers adds value and revenue to the business. As a result, banks use their corporate image as a key instrument to improve their standing, keep clients, and increase profits (Lay, Alhabsji , and Suharyono, 2018).Therefore, the following hypothesis was proposed:

H6: corporate image mediate the relationship between quality service and customer retention.

Chapter Three

3. Research Methodology

3.1 Introduction

In this chapter the study presents the methodology employed in the research, such as research design, research approach, population and sample of the study, sample size, sampling techniques, types of data, data collection techniques, and the reliability analyses.

3.2 Research Design

The study used a mixed research design to analyze factors affecting customer retention in the Ethiopian banking sector, particularly in the Commercial Bank of Ethiopia. The researcher employed explanatory research to clarify why and how there is a relationship between two or more aspects of a situation or a phenomenon. The study also used descriptive survey design to systematically describe the characteristics of a population.

Using the survey method, the researcher collected data from the target population. Through the use of a structured and standardized questionnaire, the researcher collected data from a sample of the population, and the results are representative to the population with a certain degree of error. The researcher collected data by asking structured and predefined questions to the respondents. Using quantitative design, the study will try to quantify the correlation and the strength of the independent variables (customer experience, service quality, customer satisfaction, corporate image, loyalty, and trust) and the dependent variable (customer retention).

3.3 Research Approaches

The study employed a quantitative research approach to explore and understand why and how customer experience (CEX), customer satisfaction (CSAT), service quality (SQL), corporate image (CIMG), trust (TRS) and customer loyalty (CLOY) affect customer retention in the Commercial Bank of Ethiopia.

3.4 Population of the study

The population of the study is all account holders of 5 branches (Bomb Tera, Anfo , Bethel Michael, Musab and Sefere Eyor) with a total number of account holders of 27,648 , 15,015, 10,823 , 10,001 and 10,823 respectively. Based on the June 2024 report, the total account holders in these five selected branches was 77,387.

3.5 Sample Size

The study determined the sample size by using Yemane’s (1967:886) formula. The Yamane sample size formula is a widely used method for determining the appropriate sample size for a survey or study when the population size is known.

$$n = \frac{N}{1+N(e)^2} \qquad n = \frac{77,387}{1+77,387(0.05)^2}$$

Where:

n = required sample size = 398

N = population size = 77,387

e = margin of error (level of precision) = 0.05

From a population (N) of 77,387 customers with a 5% level of precision and a 95% confidence level, as table 1 indicates, we got a sample of 398 respondents. Taking into account the total number of account holders in each branch, the researcher provided questionnaires to the respondents and collected data from 51, 56, 77, 142, and 71 account holders of Mus’ab branch, Bethel Michael branch, Anfo branch, Bomb Tera and Sefere Eyor branch, respectively.

Table 1. Sample size determination

Sr. No	Stratification	population size=N	sample size=n	Number of samples to be collected from each Branch
1	Bomb Tera Branch	27,648	398	142
2	Anfo Branch	15,015		77
3	Bethel Michael Branch	10,823		56
4	Sefere Eyor Branch	13,900		71
5	Mus'ab Branch	10,001		51
Total Number of account Holders		77,387		398

3.6 Sampling techniques

The study used simple random sampling techniques to select the representative to the population. The study prefer the simple random sampling technique to give each member of the population an equal chance of being selected, and it is too cumbersome to reach out respondents (customers) using other sampling techniques.

3.7 Type of data

Primary data were used in the research. Primary data were collected using simple random sampling techniques by accidentally meeting customers in each selected branch of CBE.

3.8 Data collection techniques

The study conducted a survey to collect the primary data with a structured and standardized questionnaire from the selected samples.

3.9 Questionnaire design and measures

Customer experience (CEX), customer satisfaction (CSAT), service quality (SQL), corporate image (CIMG), trust (TRS), customer loyalty (CLOY), and customer retention (CRET) were constructs of the study, and all constructs were measured using items shown in Appendix A. These items were based on a Likert scale that ranged from 1 (strongly disagree) to 5 (strongly agree).

To conduct this study, the researcher borrowed items from earlier relevant studies. Items for the constructs of customer experience, customer satisfaction, and customer loyalty were adopted from a study conducted by (Manyanga, Makanyeza, and Muranda, 2022). Items used to measure service quality, corporate image and trust were adopted from (Omoriege et al., (2019)). On the other hand, measurement items on customer retention were derived from (Fernandes and Pinto, 2019). The items for each construct centered on how customers perceived the bank's products and services.

3.10 Reliability Analysis

Reliability Analysis

Reliability analysis is a statistical method used to assess the consistency and dependability of a measurement instrument or system. The study used Cronbach's Alpha (α), which is a standard scale reliability test was used to assess questionnaire consistency. Table 2 shows that the least Cronbach's Alpha (α) value from all variables was 0.702, which exceeded the standard value of 0.70 (Cohen & Sayag, 2010). An indicator is deemed credible if its alpha value is 0.70 or more. To put it briefly, all of the variables included in this study produced answers that were sufficient for data analysis.

Table 2.reliability test

Reliability Statistics		
Factors (variables)	Cronbach's Alpha	N of Items
Customer experience (CEX)	0.702	6
Quality service (SQL)	0.765	7
Customer satisfaction (CSAT)	0.713	6
Corporate image (CIMG)	0.717	5
Trust (TST)	0.752	4
Customer loyalty (CLOY)	0.702	6
Customer retention (CRET)	0.798	7

Source: Own survey 2025

3.11 Data analysis techniques

After the required data is collected, the study conducted three levels of data analysis using SPSS v 25. First, the study examined and presented descriptive statistics, such as frequency for categorical data that had a demographic nature. The second analysis was the correlation analysis that used to explore the degree of association between dependent variable and the independent variables. Finally, the research tried to find the impacts of the overall independent variable on the dependent variable using direct regression analysis and regression-based mediation analysis.

The study employed the simple linear regression and Baron and Kenny's (1986) method to analyse the indirect impact of each of the independent variables (customer experience and quality service) on the dependent variable (customer retention) while the mediators are included in the model. The Baron and Kenny's (1986) method is a classical approach to test mediation in a model. This approach help to checks whether the effect of an independent variable on a dependent variable is transmitted through a mediator.

Chapter four

4. Data presentation, analysis and interpretation

4.1. Introduction

This section presents the final result of the study, and the methodology used to achieve it was covered. Background information about the respondents, reliability and validity analysis, descriptive analysis, correlation analysis, and regression analysis was discussed and presented in this section. To conduct this study, 398 questionnaires were distributed to the respondents. However, 22 respondents failed to complete questionnaires; 376 respondents properly completed the questionnaires and returned the survey, resulted in 94% response rate. According to Hira and Mugenda (1999); a response rate of 50% is appropriate for analysis and reporting. A 60% response rate is supposed to be good, and 76% or more is considered exceptional. Hence, a 94% response rate is excellent for reporting and analysis for this particular study.

4.2. Data Presentation & Analysis

In this section of the study, we present the data analysis using SPSS and the findings of the study.

4.2.1 Demographic characteristics of the Respondent's

In this part, the study presents the findings of the survey from the perspective of the respondent's demographic characteristics.

Table 3. Demographic characteristics of Respondent's

Demographic characteristics		Frequency	Percent	Valid Percent
Sex of the respondent's	Male	244	64.9	64.9
	Female	132	35.1	35.1
	Total	376	100.0	100.0
Age of the respondent's	20-30	147	39.1	39.1
	31-40	128	34.0	34.0
	41-50	49	13.0	13.0
	51-60	34	9.0	9.0
	61+	18	4.8	4.8
	Total	376	100.0	100.0
Marital status of the Respondent's	Married	164	43.6	43.6
	Single	184	48.9	48.9
	Divorced	18	4.8	4.8
	Widowed	10	2.7	2.7
	Total	376	100.0	100.0
Education Background of the respondent's	Primary school	70	18.6	18.6
	High school	107	28.5	28.5
	Diploma	64	17.0	17.0
	BA Degree	120	31.9	31.9
	Masters	15	4.0	4.0
	Total	376	100.0	100.0
Current occupation of the respondent's	Unemployed	13	3.5	3.5
	Employed	179	47.6	47.6
	Student	13	3.5	3.5
	Self-employed	159	42.3	42.3
	Pensioner	10	2.7	2.7
	Housewife	2	.5	.5
	Total	376	100.0	100.0

For how long you are the customer of CBE	Up to 1 year	19	5.1	5.1
	Between 1 and 3 years	27	7.2	7.2
	Between 3 and 5 years	44	11.7	11.7
	Between 5 and 8 years	62	16.5	16.5
	Between 8 and 10 years	37	9.8	9.8
	More than 10 years	187	49.7	49.7
	Total	376	100.0	100.0

Source: Own survey 2025

Table 3 shows that of the total 376 respondents, 64.9 percent were men and 35.10 percent were women. This might suggest that men are more likely to visit and have customer and saving relationships with the Commercial Bank of Ethiopia in Addis Ababa city branches. This demographic imbalance indicates female citizens in Ethiopia are less participant at work due to various reasons. According to the World Bank (WB) report 2024, Ethiopia's female labor force participation rate is 57.4%, while the male labor force participation rate is 78.4%. People with jobs are expected to go to banks to save money and use other banking services.

As table 3 demonstrate, respondents between the age of 20 and 30 make up the largest percentage (39.10%), followed by those between 31 and 40 (34%), those between 41 and 50 (13%), those between 51 and 60 (9%) and those over 60 (4.8%).Based on the respondents age distribution, majority of them are in their prime working years, making this group of the citizens are economically active and inclined to visit banks for saving and other banking services. From the research finding, as the age of the respondents goes up the inclination for visiting banks for various service decline. Only 18 customers whose age are above 60 were participated and completed the

According to Table 3, 48.9 percent of the 376 respondents were single, 43.6 percent of them were married respondents. This could indicate that majority of the respondents were single and married.

This group of the society have the habit as well as the capacity to visit banks for saving and other banking services. Divorced and widowed people were the least respondents with respective percentage of 4.8 percent and 2.7 percent. This implies that, for unknown reason for this study, Divorced and widowed people are less likely to come to banks for different services.

The above table 3 portrays 31.9% of the respondents have BA Degree, 28.5 % completed secondary education, 17.0 % of the respondents have diploma, 18.6% of them are dropouts of primary school and the least portion of the respondents completed their master's degree (4%). A comparatively well-educated respondents have higher propensity to visit banks and developed saving habits rather than those of less educated portion of the respondents.

Table 3 portrays majority of the respondents are employed (47.6%) and followed by Self – employed respondents who constitute 42.30% of the overall respondents. Employed people has the propensity for saving and inclined to visit banks for various banking services. Unemployed people, students, pensioners and housewives are the least participant in this study with a respective percentage of 3.5%, 3.5%, 2.7% and 0.5% respectively. These group of the society are less likely to visit banks and has no money for saving.

Table 3 indicate that of 376 respondents 49.7 percent stayed for More than 10 years being CBE customer and remain loyal for the bank to use its products and services. 16.50 percent of the respondents also remain loyal to use CBE services and products for a year between 5 and 8 years. Respondents who stayed as CBE customer for a years between 3 and 5 years constituted 11.70 percent from overall participants. This might suggest that customer is likely happy with the product or service, and the business is successfully retaining their business. The least respondents with a percentage of 5.10% were new customers for CBE branches in Addis Ababa city. This indicates that majority of the population in Addis Ababa has already an account with CBE.

4.2.2 Descriptive Analysis

Descriptive statistics were employed to assess the mean and the standard deviation of the respondents' scores. After obtained them, we then utilized it for further interpretation. The most commonly used measure of central tendency is the mean.

Table 4. Descriptive Statistics

Descriptive Statistics			
	N	Mean	Std. Deviation
Customer experience (CEX)	376	3.6135	0.61039
Quality service (SQL)	376	3.5186	0.64014
Customer satisfaction (CSAT)	376	3.5532	0.55522
Corporate image (CIMG)	376	3.6473	0.66227
Trust (TST)	376	3.4315	0.77490
Customer loyalty (CLOY)	376	3.5749	0.62699
Customer retention (CRET)	376	3.6216	0.57682
Valid N (listwise)	376		

Source: Own Survey, 2025

The above table 4 illustrate that the mean and the standard deviation value for each variable depicts that respondents' level of agreement with the ideas requested in the questionnaire was significant and influential factors affecting customer retention in the Ethiopian Banking Sector particularly in Addis Ababa city Branches.

Based on the mean and standard deviation analysis for each independent variable, table 4 demonstrates that customer retention in Commercial Bank of Ethiopia Addis Ababa city branches is significantly influenced by customer corporate image (3.6473), customer experience (3.6135), customer loyalty (3.5731), customer satisfaction (3.5532), service quality (3.5186), and trust (3.4315).

Table 4 reveals that, on a 5-point Likert scale, the overall customer retention mean in CBE, Addis Ababa city Branches is 3.6216 with standard deviation of 0.57682 indicating moderate variability. Among the factors affecting customer retention in CBE Addis Ababa city branches, corporate image (3.6473) stands out the most influential factors followed by customer experience with a mean of (3.6135), while trust is the least influential factor in customer retention practice.

4.2.3 Correlation analysis

According to Gogtay and Thatte (2017), Correlation analysis is used to explore the degree of association between dependent variable and the independent variables. The coefficient of correlation, r , will essentially fall between -1 and +1, meaning that $-1 \leq r \leq +1$. The value more close to zero the relationship between the dependent and the independent variable is weak. When the value approaches to -1 or =1, the variables have a negative or positive correlation respectively. Though, correlation analysis explains the strength of the relationship, it does not explain the variables are the cause or the effect.

In this analysis, the link between the dependent and the independent variables has been analyzed using SPSS- the bivariate Pearson Product-Moment Coefficient (r). The study used bivariate Pearson Product-Moment Coefficient (r) to determine the strength of the relationship between customer retention (Independent variable) and customer experience, service quality, customer satisfaction, corporate image, trust, customer loyalty. The study follows the guideline suggested by Gogtay and Thatte (2017), as a basic spectrum of interpreting correlation coefficient. The correlation coefficient (r) is categorized by him as follows:

The correlation coefficient (r) is categorized by him was as follows: A value between 0 and -0.5 as well as 0 and 0.50 are weak. The value between -1 and -0.5 as well as 1 and 0.5 are strong.

Table 5. Correlation test

		Correlations						
		CEX	SQL	CSAT	CIMG	TST	CLOY	CRET
CEX	Pearson Correlation	1						
	Sig. (2-tailed)							
	N	376						
SQL	Pearson Correlation	.577**	1					
	Sig. (2-tailed)	.000						
	N	376	376					
CSAT	Pearson Correlation	.578**	.763**	1				
	Sig. (2-tailed)	.000	.000					
	N	376	376	376				
CIMG	Pearson Correlation	.436**	.671**	.627**	1			
	Sig. (2-tailed)	.000	.000	.000				
	N	376	376	376	376			
TST	Pearson Correlation	.546**	.745**	.636**	.683**	1		
	Sig. (2-tailed)	.000	.000	.000	.000			
	N	376	376	376	376	376		
CLOY	Pearson Correlation	.709**	.741**	.684**	.510**	.639**	1	
	Sig. (2-tailed)	.000	.000	.000	.000	.000		
	N	376	376	376	376	376	376	
CRET	Pearson Correlation	.663**	.773**	.679**	.562**	.678**	.804**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	376	376	376	376	376	376	376

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

Source own survey 2025

According to table 5, the correlation matrix demonstrate that all the independent variables (the factors affecting customer retention) has a positive and strong correlation with the dependent variable (customer retention). There is significant strong positive relation between customer

loyalty and customer retention with correlation coefficient of $(r) = 0.804$. There is also high positive correlation between service quality and customer retention with correlation coefficient of $(r) = 0.773$. The relationship between corporate image, trust, customer satisfaction, and customer experience with customer retention is strong with correlation coefficient of $(r) 0.562, 0.678, 0.679$ and 0.663 respectively.

4.2.4 Regression Analysis

According to Gujarati, D.N. (2006), regression analysis is the most important tool to analyze and to create an acceptable empirical causal connection between independent and dependent. Correlation analysis is used to explore the degree of association between dependent variable and the independent variables. It did not explicate whether the relationship is significant or not. Thus, regression analysis is broadly used to make predictions. It helps to answer the question what would happen to dependent variable if a unit change in one of the independent variable, while other independent variable remain constant.

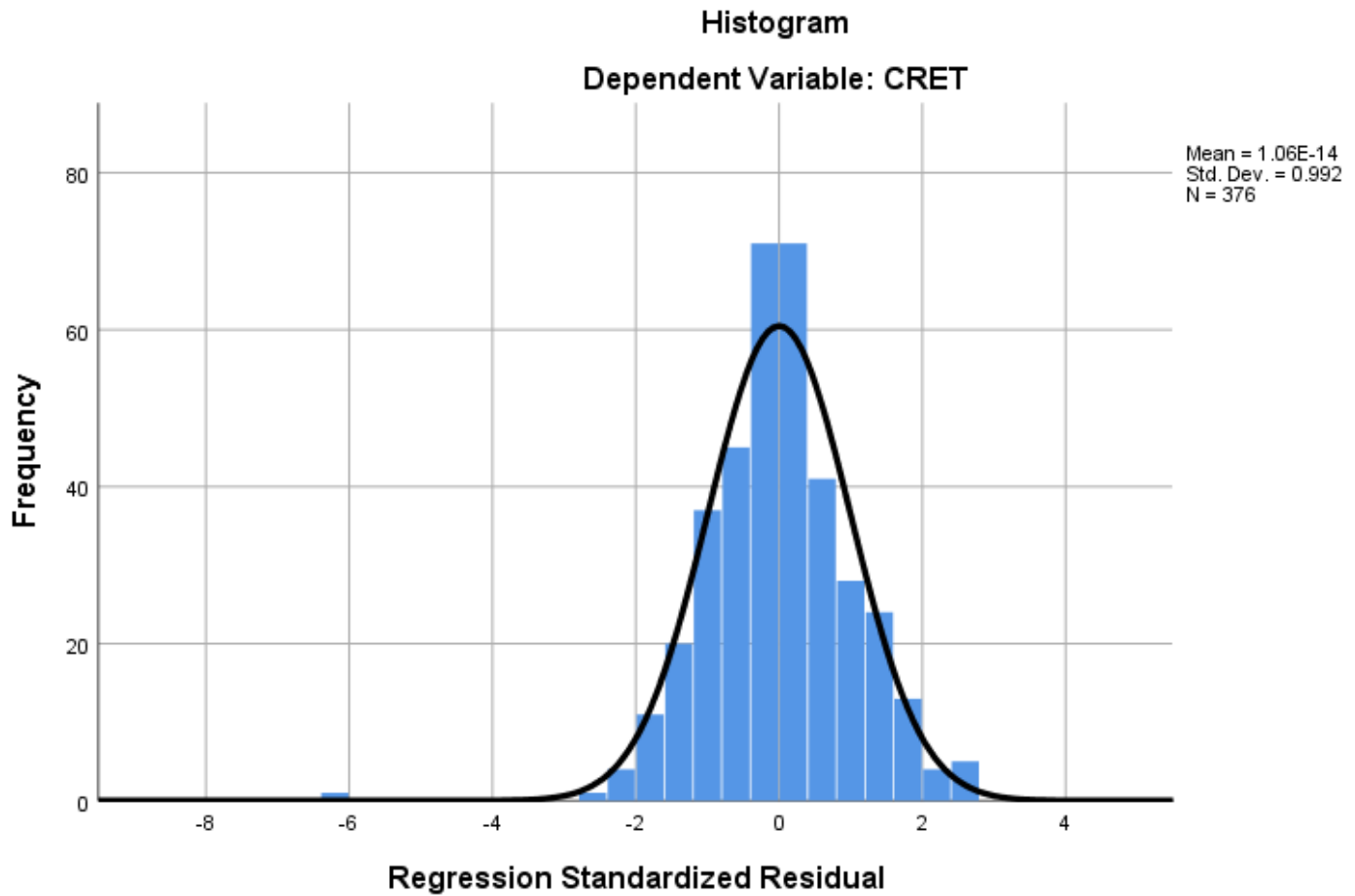
The study applied simple linear regression analysis and regression-based mediation analysis to answer the research questions and hypothesis since there are two independent variables and four mediators in the mode. Before the execution of the regression analysis, some assumptions need to be confirmed. These include test for linearity, normality, multicollinearity autocorrelation and Heteroscedasticity.

Normality Test

To determine the dataset are normally distributed, we used both graphic and analytical methods. Graphically, the study inspects histograms to confirm the data sets are normally distributed. The bell-shaped form of the histogram displays that most scores are concentrated close to the distribution's center and suggests that the datasets are normally distributed.

Graphically, the study used histogram to evaluate the residuals' normal distribution, as shown in Figure 2. The findings show that most standard residuals are quite near to the curve, but some depart slightly from it. The bell-shaped histogram indicates that most scores are concentrated and close to the distribution's center.

Figure 2. Normality test



Histogram Regression of Standardized Residual

Source: own survey and SPSS

Analytically, the study conducted statistical tests like Skewness and Kurtosis. Hair et al. (2010) and Bryne (2010) argued that the data sets are normally distributed if a Skewness values are in between -2 and +2, and Kurtosis values are in between -7 and +7.

Table 6. Normality test using Skewness and Kurtosis

		Statistics						
		CEX	SQL	CSAT	CIMG	TST	CLOY	CRET
N	Valid	376	376	376	376	376	376	376
	Missing	0	0	0	0	0	0	0
Mean		3.6135	3.5186	3.5532	3.6473	3.4315	3.5749	3.6216
Skewness		-.677	-.860	-.717	-.983	-.559	-.868	-.705
Std. Error of	Skewness	.126	.126	.126	.126	.126	.126	.126
Kurtosis		-.350	-.095	-.097	.129	-.555	-.109	-.590
Std. Error of Kurtosis		.251	.251	.251	.251	.251	.251	.251

Source: own survey and SPSS

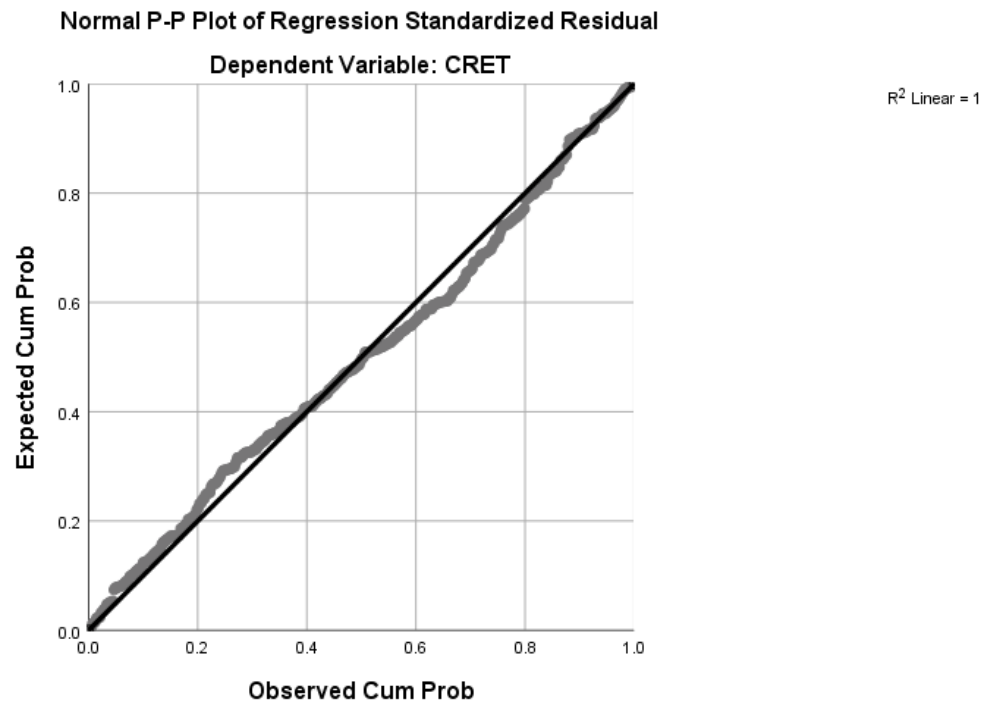
From table 6 above, the Skewness value of all the variables is in between -2 and +2, and the Kurtosis falls in between -7 and +7.

Skewness and Kurtosis values are therefore between -2 and +2 and -7 and +7, respectively, and the histogram shows a bell-shaped pattern. As a result, we infer that the data sets satisfy the normality assumption of the regression and are normally distributed.

Linearity

The linearity assumption in regression analysis deals the relationship between independent variable and dependent variables. Linearity assumption suggests that the relationship between the dependent and the independent variables should be linear, Gujarati, D.N. (2006). A scatter plot created with SPSS was used to evaluate the model's linearity. There is a linear relationship between the dependent and independent variables if the scatter plot's points nearly lie along a straight diagonal line.

Figure 3. Linearity test



Source: Own Survey 2025

As portrayed in Figure 3, the independent (predictor) and dependent variables have a linear relationship. Hence, model fulfill the regression assumptions called linearity.

Multi-collinearity Test

The multi-collinearity test is used to decide if two or more predictors have a significant correlation. Multi-collinearity Test was verified by using the variance inflation factor (VIF) and tolerance. According to Shrestha (2020), there is no multi-collinearity if the tolerance value is greater than 0.2 and the VIF value falls between 1 and 5.

Table 7. Multi-Collinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Customer experience (CEX)	0.474	2.111
	Quality service (SQL)	0.256	3.907
	Customer satisfaction (CSAT)	0.358	2.797
	Corporate image (CIMG)	0.451	2.219
	Trust (TST)	0.364	2.744
	Customer loyalty (CLOY)	0.317	3.154

Source: Own survey 2025

Table 7 shows that the tolerance level is larger than 0.1 and the VIF for each independent variable is less than 5. As a result, there is no multi-collinearity issue in the model.

Autocorrelation test

Using SPSS, the Durbin Watson (DW) test was used to evaluate the existence of autocorrelation. According to Brooks (2014), if the DW test is between 1.5 and 2.5, the model is free of autocorrelation. From this study, from 376 respondents and 6 independent variables the DW test statistic value for the model was 1.998 as a result, the model is free from autocorrelation issue.

Table 8. Autocorrelation test

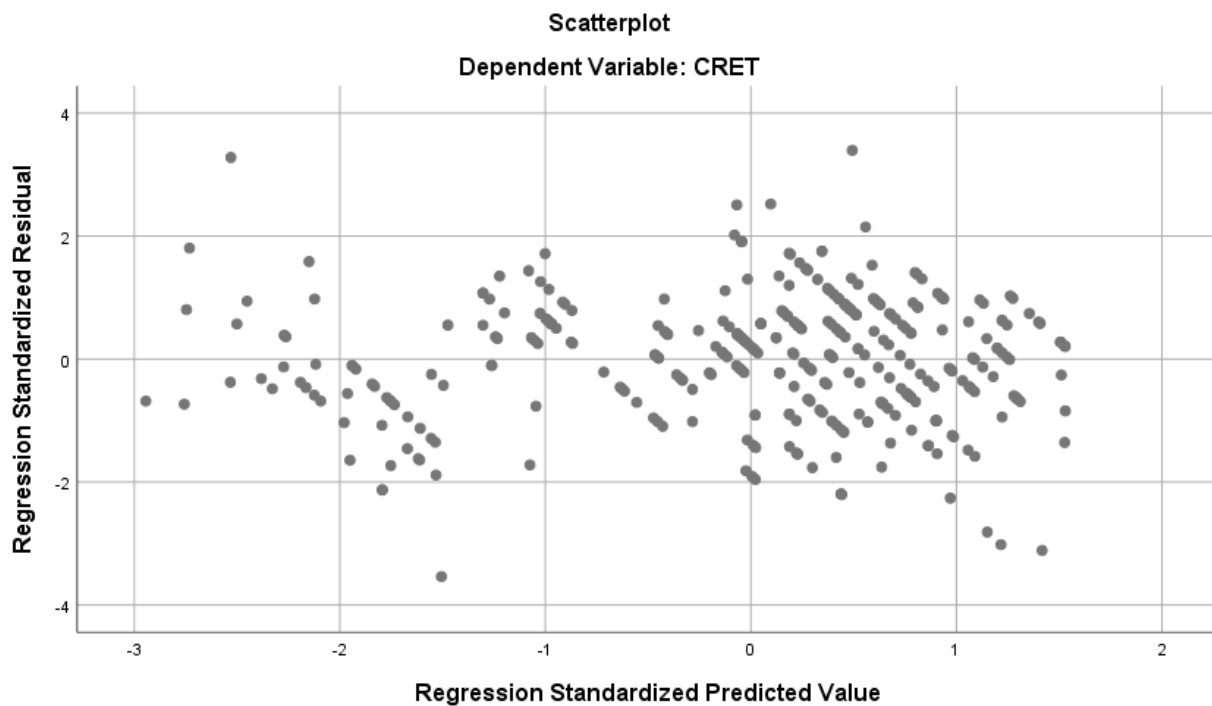
Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.856 ^a	.733	.729	.30036	1.998
a. Predictors: (Constant), CLOY, CIMG, CEX, CSAT, TST, SQL					
b. Dependent Variable: CRET					

Source: own survey, 2025

Heteroscedasticity test

According to Damodar Gujarati (2006), Heteroscedasticity (the violation of homoscedasticity) occurs when the variance of the error term in a regression model varies across all observations. This goes against the traditional linear regression assumption, which could result in biased standard errors and inaccurate statistical conclusion.

Figure 4.Heteroscedasticity test



Source: own survey, 2025

Figure 4 above, the residuals are exhibited in a random pattern. This implies that there is no evidence of heteroscedasticity. As a result, it is appropriate to say one of the assumption of classical regression analysis i.e. Homoscedasticity or constant variance of the error term is fulfilled. Based on the evaluation of the data from each of the five tests, the researcher has concluded that there are no significant data problems that would indicate a significant violation of the assumption of classical linear regression.

4.2.5 Regression Analysis results

This study's model contains two independent variables (customer experience and quality service) and four mediating variables (trust, customer loyalty, customer satisfaction, and corporate image) in between the dependent variables and the dependent variable (customer retention). The incorporation of mediating variables in the model, imposed the researcher to execute two separate regression analysis. The first is simple linear regression for the direct effect of the independent variables on the dependent variable. The second regression analysis is regression-based mediation analysis for indirect effect.

The results of the direct regression analysis show how customer experience and quality service directly affect customer retention. On the other hand, the indirect regression analysis shows how customer experience indirectly affects customer retention through the mediation of trust and customer loyalty, and in addition, it analyses the impact of quality service on customer retention via the mediation of customer satisfaction and corporate image.

The study employed the standard SPSS regression and Baron and Kenny's (1986) method to analyses the indirect impact of each of the independent variables (customer experience and quality service) on the dependent variable (customer retention) while the mediators are included in the model. The Baron and Kenny's (1986) method is a classical approach to test mediation in a model. This approach tests whether the effect of an independent variable on a dependent variable is transmitted through a mediator. In Baron and Kenny's (1986) approaches to mediation analyses, the process is conducted in a four –step regression, which determines the nature of the relationship between the variables. The nature of the relationship between the variable may be full mediation or partial meditation. Full mediation between the variables exists, when the independent variable no longer has a significant effect on the dependent variable after the mediator has been controlled for. Once the mediator is incorporated in the model, the independent variable no longer has a significant direct effect on the dependent variable .Partial mediation exists when the effect of the independent variable on the dependent variable is significantly reduced in magnitude but still remains statistically significant after the mediator is controlled for. The mediator explains part of the relationship, but the independent variable has still direct significant impact on the dependent variable. To decide whether full mediation or partial mediation exists, the study employed Sobel test. The execution of this test support the researcher to confirm the statistical significance of the

mediating variable, whether it significantly carries the effect of independent variables to the dependent variable. The p-value of the direct effect after including the mediator (c') determines whether mediation is full or partial: If the p-value is insignificant, there is full mediation, while a significant p-value indicates partial mediation.

Direct effect

In this section, the study presents the direct effect of customer experience and quality service on customer retention in the commercial bank of Ethiopia, Addis Ababa, city branches. The study aimed to examine the direct influence of both customer experience and service quality on customer retention in the commercial bank of Ethiopia, Addis Ababa, city branches, through the mediation of trust, customer loyalty, customer satisfaction, and corporate image. The interpretation and the narration between the independent variables and the dependent variable are presented using standardized beta (β) rather than unstandardized beta (B). Standardized beta (β) used in regression analyses to compare the relative strength and direction of the independent variables in the model. Based on this fact, this study also tries to examine the significance and the relationship direction between the independent variables (customer experience and quality service) and dependent variable (customer retention).

Table 9. The direct effect of customer experience and quality service on customer retention

Path	Predictor(s)	SE	β (standardized Coefficients)	<i>t-statistics</i>	<i>Sig.</i>
Customer experience → customer retention	Customer experience	0.037	0.663	17.141	0.000
quality service → customer retention	quality service	0.03	0.773	23.588	0.000

Source: own survey, 2025

The above table 9 indicates, customer experience has a strong, positive and statistically significant direct relationship with customer retention in the study area with ($\beta=0.663$, $P < 0.05$). Similarly, quality service has also has a strong, positive and statistically significant direct relationship with customer retention with ($\beta=0.773$, $P < 0.05$)

Mediation Analysis

In this part, the study examine the conditions through which the independent variables (customer experience and quality service) affect the dependent variable by incorporating the mediating variables that are trust, customer loyalty, customer satisfaction, and corporate image in the commercial bank of Ethiopia, Addis Ababa, city branches.

In regression-based mediation analysis, there are two types of mediation. These are full mediation and partial mediation. Full mediation between the variables exists when the mediator is considered and the independent variable no longer has a significant impact on the dependent variable. Once the mediator is incorporated into the model, the independent variable no longer has a significant influence on the dependent variable. Partial mediation occurs when the impact of the independent variable on the dependent variable is slightly reduced but remains statistically significant after accounting for the mediator. Even when the mediator only partially describes the relationship, the independent variable still has a direct and significant impact on the dependent variable.

The study used both unstandardized beta (B) and standardized beta (β) as appropriate. The researcher used unstandardized beta (B) to test the proposed hypothesis and to test the Sobel test. The Sobel test considers the unstandardized beta (B) and standard error (SE) to confirm the significance and the direct impact of the dependent variables (customer experience and quality service) on the dependent variable (customer retention) when the mediators (trust, customer loyalty, customer satisfaction, and corporate image) included in the model. Likewise, the study used standardized beta (β) used in regression analyses to compare the relative strength and direction of the independent variables in the model. Hence, based on the above facts and the bellow table 10, the interpretation and the narration of the regression-based mediation analysis results will be discussed and presented in the next section. The researcher discussed the findings of the study for each of the mediators (trust, customer loyalty, customer satisfaction, and corporate image) separately.

Table 10. Regression-based Mediation Analysis

Path	Predictor(s)	B (Unstandardized Coefficients)	SE	β (standardized Coefficients)	Sig.	<i>t-</i> <i>statistics</i>	<i>Sobel</i> <i>test p-</i> <i>value</i>
Trust as a Mediator							
customer experience → trust	customer experience	0.693	0.055	0.55	0.00	12.6	
trust → customer retention	trust	0.505	0.028	0.68	0.00	17.9	
customer experience and trust → customer retention	customer experience	0.336	0.03	0.45	0.00	10.3	0.00
Customer Loyalty as a Mediator							
customer experience → Customer loyalty	customer experience	0.728	0.037	0.71	0.00	19.5	
Customer loyalty → customer retention	Customer loyalty	0.74	0.028	0.8	0.00	26.1	
customer experience and Customer loyalty → customer retention	customer experience	0.617	0.039	0.67	0.00	15.8	0.00
Customer satisfaction as a Mediator							
Quality service → Customer satisfaction	Quality service	0.662	0.029	0.76	0.00	22.8	
Customer satisfaction → customer retention	Customer satisfaction	0.705	0.039	0.68	0.00	17.9	
Quality service and Customer satisfaction → customer retention	Quality service	0.221	0.052	0.21	0.00	14.2	0.00
Corporate image as a Mediator							
Quality service → Corporate image	Quality service	0.694	0.04	0.67	0.00	17.5	
Corporate image → customer retention	Corporate image	0.489	0.037	0.56	0	23.6	
Quality service and Corporate image → customer retention	Corporate image	0.068	0.038	0.08	0.079	10.5	0.00

Source: own survey, 2025

Trust as a Mediator

The above-provided table 10 presents the result of the path analysis (mediation analysis) using SPSS to understand the relationship between the three variables: customer experience (CEX), trust (TST) and customer retention (CRET). The Sobel test result is also included to confirm whether the mediating variable trust (TST) significantly transports the effect of customer experience (CEX) on customer retention (CRET).

The key findings from regression shows that customer experience significantly affects trust with ($B = 0.55, P < 0.05$). Trust also significantly predicts customer retention with ($B = 0.68, P < 0.05$).

When trust (TST) included in the model, as a mediator, the direct effect of customer experience (CEX) on customer retention (CRET) with ($B = 0.45, P < 0.05$) is still significant but reduced compared to the total effect ($B = 0.663$) because the mediators accounts for some or all of the original direct relationship between customer experience and customer retention in the commercial bank of Ethiopia, Addis Ababa, city branches.

The Sobel test statistic of 8.371 is highly significant ($P < 0.05$), formally confirming that the indirect path through the mediator trust (TST) statistically significant. The mediator trust (TST) significantly carries the effect of customer experience (CEX) on customer retention (CRET). The reduction in the effect of the independent variable (CEX) from ($B = 0.663$) to ($B = 0.45$) on the dependent variable (CRET) after introducing the mediator (TST) is statistically meaningful and significant with ($P < 0.005$) from the Sobel test. Therefore the study confirms that there is partial mediation.

Customer Loyalty as a Mediator

The above table 4.9 summarizes the result of a mediation analysis, which explores the relationship between customer experience (CEX), customer loyalty (CLOY), and customer retention (CRET). The results indicate that customer experience (CEX) has a direct effect on both customer loyalty (CLOY) and customer retention (CRET). Customer loyalty (CLOY) has also a direct effect on customer retention (CRET) and it mediates the relationship between customer experience (CEX) and customer retention (CRET).

The path analysis shows that customer experience (CEX) significantly predicts customer loyalty. Customer experience (CEX) has a direct, positive and significant effect on customer loyalty (CLOY) with (B = 0.71, P < 0.05). Similarly, Customer loyalty (CLOY) has a direct, positive and significant effect on customer retention (CRET) with (B = 0.80, P < 0.05).

When customer loyalty (CLOY) is included in the model, the direct effect of customer experience (CEX) on customer retention (CRET) with (B = 0.67, P < 0.05) is still significant but somewhat reduced as compared to the total effect (B = 0.627). The indirect path through the mediator customer loyalty (CLOY) is statistically significant (P < 0.05), as confirmed by the Sobel test. The impact of customer experience (CEX) on customer retention (CRET) is mostly carried by the mediator customer loyalty (CLOY). After adding the mediator (CLOY), the effect of the independent variable (CEX) on the dependent variable (CRET) decreased from (B = 0.627) to (B = 0.617), which is statistically significant (P < 0.05). The Sobel test confirms that partial mediation occurs.

Customer satisfaction as a Mediator

The table provided above outlines the findings of a mediation analysis that investigates the connection between service quality (SQL), customer satisfaction (CSAT), and customer retention (CRET). The findings indicate that quality service (SQL) directly influences both customer satisfaction (CSAT) and customer retention (CRET). Additionally, customer satisfaction (CSAT) directly affects customer retention (CRET) and mediates the relationship between quality service (SQL) and customer retention (CRET). From the mediation analysis, the findings illustrate that quality service significantly predicts customer satisfaction, and it has a direct, positive, and significant connection with (B = 0.76, P < 0.05). Customer satisfaction also significantly predicts customer retention and has a positive, direct and significant relationship with (B = 0.68, P < 0.05).

When customer satisfaction (CSAT) is incorporated in the model, the direct effect of quality service (SQL) on customer retention (CRET) with (B = 0.21, P < 0.05) is still significant but substantially reduced as compared to the total effect (B = 0.773). The Sobel test p-value of 0.00 (or the associated t-statistics of 4.178) indicates a highly significant indirect effect. This suggests that customer satisfaction significantly mediates the relationship between quality service (SQL)

and customer retention (CRET). The Sobel test p-value ($P < 0.05$), suggesting that there exist partial mediation in the model.

Corporate image as a Mediator

The above table 10 presents the findings of a mediation analysis that investigates the connection between service quality (SQL), corporate image (CIMG), and customer retention (CRET). The findings indicate that service quality (SQL), directly influences both corporate image (CIMG) and customer retention (CRET). Additionally, corporate image (CIMG) directly affects customer retention (CRET), and mediates the relationship between service quality (SQL) and customer retention (CRET).

From the findings, service quality significantly predicts corporate image ($B=0.67$, $P < 0.05$), and corporate image significantly predict customer retention ($B=0.56$, $P < 0.05$). When corporate image is included, the direct effect of quality service becomes insignificant ($B=0.08$, $P=0.079$).

The Sobel test P-Value for the indirect effect is 0.079, which is greater than the conventional ($P < 0.05$) significance threshold. It indicates that there is full mediation. The result indicates that the direct effect of quality service becomes insignificant after the inclusion of corporate image as a mediating variable. In this case, corporate image explains the connection between the independent variable (quality service) and dependent variable (customer retention).

4.2.6 Testing research hypotheses

The study hypothesized that both customer experience and quality service directly affect customer retention. In addition, customer experience affects customer retention through the mediation of trust and customer loyalty. Further, the study also hypothesized quality service also affects customer retention via customer satisfaction and corporate image. Therefore, the research hypothesis for each of the models' independent variables was tested using separate simple linear regressions. Regression analysis is the best tool to provide sufficient information for the researcher to make informed and accurate decisions on the relationship between the independent variables (customer experience and quality service), the mediating variables (trust, customer loyalty, customer satisfaction, and corporate image), and the dependent variable (customer retention). The hypotheses of the study were tested using regression-based mediation analysis following Baron and Kenny's (1986) approach, supported by Sobel tests.

From the regression analysis result, we determined the value of p and unstandardized beta (B) for each independent construct of the model, which can explain the level of statistical significance and relationship between the two variables (dependent and independent variable). If the p-value is less than 0.05, the independent variables are statistically significant and imply that there is strong evidence against the null hypothesis. Hence, we reject the null hypothesis and accept the alternative hypothesis. Table 11. Presents a summary of the hypothesis, corresponding paths, statistical results, mediation type, and decision.

Table 11. Summary of hypotheses testing results

Hypotheses	Hypotheses relationship	Key statistics (Beta, P-value)	Sobel test P-value	Mediation Type	Decision
H1	Customer experience → Customer retention	B=0.627, P<0.005	-	Direct effect	Accept
H2	Customer experience → Trust → Customer retention	B=0.336, P<0.005	P<0.005	Partial Mediation	Accept
H3	Customer experience → Customer loyalty → Customer retention	B=0.617, P<0.005	P<0.005	Partial Mediation	Accept
H4	Quality service → Customer retention	B=0.697, P<0.005	-	Direct effect	Accept
H5	Quality service → Customer Satisfaction → Customer retention	B=0.221, P<0.005	P<0.005	Partial Mediation	Accept
H6	Quality service → Corporate Image → Customer retention	B=0.068, P=0.079	P<0.005	Full Mediation	Accept

The above hypothesis table revealed that all six hypotheses are statistically significant, with p-values of 0.000 ($P < 0.05$) for every relationship. This indicates there is strong evidence against the null hypotheses (which would state no relationship exists) and in favor of the alternative hypotheses.

4.2.7 Discussion

The study examined the effects of customer experience and quality service on customer retention in the Ethiopian banking sector, particularly in commercial bank of Ethiopia Addis Ababa city branches, with trust, customer loyalty, customer satisfaction, and corporate image as a mediating variable.

The findings indicate that customer experience and quality service significantly, directly and positively influence customer retention. Furthermore, trust and customer loyalty partially mediate the relationship between customer experience and customer retention. Similarly, customer satisfaction partially mediates quality service and customer retention, however, corporate image does not mediate quality service and customer retention.

Customer experience directly help companies to improve customer retention, since positive interaction between customers and the company ultimately build emotional attachment. When customers perceived positive emotion, they build an emotional bondage with the brand and they feel valued. The emotional loyalty developed in the minds of the customer, is becomes a powerful predictor for customer retention.

The mediating variables, trust and customer loyalty serve as a crucial mediators between customer experience and customer retention, and functioning as emotional and rational bridge that changes positive interaction in to long-term relationship. The findings of the partial mediation effect indicate that customer experience influences customer retention both directly and indirectly through trust and customer loyalty.

The findings of this study reveals that quality service has a significant and positive effect on customer retention in the Ethiopian banking sector, particularly in commercial bank of Ethiopia(CBE).This indicates that customers are more likely to continue their relationship with the bank when they perceive the quality of the service.

Based on the study's findings, customer experience significantly predicts customer retention. A previous study conducted by Cambra-Fierro et al. (2021) in this correlation reveals that customer experience is the most important factor to retain the existing customers. Customer experience further significantly affects trust and this finding is consistent with the findings by a perilous study conducted by Huddin et al., (2024). Furthermore, the study's finding reveals that customer experience positively, significantly, directly affects customer loyalty. Customer loyalty affects positively and mediates customer experience and customer retention this finding of the study was confirmed and ascertained by a study conducted by (Manyanga, Makanyeza, and Muranda, (2022) and Huddin et al., (2024).

As the study proposed, service quality significantly, directly, and positively affects customer retention, and the finding is consistent with Haniyah and Manual (2023) and (Gazi et al., 2024) and confirms the finding of the previous studies. The study also concludes that customer satisfaction also has a significant impact on customer retention and plays a mediating role between quality service and customer retention. This study's findings are in line with and consistent with the findings by the previous scholars Haniyah and Manual (2023) and (Gazi et al., 2024). Additionally, the study also found that customer satisfaction plays a mediating role between quality service and customer retention. Similarly, Dam, S.M., and Dam, T.C. (2021) confirmed that there is a significant and positive relationship between service quality and customer satisfaction.

A previous study conducted by Adisucipto, Alhabsji, and Suharyono (2018) confirmed that quality service significantly affects corporate image, and it in turn affects customer retention. This study also found that quality service significantly and positively affects corporate image and corporate image also significantly affects customer retention. This finding confirm the proposed hypotheses and the previous study findings. Generally, the research findings supported the proposed hypotheses and are in line with and consistent with the previous studies' findings.

Chapter five

5. Conclusion and recommendation

5.1. Introduction

This chapter address the study's conclusion, recommendation, limitation and area for further study by splitting in to four separate parts. The conclusion which is the first part summarize the research's finding. The study offer recommendation in the second section, by taking into account the gaps in the study's conclusion. The limitation of the stud presented in the third section. In the fourth part area for further study included the topics that should be examined in any research about the factors affecting customer retention in commercial bank of Ethiopia particularly in Addis Ababa. Based on the findings of the study, conclusion and recommendations were made.

5.2. Summary

Currently, the banking industry across the world witnessed intense competition. Being part of the world, banks in Ethiopia face the challenges arising from competition in the industry. Due to this prevalence of the stiff competition in Ethiopia, the commercial bank of Ethiopia market share in terms of deposit falls through time. According to the National Bank of Ethiopia's (NBE) financial stability report (National Bank of Ethiopia, 2024),CBE market share in deposits at the end of June 2022, June 2023, and June 2024 constituted 51.30 percent, 48.70 percent, and 47.1 percent, respectively, of the whole banking sector. The decline in deposit market share that was the result of stiff competition was the researcher motive to conduct this study titled "factors affecting customer retention in the Ethiopian banking sector (study on commercial bank of Ethiopia customers in Addis Ababa)".

Customer retention is the most profitable business strategy for banks. Therefore, the commercial bank of Ethiopia has to retain customers since the competition in the industry is intense. CBE can maintain customer retention if it deliver exemplary service quality, work diligently to improve customer experience, build trust, customer loyalty, and good corporate image, and assure customer satisfaction.

This empirical research study mainly focuses on identifying and ranking the factors affecting customer retention in the Ethiopian Banking industry, particularly in the commercial bank of Ethiopia (CBE) city branches in Addis Ababa. This study also focuses in examining the mediating role of trust, customer loyalty, customer satisfaction, and corporate image between the dependent variables (customer experience, quality service) and the independent variable (customer retention).

Utilizing simple random sampling techniques, branches in Addis Ababa were selected for examination. Primary data sources were used for data collection. Primary data were gathered through a structured questionnaire survey distributed to 389 estimated sample respondents, resulting in 376 responses.

The findings of this study disclose that service quality is the most important and significant factor, followed by customer experience that has a strong, significant, and positive impact on customer retention in the Commercial Bank of Ethiopia in Addis Ababa. The mediator variables also have significant and positive impact on customer retention. The most important mediator variable based on the finding of the study is customer loyalty followed by trust, customer satisfaction and corporate image respectively.

Based on these findings, the study recommends that commercial bank of Ethiopia (CBE) should focus on these critical factors to enhance customer retention. The commercial bank of Ethiopia should have to give strong emphases on delivering quality service and working diligently to improve customer experience. Good customer experience bring customer trust and motivate the customer to be loyal. On the other hand, the provision of quality service brings customer satisfaction and boost corporate image. The realization of all the mentioned factors ultimately bring customer retention.

5.3. Conclusion

The motive for this research was to study and identify the factors affecting customer retention in the commercial bank of Ethiopia, Addis Ababa city branches. In addition, examining the direct and indirect effect of the independent variables (customer experience and quality service) through the mediation of trust, customer loyalty, customer satisfaction, and corporate image on the

customer retention was its motive. Furthermore, the motivation behind this study was to rank the most significant factors according to how much of an impact they had on customer retention.

The study's findings reveal that customer experience and quality service has a direct, strong and significant impact on customer retention in the commercial bank of Ethiopia. The finding of the study confirms both customer experience and quality service plays a critical role in maintaining long term customer relationship. Customers are more likely stick with CBE if they perceived greater customer experience and gained high quality service. CBE has to create greater customer experience by proactively understanding the customer need, improve service for customers at all touch points. Thus, build customer trust and customer loyalty and ultimately maintain customer retention. Furthermore, the findings demonstrate that trust, customer loyalty, customer satisfaction, and corporate image are significant mediating variable in between customer experience, quality service and customer retention.

The mediator variables also have significant and positive impact on customer retention in the commercial bank of Ethiopia's Addis Ababa city branches. The most important mediator variable based on the finding of the study is customer loyalty followed by customer satisfaction trust and corporate image respectively. All variables included in the model has a significant influence on customer retention in commercial bank of Ethiopia Addis Ababa city branches. The findings of this study also disclose that service quality is the most important factor, followed by customer experience which has a strong, significant, and positive impact on customer retention in the Commercial Bank of Ethiopia in Addis Ababa.

The study firmly conclude that customer retention is a complicated result of a series of favorable interactions and perceptions. If CBE aspire to attain customer retention, first greater customer experience and high quality service should be achieved. The presence of a good customer experience builds trust and customer loyalty. Ultimately, customer retention would be maintained. On the other hand delivering quality service resulted in greater customer satisfaction and good corporate image, in turns maintain customer retention. The regression analysis offers strong statistical support for a comprehensive approach to business strategy: investing in excellent customer service and customer experience consistently increases customer satisfaction, trust, loyalty, and a positive corporate image, all of which individually and collectively guarantee long-term customer retention.

5.4 Recommendation

Based on the study's findings, the researcher would like to recommend Commercial Bank of Ethiopia:

The analysis result of the demographic characteristics show that the customer base is predominantly male. Hence, CBE has to work to increase the number of female customers. To increase the number of women customers, CBE has to host financial literacy workshops or networking events tailored to the specific needs of women in the local business community.

Based on the respondent's age, majority of the customer of CBE are young who are in the age between 20 to 40 years old. This age group is highly tech-savvy. CBE should prioritize an excellent, intuitive mobile banking application, offering features like instant transfer, and in-app customer support to meet the expectation of this younger, digital native group.

The findings in regard to marital status, majority of the customer fall in this age group. Hence, CBE should have to innovate new saving and loan products. Some products were already introduced to the customer with the attached benefit package. Thus CBE should have to check the implementation of these benefit package.

The research found that the vast majority of CBE customers are employed and self-employed. Therefore, CBE should have to enhance SME (small and medium-sized enterprise) by providing loans. The self-employed segment of the customer requires business banking solution like favorable loan terms. For employed customer, CBE should have to avail personal loans and digital based loans.

As the research findings indicate, CBE customer are loyal with nearly half of the respondents had a banking relationship for over 10 years. Hence, the researcher would like to recommend CBE to increase saving interest rate, reduce various fees, assign customer relationship manger and invite customer for various events for those loyal customers.

Based on the regression analysis, CBE should have provide exemplary service quality, work diligently to improve customer experience at each customer touch points whether it may be

physical or online touch points. The customer experience in CBE should have to be great. This will be achieved while our physical and online touch points were great.

The third most important factor that affect customer retention in the commercial bank of Ethiopia is customer loyalty. Hence, CBE should to work to improve customer loyalty. Customer loyalty will be built if CBE improve customer experience at all customer touch points, it may be physical or online touch points.

Customer satisfaction also play a crucial role in customer retention in CBE. Still the level of customer satisfaction not as much expected and the bank should have to improve customer satisfaction by providing quality service. Hence, CBE should have to conduct service quality assessment and take appropriate measures based on the assessment findings.

Customer trust also an important influencer on customer retention, especially for banking sector since banks safe guard the customer money. CBE should have to avoid any failures that damages trust, it may be physically or in digital products. Hence, CBE should give much emphasis on staff integrity and skill up the IT professionals with the most updated banking technology to keep our customer account from any frauds.

According to the study's finding, the least important factor which affect customer retention in CBE is corporate image. It is the overall perception of a company in the minds of the public. Much is expected from companies to put perception in the mind of the public. Therefore, CBE would need to be exceptional in its services, offerings, and dedication to corporate citizenship.

5.5. Limitation and area for further study

During the course of this investigation, the following limitations were discovered: First, the lack of up-to-date statistical research tools to run the regression analysis for models contains multiple mediators and limit the researcher to test the indirect effect. The study only consider six factors - customer experience, service quality, customer satisfaction, corporate image, loyalty and trust- that may have an impact on customer retention in Ethiopian banking sector, specifically CBE

branches in Addis Ababa. Thus, may lead to potential for misleading results, omitted variable bias, and reduce generalizability.

Methodologically, out of 32 commercial banks operating in Ethiopia, only one Bank will be investigate for this research purpose. The sample size to be examined is also too small in comparison to the population, despite the fact that CBE has excessive number of customers.

Though this study provides insights into the factors affecting customer retention in Ethiopian banking sector, several areas being remain open for further investigation. First, the study consider only six determinants of customer retention such as customer experience, service quality, customer satisfaction, corporate image, customer loyalty and trust. Consequently, it opens room to investigate customer retention by incorporating other contemporary constructs in the study.

Its scope was geographically and limited in the banking sector only. Hence, several avenues for future research emerge to address the study's limitations and contribute further to the body of knowledge. In addition, the study incorporated only six independent variable. This may open room for researcher to conduct further study by considering other contemporary factors which may affect customer retention in recent banking industry landscape.

Beside these, future research can also focus on extending this study to other regions and country wise by using an additional determinant variable and drawing a comparative analysis of customer retention in banking industry.

5.6 Implications

The findings of this study provides both theoretical and practical implications. For researcher and manager in the banking sector, this study offer significant theoretical and practical implication. The study provides an in-depth understanding of customer retention mechanism by looking at the direct and indirect effects of customer experience and quality service on customer retention through trust, customer loyalty, customer satisfaction and corporate image. The study found that customer experience and quality service are significant determinants of customer retention for banking sector, particularly in the commercial bank of Ethiopia. This finding of the study strengthen the existing relationship marketing theory and service quality theory.

The study provide significant implication for the bank's management. As the study finding shows, customer experience has a strong and significant impact on customer retention. Therefore, manager should give emphasis on managing the entire journey (pre-service, on service and post service) interaction between the customers and the bank (CBE).The significant effect of quality service on customer retention and customer satisfaction demonstrate that CBE should have to provide reliable, consistent service to the esteemed customers. Like customer experience and quality service, trust, customer loyalty, customer satisfaction and corporate image has a positive impact on customer retention. Consequently, CBE management should have to work diligently to improve all the factors. CBE should have to work to improve operational efficiency, meeting and exceeding customer expectation, monitor regular feedback system, customer complain handling. CBE also has to design loyalty building strategies like personalized service and rewards.

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Appendix

**APPENDIX A:
QUESTIONNAIRE
ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS**

Survey Questionnaire to be filled by customers of Commercial Bank Ethiopia

Dear respondent,

First of all I would like to thank you for giving your precious time to fill this questionnaire. The purpose of this questionnaire is to gather information for research to be conducted on the Factors Affecting Customer Retention in the Ethiopian Banking Sector.(Study on Commercial bank of Ethiopia customers in Addis Ababa)

The information you provide will help me to better understand the situation and will be used as an input for completing my Master of Business Administration (MBA) in Management.

Therefore, I kindly request you to complete the following questions to reflect your opinions as accurately as possible and give factual information to the best of your knowledge. For the successful accomplishment of the study, your response has key role by being used as valuable input for the study. The information that you provide is strictly confidential and will be used only for academic purpose. Thus, you are kindly requested to genuinely fill the questionnaire.

Thank you in advance for taking your time to fill out this questionnaire.

If you need any further assistance, please do not hesitate to contact me in the following address.

- Aregaw Tadele - Tel. 0910743977
- Email address - AregawTadele@cbe.com.et

Please put a „√“mark to your responses as appropriate or circle the numbers in the space provided beside to each Question.

PART I: - General Information about The respondents

1. Gender: Male Female
2. Age: 20-30 31-40 41-50 51-60 61+
3. Marital status Married Single Divorced Widowed
4. Educational Background: Primary school High school Diploma BA
Degree Masters Doctorate Degree
5. Current Occupation: Unemployed Employed Student
Self-employed Pensioner Housewife
6. For how long you are the customer of CBE (commercial Bank of Ethiopia)
Up to 1 year between 1 and 3 years Between 3 and 5 years
Between 5 and 8 years between 8 and 10 years More than 10 years

PART II: Identified Variables

In the under likert scale questions, there are statements towards each factor of the study .Please therefore, kindly circle the number based on the level of your agreement/disagreement on statements mentioned below in the table.

1=strongly disagree 2=disagree 3=Neutral 4=Agree 5= Strongly Agree

S.N	Code	Items	strongly disagree	disagree	Neutral	Agree	Strongly Agree
Customer Experience							
1	CEX1	My bank handles customer problems well	1	2	3	4	5
2	CEX2	My bank offers prompt customer service	1	2	3	4	5
3	CEX3	My bank’s products are ease to use	1	2	3	4	5
4	CEX4	My bank always meets my service needs and requirements	1	2	3	4	5
5	CEX5	My bank provides me error free services	1	2	3	4	5
6	CEX6	My overall experience with my bank is pleasing	1	2	3	4	5

Service Quality							
7	SQL1	This bank has employees who give me personal attention.	1	2	3	4	5
8	SQL2	The e-banking services of my bank provide me accurate account information.	1	2	3	4	5
9	SQL3	The bank lets me know the exact interest rate or service charges or special offer.	1	2	3	4	5
10	SQL4	The bank is accessible through various ways (online, telephone, in person, ATM).	1	2	3	4	5
11	SQL5	The hours of operation of the bank are convenient.	1	2	3	4	5
12	SQL6	Bank has an effective complaint handling process.	1	2	3	4	5
13	SQL7	Materials associated with the service (such as pamphlets, advertisement board or statement) are visually appealing at this bank	1	2	3	4	5
S.N	Code	Items	strongly disagree	disagree	Neutral	Agree	Strongly Agree
Customer Satisfaction							
14	CSAT1	I feel satisfied with the products & service offered by my bank	1	2	3	4	5
15	CSAT2	The service offered by my bank exceed my expectations	1	2	3	4	5
16	CSAT3	I am pleased with my bank's offerings(saving, loan ,FCY provision, card and online banking)	1	2	3	4	5
17	CSAT4	I feel satisfied after each bank transaction with my bank	1	2	3	4	5
18	CSAT5	I feel satisfied with the relationship between me and my bank	1	2	3	4	5
19	CSAT6	Overall, I am satisfied with the services offered by my bank	1	2	3	4	5

Corporate Image							
20	CIMG1	My bank can be trusted in what it says and does.	1	2	3	4	5
21	CIMG2	My bank provider is stable and firmly established.	1	2	3	4	5
22	CIMG3	My bank provider has a social contribution for the society.	1	2	3	4	5
23	CIMG4	My bank provider has a positive image with its customers.	1	2	3	4	5
24	CIMG5	My bank provider has developed innovative and forward-looking capability	1	2	3	4	5

Customer Trust							
25	TST1	Given my bank's track record, I have good reason to trust their competence.	1	2	3	4	5
26	TST2	Given my bank's track record, I have no reservations about acting on their advice.	1	2	3	4	5
27	TST3	My bank displays a warm and caring attitude toward me.	1	2	3	4	5
28	TST4	If I share my problems with my bank, I feel they would respond caringly.	1	2	3	4	5

S.N	Code	Items	strongly disagree	disagree	Neutral	Agree	Strongly Agree
Customer Loyalty							
29	CLOY1	I have a commitment to stay with my bank	1	2	3	4	5
30	CLOY2	I consider my bank as my first choice among other banks in the area	1	2	3	4	5
31	CLOY3	My bank comes first when I am deciding on bank services	1	2	3	4	5
32	CLOY4	I have intention to continuously use services from my bank in future	1	2	3	4	5
33	CLOY5	I will continue to hold an account with my bank	1	2	3	4	5
34	CLOY6	I will continue with my bank although other banks launched many promotions	1	2	3	4	5

Customer Retention							
31	CRET1	Though there are other banks, I rather stay with the bank	1	2	3	4	5
32	CRET2	The bank knows me and takes good care of me, so I won't leave it	1	2	3	4	5
33	CRET3	I rather stay with the bank because I'm not confident about alternative providers	1	2	3	4	5
34	CRET4	The bank will look after me for a long time	1	2	3	4	5
35	CRET5	I consider my bank as my first choice and stay with it in the future.	1	2	3	4	5
36	CRET6	I have said positive things about my bank to others.	1	2	3	4	5
37	CRET7	I would encourage my friends and relatives to go to this bank and use the bank's service and products	1	2	3	4	5

If you think that some valuable information were missed regarding Commercial Bank of Ethiopia, you are cordially invited to write down comment and ideas in the space provided bellow.

Thanks for your real cooperation!!!

ክፍል 2: እባክዎ ከዚህ በታች ለሚገኙት የጥናቱ መጠይቆች መልስ ይሆናል ብለው ያመኑበትን ቁጥር በማክበብ በጥንቃቄ ይመልሱ።

S.N	Code	Variables	በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጣም እስማማለሁ
Customer Experience							
1	CEX1	የእኔ ባንክ የደንበኞችን ችግር በሚገባ ያስተናግዳል።	1	2	3	4	5
2	CEX2	የእኔ ባንክ ፈጣን የደንበኞች አገልግሎት ይሰጣል።	1	2	3	4	5
3	CEX3	የእኔ ባንክ ምርቶች ለመጠቀም ቀላል ናቸው።	1	2	3	4	5
4	CEX4	የእኔ ባንክ ሁልጊዜ የአገልግሎት ፍላጎቶቼን እና መስፈርቶቼን ያሟላል።	1	2	3	4	5
5	CEX5	የእኔ ባንክ ከስህተት ነፃ የሆነ አገልግሎት ይሰጠኛል።	1	2	3	4	5
6	CEX6	ከባንክ ጋር ያለኝ አጠቃላይ ልምድ ደስ ይላል።	1	2	3	4	5
የአገልግሎት ጥራት							
7	SQL1	ይህ ባንክ ለእኔ ትኩረት የሚሰጡ ሰራተኞች አሉት።	1	2	3	4	5
8	SQL2	የባንኩ ኢ-ባንኪንግ አገልግሎቶች ትክክለኛ የሂሳብ መረጃ ይሰጡኛል።	1	2	3	4	5
9	SQL3	ባንኩ ትክክለኛውን የወለድ መጠን ወይም የአገልግሎት ክፍያዎችን ወይም ልዩ የሆነ ቅናሹን ያሳውቀኛል።	1	2	3	4	5
10	SQL4	ባንኩ በተለያዩ መንገዶች (በሞባይል ባንኪንግ፣ በስልክ፣ በአካል፣ በኤቲኤም) ተደራሽ ነው።	1	2	3	4	5
11	SQL5	የባንኩ የስራ ሰዓት ለደንበኞች ምቹ ነው።	1	2	3	4	5
12	SQL6	ባንኩ ውጤታማ የሆነ የቅሬታ አያያዝ እና አፈታት ስርአት አለው።	1	2	3	4	5
13	SQL7	ከአገልግሎቱ ጋር የተያያዙ ቁሳቁሶች (እንደ ፓምፍሌቶች፣ የማስታወቂያ ሰሌዳ ወይም መግለጫ) በዚህ ባንክ ውስጥ ለእይታ ማራኪ ናቸው።	1	2	3	4	5

S.N	Code	Variables	በጣም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጣም እስማማለሁ
iii. የደንበኛ እርካታ							
14	CSAT1	በባንክ በሚቀርቡት ምርቶች እና በሚሰጠው አገልግሎቶች ረክቻለሁ።	1	2	3	4	5
15	CSAT2	ባንክ የሚሰጠው አገልግሎት ከምጣብቀው በላይ ነው።	1	2	3	4	5
16	CSAT3	በባንክ አቅርቦቶች(የቁጠባ፣የብድር ፣የውጭ ምንዛሬ፣የካርድ እና የሞባይል ባንኪንግ አገልግሎቶች) ደስተኛ ነኝ።	1	2	3	4	5
17	CSAT4	ከባንክ ጋር ከእያንዳንዱ የባንክ ግብይት (የባንክ አገልግሎት) በኋላ እርካታ ይሰማኛል።	1	2	3	4	5
18	CSAT5	በእኔ እና በባንክ መካከል ባለው ግንኙነት ረክቻለሁ።	1	2	3	4	5
19	CSAT6	በአጠቃላይ ባንክ በሚሰጡኝ አገልግሎቶች ረክቻለሁ።	1	2	3	4	5

Corporate Image (የአንድ ኩባንያ አጠቃላይ በማህበረሰቡ ዘንድ ያለው ቦታ እና መልካም ስም)							
20	CIMG1	የእኔ ባንክ በሚናገረው እና በሚሰራው ነገር ሊታመን ይታመናል።	1	2	3	4	5
21	CIMG2	ለእኔ የባንክ አገልግሎት የሚሰጠኝ ይህ ባንክ የተረጋጋ እና ጠንካራ የገንዘብ ተቀም ነው።	1	2	3	4	5
22	CIMG3	ለእኔ የባንክ አገልግሎት የሚሰጠኝ ይህ ባንክ ማህበራዊ ሀላፊነቱን ይወጣል።	1	2	3	4	5
23	CIMG4	ለእኔ የባንክ አገልግሎት የሚሰጠኝ ይህ ባንክ በደንበኞቹ በኩል መልካም እይታ አለው።	1	2	3	4	5
24	CIMG5	ለእኔ የባንክ አገልግሎት የሚሰጠኝ ይህ ባንክ የፈጠራ አቅም ያዳበረ እና የወደፊቱን ሁኔታ ማየት የሚችል አቅም አለው።	1	2	3	4	5

V. የደንበኛ እምነት							
25	TST1	የባንኩን ታሪክ ግምት ውስጥ በማስገባት የባንኩን ብቃት ለማመን በቂ ምክንያት አለኝ።	1	2	3	4	5
26	TST2	የባንኩን ሪከርድ እና ታሪክ ከተመለከትኩኝ በሃላ ምክራቸውን ተግባራዊ ለማድረግ ምንም አይነት ጥርጣሬ የለኝም።	1	2	3	4	5
27	TST3	ባንኩ ለእኔ በጣም ያስብልኛል ይጠነቀቅልኛልም	1	2	3	4	5
28	TST4	የእኔን ችግሮቼን ለባንክ ባካፍል፣ በአሰቢነት ምላሽ እንደሚሰጡኝ እርግጠኛ ነኝ።	1	2	3	4	5

S.N	Code	Variables	በጦም እስማማለሁ	እስማማለሁ	አስተያየት የለኝም	አልስማማም	በጦም እስማማለሁ
የደንበኛ ታማኝነት							
29	CLOY1	ከባንክ ጋር ለመቆየት ቁርጠኝነት አለኝ	1	2	3	4	5
30	CLOY2	በአካባቢው ካሉ ሌሎች ባንኮች ባንኬን እንደ መጀመሪያ ምርጫዬ አድርጌ እቆጥረዋለሁ	1	2	3	4	5
31	CLOY3	የባንክ አገልግሎቶች በሚያስፈልገኝ ጊዜ መጀመሪያ በአእምሮዬ የሚመጣው ይህ ባንክ ነው።	1	2	3	4	5
32	CLOY4	ወደፊት የዚህን ባንክ አገልግሎት ያለማቋረጥ የመጠቀም ፍላጎት አለኝ	1	2	3	4	5
33	CLOY5	የዚህን ባንክ አካውንት መያዙን(መጠቀሙን) እቀጥላለሁ።	1	2	3	4	5
34	CLOY6	ሌሎች ባንኮች ብዙ ማስተዋወቂያ ቢጀምሩም ከዚህ ባንክ ጋር በዘለቄታው እቀጥላለሁ።	1	2	3	4	5

ደንበኛን ማቆየት (ደንበኛን ለረጅም ጊዜ የባንኩ ደንበኛ ሆኖ እንዲቆይ ማድረግ)							
31	CRET1	ምንም እንኳን ሌሎች ባንኮች ቢኖሩም እኔ ከባንክ ጋር መቆየት ይሻለኛል.	1	2	3	4	5
32	CRET2	ባንኬ ያውቀኛል በደንብም ይንከባከባኛል፣ስለዚህ ባንኩን መጠቀም አልተውኩትም።	1	2	3	4	5
33	CRET3	ብዙ አማራጭ የባንክ አገልግሎት የሚሰጡ ባንኮች ቢኖሩም በእነሱ እርግጠኛ ስላልሆንኩ ከባንኬ ጋር መቆየት ይሻለኛል።	1	2	3	4	5
34	CRET4	ባንኩ ለረጅም ጊዜ ይጠብቀኛል ፣ይከታተለኛል ፣ሂሳቤንም ሚገባ ጥበቃ ያደርግልኛል።	1	2	3	4	5
35	CRET5	ባንኬን እንደ መጀመሪያ ምርጫዬ ስለምቆጥረው ወደፊትም መጠቀም አለቆምም።	1	2	3	4	5
36	CRET6	ስለ ባንኬ ለሌሎች ሰዎች አዎንታዊ ነገር ተናግራለሁ።ወደፊትም እናገራለሁ።	1	2	3	4	5
37	CRET7	ጻደቆች እና ዘመዶች ወደዚህ ባንክ በመሄድ አገልግሎቱን እና ባንኩ የሚያቀርባቸውን (ለምሳሌ ቁጠባ፣ብድር እና የውጭ ምንዛሬ አገልግሎቶችን) እንዲጠቀሙ አበረታታለሁ።	1	2	3	4	5

የተከበራሁ ምላሽ ሰጪዎች እባክዎን ስለ የኢትዮጵያ ንግድ ባንክ ከላይ ባለው መጠይቅ ውስጥ አልተካተቱም ብለው የሚያስቡት ማንኛውም ሀሳብ ወይም እተያየት ካለዎት ይግለጹልን።

ስለመልካም ትብብርዎ ከልብ አመሰግናለሁ!!!