

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER LOYALITY: A COMPARATIVE STUDY OF SELECTED PUBLIC AND PRIVATE COMMERCIAL BANKS IN ETHIOPIA

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DECLARATION

I, **Estifanos Lulie**, confirm that this Thesis entitled " ***CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER LOYALITY: A COMPARATIVE STUDY OF SELECTED PUBLIC AND PRIVATE COMMERCIAL BANKS IN ETHIOPIA***" is my original work. I have conducted this Thesis with the guidance and supervision of my advisor, Tilahun (PhD). This Thesis has not been submitted for a degree or diploma in any other university or institution and all sources of materials used for this Thesis have been duly acknowledged.

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STATEMENT OF CERTIFICATION

This is to certify that the Thesis entitled ***"CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER LOYALITY: A COMPARATIVE STUDY OF SELECTED PUBLIC AND PRIVATE COMMERCIAL BANKS IN ETHIOPIA"*** submitted in partial fulfillment of the requirements for the Master of Arts Degree in Business Administration and has been carried out by **Estifanos Lulie,** under my supervision. Therefore, I recommend that the student submit his thesis to the School of Graduate Studies, MBA, Addis Ababa University.

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EXAMINERS' APPROVAL SHEET

We, the undersigned, members of the board of examiners of the final Thesis open defense by **Estifanos Lulie** have read and evaluated his thesis entitled **"*CUSTOMER RELATIONSHIP MANAGEMENT AND CUSTOMER LOYALITY: A COMPARATIVE STUDY OF SELECTED PUBLIC AND PRIVATE COMMERCIAL BANKS IN ETHIOPIA*" and** examined the candidate. This is, therefore, to certify that this Thesis has been accepted in partial fulfillment of the requirements for the degree of MBA.

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ABSTRACT

In the banking landscape, customer relationship management (CRM) is widely adopted as a business strategy. In particular, it is key for building and sustaining customer loyalty. However, there is limited empirical literature on comparing the effect of CRM on public and private banks. This study, therefore, analyzed the effect of CRM dimensions on customer loyalty. The study was conducted at Commercial Bank of Ethiopia and Awash Bank in Arada District, Addis Ababa. The study was framed with a quantitative approach and employed both descriptive and explanatory designs. A survey questionnaire was administered with a total of 344 respondents. Mean score, independent t-test, Pearson correlation coefficient and regression model were used. The study shows that the model significantly explained more than 80% of the variance in the dependent variable (Customer loyalty). The study concludes that CRM practices and their effective integration are key for enhancing customer loyalty. In particular, in the private bank, there are more agile and customer-centric CRM practices. On the contrary, public banks, like CBE, need to strengthen responsiveness and personalization to close the loyalty gaps. Also, the study offers implications for the banking sector to improve customer retention and loyalty, in particular in an increasingly dynamic financial ecosystem.

Keywords: *CRM, customer loyalty, communication, trust, relationship commitment, conflict handling, public banks, private banks, Ethiopian banking sector.*

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

Currently, customer relationship management (CRM) has emerged as a core business strategy in the financial sector (Alam, Karim, & Habiba, 2021; Kaondera et al., 2023). It is especially more key for banks that aim to build customer loyalty and improve long-term financial performance. CRM, as grounded in relationship marketing theory (Sheth, Parvatiyar, & Uslay, 2024) and the customer equity model (Fadhilah & Arief, 2023), focuses on personalized engagement, trust-building interaction and tailored service delivery to enhance customer loyalty.

Although CRM has been widely studied from service industry perspectives, its principles and strategic value are dynamic and call for continuous research in the banking sector, where competition is intense and customer switching cost are relatively low (Dwivedi et al., 2024). In the modern banking ecosystem including public and private alike, customers highly need consistent and excellent service, quick responses, seamless digital platforms and profitable engagement. This, in turn, makes CRM key for building long-term and sustainable relationships with customers and minimizes customer churn (Kumar, Mokha, & Pattnaik, 2022).

Globally, it has been observed that rising customer expectations, intensifying market competition and rapid technological advancements are occurring in the financial sector. These trends make customer loyalty more difficult to secure (Damberg, Schwaiger, & Ringle, 2022; Guerola-Navarro et al., 2024). Most importantly, retaining existing customers is considerably more cost-effective than obtaining new ones, as loyal customers tend to purchase more services, are less price sensitive and generate higher lifetime value (Albarq, 2023; Buhler et al., 2024). In addition, loyal customers act as brand ambassadors and have a positive effect on strengthening a bank's reputation and market reach. Successful CRM practices, such as customized services, efficient complaint handling, customer segmentation and continuous communication, play a key role in createing loyalty in the banking sector (Pula, 2022; Kim & Jindabot, 2024).

In Ethiopia, the financial sector is rapidly transforming due to digitalization, sector reforms and increased competition between state- owned and private commercial banks (Henok, 2025). As customers gain more

options and become better informed and demanding, their expectations for reliability, promptness, responsiveness and personalized services continue to rise (Abdela et al., 2023). In particular, private banks prioritize aggressive customer acquisition strategies and customer-centered innovation (Meena & Sahu, 2021). On the other hand, state banks often focused on broader outreach and financial inclusion mandates (Abdela et al., 2023). Of course, this call research aims to investigate whether CRM practices differ across private and publicly owned banks. Despite noticeable growth in the financial sector in Ethiopia, empirical studies are limited, especially limited studies that examine the effectiveness of CRM in the banking sector and its effect on cultivating customer loyalty.

A comparative study of CRM and its effect on customer loyalty among state-owned and private banks is essential to filling these gaps in the literature. Especially, investigating Commercial Bank of Ethiopia (CBE) as the leading state bank and Awash Bank as a major private commercial competitor bank offers an ideal context for investigating how CRM strategies differ across the two banks. This comparative examination offers insights into how CRM strategies are designed, implemented and perceived by customers across different banking structures. The study also bridges the gaps between customer practices and banks' CRM practices and identifies best-performing CRM dimensions. Also, the study contributes practically to strengthening CRM strategies in the banking sector, especially in Ethiopia, enabling banks to build stronger, long-lasting customer relationships and enhance competitiveness in the dynamic banking sector.

1.2 Statement of the Problem

CRM has become strong strategic recognition for banks worldwide, as competition intensifies and increasing customer expectations are pushed upwards (Al-Homery et al., 2023; Bhad, 2025). Global literature indicates that CRM extensively affects consumer pride, consideration and loyalty, mainly supported through virtual innovation, relational consensus and personal engagement (Kim et al., 2024; Alam et al., 2021; Damberg et al., 2022; Kaondera et al., 2023). Successful CRM practices in the banking sector including segmentation, facing criticism, provider customization and proactive conversation, are strong predictors of consumer loyalty (Kumar Loyalty, 2022; Buhler et al., 2024). Despite its strategic importance, CRM implementation varies widely across banks, which is encouraged by technological capability, innovative lifestyle and organizational philosophy (Ozdemir et al., 2022; Ozay et al., 2024).

Currently, the financial sector in Ethiopia is undergoing rapid transformation due to the expectation of digitalization, new entrants, regulatory changes and increasing patrons (Henok, 2025). As pinpointed by Shastri, Sharma, & Sethi (2020), banks are increasingly investing in electronic CRM tools, customer-centric offerings and competitive product innovations (Gezahegn, Durie, & Kibret, 2025). Nevertheless, public

banks often focus on mass outreach, financial inclusion and a large-scale customer base. This, in turn, limits customized engagement (Alemayehu & Chawla, 2025). Existing empirical studies in Ethiopia (e.g., Abdela et al., 2023; Getachew, 2024; Henok, 2025) showed that CRM undoubtedly affects consumer loyalty. However, these studies are institutionally accurate, lack comparative analysis and do not currently fully study how public and private banks enjoy CRM preferences, technology adoption and buyer outcomes.

Also, literature gaps remain on how CRM dimensions, such as trust, communication, personalization and e-CRM, translate into patron loyalty, especially in Ethiopia's evolving banking landscape. Although loyalty is widely recognized as essential for sustaining competitive advantage, its drivers differ across different banking segments (Pula, 2022; Vlasic et al., 2022). Most importantly, customer perception towards CRM also diverge due to differences in the level of service quality, digital platforms, organizational culture and the speed of service delivery. However, research is limited, especially comparative studies across public and private banks. In particular, limited comprehensive comparative studies on how the adoption of CRM influences customer loyalty across public and private commercial banks in Ethiopia. Banks often continue implementing traditional CRM. This is commonly limited to addressing customer-specific needs, reducing customer churn, or improving loyalty outcomes.

This study, therefore, aims to bridge gaps relating to CRM and its effect on customer loyalty by drawing evidence from selected public and private commercial banks in Addis Ababa, Ethiopia. In particular, focusing on the CBE, the leading public bank and Awash Bank, a prominent private bank, the study provides a pertinent setting to examine how CRM approaches differ across different institutional structures and how these differences influence loyalty among customers. The findings offer evidence-based implications for banking to enhance CRM approaches, improve customer engagement and strengthen long-term competitiveness in the banking sector.

1.3 Research Objectives

1.3.1 General Objective

The general objective of this study is to investigate the effect of CRM practices on loyalty among customers of selected private and public commercial banks in Ethiopia, focusing on the Commercial Bank of Ethiopia (CBE) and Awash Bank in Arada District, Addis Ababa, Ethiopia.

1.3.2 Specific Objectives

The study intends to:

1. Determine the effect of the communication dimension of CRM on loyalty among banking customers.
2. Examine the effect of the trust dimension of CRM on loyalty among banking customers.
3. Examine how the relationship commitment dimension of CRM affects customer loyalty.
4. Determine the effect of the conflict handling dimension of CRM on loyalty among banking customers.

1.4 Research Questions

1. What is the effect of the communication dimension of CRM on loyalty among banking customers?
2. What is the effect of the trust dimension of CRM on loyalty among banking customers?
3. How does the relationship commitment dimension of CRM influence customer loyalty?
4. What is the effect of the conflict handling dimension of CRM on customer loyalty?

1.5 Significance of the Study

This study presents a significant contribution to the financial sector. With evidence from the CBE and Awash Bank, the findings offer academic contributions to the limited body of comparative literature on CRM and customer loyalty in Ethiopia's banking sector. With a detailed empirical analysis on CRM dimensions, such as communication, trust, relationship commitment, conflict handling and overall CRM effectiveness, the study contributes to the theoretical understanding of how CRM approaches affect customer loyalty across different banking structures.

In practice, the findings provide relevant implications for bank managers, market professionals and financial policymakers. For example, the finding would help banks to figure out whether any CRM practices are powerful and effective in cultivating customer loyalty and retaining profitable customers. Most importantly, understanding the effects of communication, trust-building, relationship commitment and conflict resolution enables banking customers to enhance their customer engagement and loyalty strategies. The study would help to design more customer-centered service processes and enhance relationship management systems.

Also, the comparative analysis between public and private banks additionally offers evidence-based recommendations tailored to their wonderful institutional contexts. Public banks can use insights to improve personalization and responsiveness, while private banks have overhauled their e-CRM, customer service and engagement mechanisms, supporting the development of CRM techniques that reduce customer churn, increase long-term loyalty and improve average service quality.

Finally, the findings guide banking managers, policy makers and researchers in promoting CRM standards that align with customer expectations in the rapidly transforming financial ecosystem in Ethiopia. The study additionally provides a foundation for future studies examining determinants of customer loyalty, digital banking adoption, or extended CRM frameworks in the economic sectors.

1.6 Scope of the Study

Geographically, the study is limited to Addis Ababa. In particular focused on selected branches of CBE and Awash Bank. Most importantly, the study is limited to the CBE, representing the public banking sector and Awash Bank, representing the private banking sector. In particular, the study focused only on accessible branches located in the Arada District. The researcher has selected branches in the Arada district where customer interaction levels, service diversity and CRM implementation are relatively advanced.

In particular, the study examined CRM practices and their effect on customer loyalty. The study specifically examines the effects of communication, trust, relationship commitment and conflict handling dimensions of CRM. This is consistent with the established CRM theory (Sheth et al., 2024). The study additionally conducts a comparative analysis of how CRM is effective across public and private commercial banks. However, the study is limited to CRM practices as perceived by customers and does not extend to internal organizational processes such as employee training systems, back-office operations, or financial performance metrics.

Methodologically, a quantitative research approach was employed. Both descriptive and explanatory designs were employed. Customers were respondents of this study drawn from the selected branches of CBE and Awash Bank. A structured questionnaire, adapted from existing

literature, was validated using CRM and loyalty measurement scales. Data were analyzed using the analysis techniques including descriptive statistics, correlation analysis and regression models. These analyses were employed to examine the effects of CRM practices on customer loyalty. In addition, an independent samples t-test was employed to test whether there is a significant mean difference or not regarding CRM practices and customer loyalty between CBE and Awash Bank.

1.7 Key Operational Definitions

Customer Relationship Management: CRM is the action of managing customer interaction to strengthen relationships and enhance loyalty (Kotler & Keller, 2012).

Communication: Refers to keeping customers informed with timely, reliable information and proactively reacting when they are complaining (Ndubisi, 2007).

Trust: It is a customer's willingness to rely on a bank's actions based on positive expectations of future performance (Markova & Gillespie, 2007).

Relationship Commitment: This refers to a customer's enduring intention to maintain a valued relationship with the bank (Moorman et al., 1992).

Conflict Handling: This dimension is the bank's ability to prevent, manage and resolve problems openly and effectively (Dwyer, 1987).

Customer Loyalty: This is a customer's intention to continue using services and products of the same bank due to perceived superior value compared to alternatives (Edvardsson et al., 2000).

1.8 Organization of the Study

The study is organized in five chapters: Chapter One presents the background, problem statement, objectives, questions, scope, significance and key terms. Chapter Two presents the analysis of reviews related to the literature and offers the conceptual framework. Chapter Three outlines the methodology including the study area, design, sampling, data sources, measurement instruments, data analysis, data validity and reliability and ethics. Chapter Four offers the results of the data analysis and interpretation. The last chapter offers conclusions and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

The purpose of this chapter is to keyly review literature related to the theoretical concept of the topic of customer relationship management and customer loyalty. The literature review is to develop a theoretical framework for the study.

2.1 Concepts of Customer Relationship Management

Customer Relationship Management in the banking sector is rooted in three major marketing principles: customer orientation, relationship marketing and database/technology-driven marketing. With the growth of digital technologies, these ideas converged into modern CRM systems that allow banks to manage individualized customer interaction more effectively (Guerola-Navarro et al., 2024). As mass marketing became less effective, CRM evolved to help firms target customers on a personalized level and build long-term relationships through data-driven engagement (Ozay et al., 2024).

CRM is broadly understood as an organizational strategy designed to create and sustain profitable relationships by delivering superior customer value and satisfaction. This aligns with contemporary perspectives in banking, where CRM is seen as a mechanism to enhance service quality, improve customer experiences and support loyalty-building initiatives (GETACHEW, 2024; Kim et al., 2024). From a technological standpoint, CRM integrates customer data across service channels, marketing, service desks, mobile banking and digital platforms to ensure a unified and consistent customer experience (Chang et al., 2010; Kaondera et al., 2023).

Recent studies in Ethiopian and global banking contexts also show CRM as a holistic, organization-wide effort that coordinates people, processes and technology to strengthen customer–bank relationships (Gezahegn et al., 2025; Alemayehu & Chawla, 2025). Modern CRM tools, such as digital platforms, AI-based analytics and automated service systems, enable banks to understand customer preferences, predict behaviors and tailor services that enhance loyalty and retention (Gaidhani et al., 2025; Li & Xu, 2022).

CRM also emphasizes engaging customers in continuous dialogue to understand their expectations and behavioral patterns. This is essential in competitive sectors like banking, where customer

loyalty increasingly depends on personalized services and emotional satisfaction rather than pricing alone (Buhalis & Sinarta, 2019; Emanuel, 2021). Effective CRM helps banks generate customer value without compromising profitability, as value co-creation and relationship quality create loyalty more sustainably than price-based strategies (Pula, 2022; Fadhilah & Arief, 2023).

Strategically, CRM involves acquiring, retaining and developing relationships with key customer segments to create mutual value. This requires aligning marketing, sales, service operations and digital infrastructures, a principle strongly supported by recent banking studies (Henok, 2025; Abdela et al., 2023). Attracting customers is not sufficient; relationship depth, emotional bonds and enhanced service interaction are important for long-term loyalty (Buhler et al., 2024). Banks, therefore, apply CRM to create repeat patronage, improve service responsiveness and build trust-based relationships. However, successful CRM requires reinforcing the perceived benefits of maintaining relationships, as customers differ in the levels of engagement and closeness they are willing to form with service providers (Shastri et al., 2020; O'Malley, 2000).

Relationship marketing theory identifies four foundational elements of CRM: trust, commitment, communication and conflict handling. These pillars are important predictors of customer loyalty in the banking sector (Alam et al., 2021; Damberg et al., 2022). Trust enhances customers' confidence in a bank's reliability, data security and service consistency, which directly strengthens loyalty (Kim et al., 2024; Buhler et al., 2024). Commitment reflects a bank's long-term dedication to customer welfare and relational continuity. Studies in Ethiopia and abroad confirm that higher commitment translates into stronger customer loyalty and reduced switching behavior (Alemayehu & Chawla, 2025; Gezahegn et al., 2025).

Effective communication, transparent, timely and accurate, allows banks to share information, manage expectations and build relational bonds. Digital CRM platforms, mobile apps and real-time service tools have amplified the role of communication in shaping loyalty (Elshaer et al., 2024; Kaondera et al., 2023). Conflict-handling capability, which includes resolving complaints and addressing service failures, is also central to maintaining positive customer relationships. Banks that proactively manage conflicts create customer satisfaction and long-term loyalty (Pula, 2022; Abdela et al., 2023).

Overall, these four CRM dimensions significantly predict loyalty outcomes. Evidence from the Ethiopian banking sector shows that trust, communication, commitment and conflict handling all

exert positive and direct effects on customer loyalty (Henok, 2025; GETACHEW, 2024). Scholars Also argue that firms must invest in long-term relational strategies and prioritize potentially loyal customers to achieve higher retention and lifetime value (Ndubisi, 2005; Dwivedi et al., 2024).

2.1.1 Dimensions of CRM

2.1.1.1 Communication

Communication refers to timely, accurate and trustworthy information shared between a firm and its customers across all interaction stages. Modern CRM emphasizes interactive, two-way communication that builds understanding, manages expectations and enhances relationship quality (Buhalis & Sinarta, 2019; Elshaer et al., 2024). Effective communication increases trust, resolves dissatisfaction and strengthens loyalty. Recent studies confirm that transparent, personalized communication plays a key role in maintaining positive customer–firm relationships (Gaidhani et al., 2025; Davis, 2023).

2.1.1.2 Trust

Trust is the customer's willingness to rely on a firm based on confidence in its reliability, credibility and benevolence. In CRM, trust reduces perceived risk, encourages cooperation and creates long-term orientation (Ferrer-Estévez & Chalmeta, 2023; Damberg et al., 2022). Contemporary evidence indicates that trust emerges from consistent service quality, promise-keeping, transparency and ethical data use (Alam et al., 2021; Kim et al., 2024). Higher trust leads to stronger loyalty intentions and customer retention in both digital and traditional service environments (Alemayehu & Chawla, 2025; Henok, 2025).

2.1.1.3 Commitment

Commitment describes a customer's belief that maintaining a relationship is worthwhile and deserves continued effort. Strong commitment develops when customers perceive superior value, mutual benefit and consistent service performance (Alemayehu & Chawla, 2025; Abdela et al., 2023). Recent CRM research shows that commitment significantly drives repurchase intention and customer loyalty, particularly in competitive sectors like banking (Buhler et al., 2024; Fang et al., 2025). Relationship commitment grows over time as trust strengthens and joint value is created, making it a central predictor of loyalty.

2.1.1.3 Conflict Handling

Conflict handling is a firm's capacity to foresee problems, resolve conflicts rapidly and provide equitable solutions when problems arise. Efficient conflict handling reduces dissatisfaction and prevents customer churn, which in turn and indirectly increases loyalty through trust and satisfaction (Pula, 2022; Getachew, 2024). Recent evidence shows that conflict responsiveness, transparency and customer-oriented recovery strategies are important for long-term loyalty in service industries (Kaondera et al., 2023; Dwivedi et al., 2024).

2.1.1.4 Customer Loyalty

In the present service-oriented and competitive business environment, customer loyalty has become a focal strategic priority. Organizations today have come to realize that long-term success is about bringing customers in and also retaining them through value creation, relationship building and consistent service experience. Recent studies have provided evidence that loyal customers are more profitable as they generate repeat purchases, lower service cost and positive word-of-mouth that improves a firm's market position (Kumar & Reinartz, 2018; Santouridis & Veraki, 2020; Ali et al., 2023).

The earlier studies lay the groundwork for understanding loyalty dynamics. Reichheld (1993) found that firms that consistently deliver superior value enjoy greater loyalty, greater revenues and lower customer acquisition cost. Similarly, Grönroos (2000) indicated that loyal customers are willing to pay premium prices, which shows the financial benefits of having a good relationship with customers. Rusbult et al. (1988) also showd that loyalty is a function of prior satisfaction, the customer's investment in the relationship and the perceived availability of alternatives.

While there is no single, universally accepted definition of customer loyalty, scholars agree that loyalty consists of attitudinal and behavioral components. Loyalty has been defined by early definitions as a positive attitude with repeated purchasing behavior (Day, 1969). Jacoby and Kyner (1973) Also defined loyalty as a non-random, biased behavioral response that is caused by psychological processes such as evaluation and decision-making.

The one most widely accepted in the current literature is Oliver's (1999) definition. He defined loyalty as a deeply held commitment to re-buy a preferred product or service consistently in the future despite situational influences and marketing efforts having the potential to cause switching.

This definition captures the duality of psychological commitment and behavioral consistency important for understanding loyalty in service contexts.

The attitudinal dimension refers to the emotional or cognitive attachment that customers have to a brand which is expressed in their trust, commitment and preference (Czepiel & Gilmore, 1987; Rather, 2021). Behavioral loyalty, on the other hand, is based on the actual observable actions such as repeat purchases, frequency of use and long-term patronage (Neal, 1999). More recent models have showed the requirement for both dimensions for real loyalty as customers may repurchase only due to convenience or lack of alternatives (Kaur & Soch, 2018; Rather & Hollebeek, 2020).

2.2 Theoretical Foundations of the Study

Several theoretical perspectives support CRM in the banking sector explaining the effect of relational strategies on customer loyalty. Some of the most important of these include Relationship Marketing Theory (RMT), Service-Dominant Logic (SDL) and Theory of Planned Behavior (TPB). Taken together, these theories provide strong framework for how banks can use CRM to improve customer retention and develop long-term loyalty.

2.2.1 Relationship Marketing Theory

RMT is especially pertinent to banking since it is concerned with long-term relational exchanges as opposed to one-off transactions. RMT's approach emphasizes the need to build long-term, mutually beneficial relationships, in contrast to traditional marketing methods which are primarily focused on acquiring new customers (Grönroos, 1997). Morgan and Hunt's (1994) Commitment–Trust Theory Also develops this view by emphasizing that customer trust and relationship commitment are essential to maintaining loyalty. Trust can be built in the banking environment through secure and transparent transactions, timely resolution of problems and consistent service quality.

On the other hand, commitment is the willingness of the customer to continue to bank with the same institution, based on positive past experiences, personal attention and perception of receiving valuable financial services. In the banking industry, CRM systems implement RMT by enabling banks to monitor customer interaction, predict their needs and provide customized products. Studies in Ethiopian and global banking environments have showd that trust and commitment oriented towards CRM are significant measures of customer loyalty and retention (Gezahegn et al., 2025; Alam et al., 2021; Kaondera et al., 2023).

2.2.2 The Service-Dominant Logic

This theory complements RMT by seeing banking services as experiences co-created rather than just financial products. The theory states that value is not embedded in the service itself; it is created through interaction between the bank and customer (Vargo & Lusch, 2004; 2008). In practice, the CRM approach allows banks to collect detailed information about customer preferences, transaction habits and service expectations. Banks can use such data to customize offerings such as personalized investment advice, loan options or digital banking features to meet individual customer needs and increase perceived value and satisfaction. Recent research indicates that CRM-led co-creation in the banking sector strengthens emotional attachment, perceived utility of services and loyalty intentions, especially for high-value clients (Gaidhani et al., 2025; Buhalis & Sinarta, 2019; Fang et al., 2025). The SDL, tqherefore, provides a theoretical explanation for how CRM can lead to greater customer engagement, which ultimately contributes to higher retention and long-term loyalty.

2.2.3 The Theory of Planned Behavior

The theory explains how CRM initiatives affect actual loyalty behavior in banking. As per TPB (Ajzen, 1991), the behavioral intentions of customers, which are the precursors of behaviors such as switching or retaining the bank, are affected by their attitude, subjective norm and perceived behavioral control. In the banking sector, CRM interventions may positively affect all three determinants. Consistently providing personalized, reliable and efficient service to the customer can create positive perception of the institution.

Loyalty programs, referral incentives and social endorsement of banking services impact subjective norms, thus motivating customers to maintain relationships with the bank. The means of accessing services via digital banking platforms, priority support lines and the ease of transaction processes increases perceived behavioral control and reduces the barriers for continued engagement. Empirical studies have found that when banks adopt CRM strategies with a focus on these determinants, customers tend to repeat their banking activities, maintain higher deposit retention and increase their product uptake (Bhad, 2025; Kumar et al., 2022; Dwivedi et al., 2024).

2.3 Empirical Reviews

CRM has become a key factor of customer loyalty in the banking sector all over the world. There are countless empirical studies in the banking sector. In the following, we present the results of empirical studies, from global to specific case study regions.

A study on CRM by Abdela et al. (2023) shows that CRM significantly increases customer loyalty, especially with customized communication and proactive relationship management. Their findings are consistent with the other study, Buhler et al. (2024), who showd via a meta-analytical review that customer satisfaction and service quality are reliable predictors of loyalty. The paper review emphasizes the role of CRM in promoting repeat business and long-term relationships. Likewise, Alam, Karim and Habiba (2021) found that trust in customers is a key moderator of the CRM-loyalty relationship, implying that banks can enhance loyalty outcomes by createing trust through caring service and frequent interaction.

While some global studies mention CRM strategies such as personalization, responsiveness and trust-building that are important for customer relationship management, they mostly focus on urban banking customers or single-bank case studies, therefore limiting their contribution to comparative public-private banking contexts. Damberg et al. (2022) Also contributed to the CRM discussion by examining the mediating roles of relational trust and satisfaction between CRM and loyalty in the banking sector. The results also show that personalized attention and proactive problem solving build long-lasting customer relationships. Fang et al. (2025) also found that CRM influences loyalty directly and also through psychological contracts and brand engagement. This important finding shows a dual perspective mechanism, i.e., enhancing emotional loyalty and also developing cognitive loyalty.

In addition, the above findings were verified by a significant study conducted by Gaidhani et al. (2025) in the AI-powered banking ecosystem. The study shows that AI-enabled CRM systems improve personalization and predictive service delivery, leading to higher customer retention and better decision-making. Although the convergence of these studies shows the importance of both human-centered (or traditional CRM) and technology-enabled CRM (or e-CRM) approaches to createing loyalty, the majority of the global empirical studies are derived from banking sectors in more advanced countries, which presents a gap in banking sectors in more developing economies like Ethiopia.

In the African banking landscape, there are several studies on CRM and its impact on developing a loyal customer base. For instance, Kaondera et al. (2023) investigated CRM digital transformation in Zimbabwean commercial banks. The results show that the adoption of digital CRM enhances engagement, retention and loyalty especially when coupled with traditional CRM practices. A comparable study was carried out in Cameroon . The study by Emmanuel (2021) indicates that high quality of service delivery is still a basic aspect of retention. This result indicates that the success of CRM depends on technological tools and also on human interaction.

Similarly, another study conducted in Ghana by Abekah-Nkrumah et al. (2021) found that strong CRM practices enhance loyalty and satisfaction especially through enhanced responsiveness and personalized communication. These empirical studies support the global findings and point out that context-specific factors such as service expectations and technological adoption are key in determining the effectiveness of CRM in the banking sector.

In the Ethiopian banking landscape, some evidence shows the significant impact of CRM in nurturing loyal customers. Of course, this evidence is consistent with these global and regional trends but also has Also contextual implications. For example, Getachew (2024) states that CRM has a positive impact on customer loyalty at Abay Bank SC. Proactive communication and service customization, in particular, are very impactful. Alemayehu and Chawla (2025) also reported similar findings at the Commercial Bank of Ethiopia where they found CRM, trust and service quality as the main drivers of loyalty. Also, Henok (2025) has done a study for the case of Awash Bank SC With the focus that good practices of CRM especially those that develop trust and relationship commitment will generate repeat customers.

Recent studies also support these empirical studies. For instance, Gezahegn, Durie and Kibret (2025) contributed to the body of research on CRM and linking with customer loyalty, proving that CRM strategies integrated with social responsibility activities enhance customer satisfaction and long-term loyalty. Consequently, these few existing studies confirm that CRM significantly affects loyalty but also reveal gaps, particularly in comparative analyses between public and private banks, the integration of technological CRM tools and the measurement of both attitudinal and behavioral loyalty.

2.4 Conceptual Framework of the Study

The conceptual framework shows the hypothesized relationships between CRM and customer loyalty in the banking sector in Ethiopia. CRM is considered a multi-dimensional construct comprising communication, trust, commitment and conflict handling. These dimensions are proposed to influence customer loyalty, reflected in repeat patronage, positive word-of-mouth and preference for the bank over competitors.

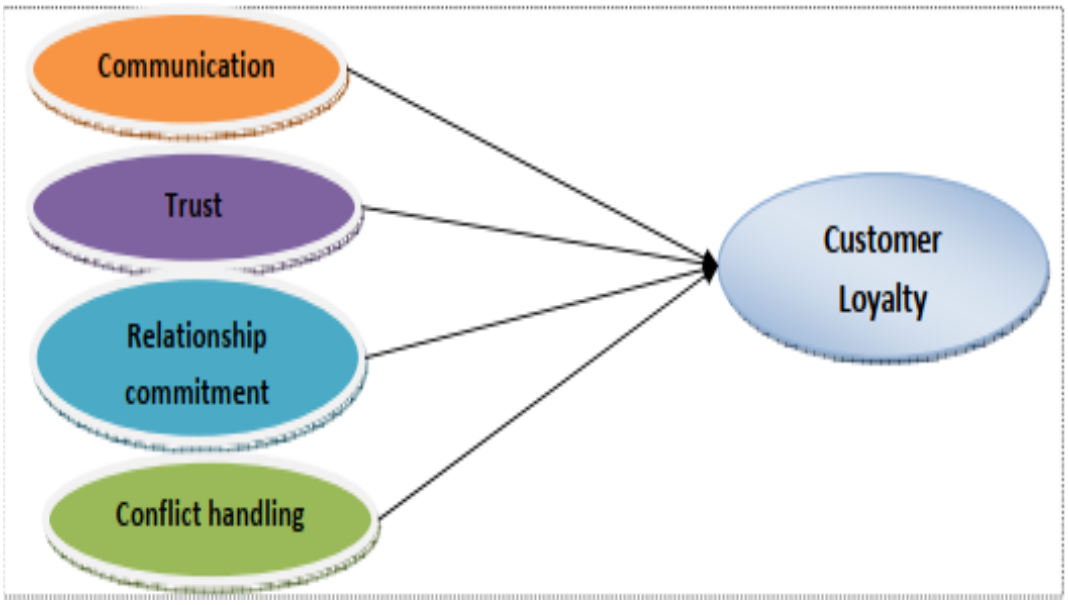


Figure 1:: Conceptual framework of the study adapted from (Laith and Nahla, 2010)

CHAPTER THREE

3. RESEARCH DESIGN AND METHODOLOGY

This section presents the methodological approaches employed in this study. In particular, research design, research strategy, target population, sampling design, data source and type, data collection tools and procedure, data analysis techniques and study variables are presented.

3.1 Study Description

The Commercial Bank of Ethiopia is the largest and oldest state-owned financial institution in the country and is the backbone of Ethiopia's banking system with the widest branch network, the largest customer base and a central role in public-sector financing. It is the public banking model where outreach, financial inclusion and government-driven mandates dictate customer relationship management practices. Awash Bank, on the other hand, is the leading private commercial bank in Ethiopia, with strong financial performance, rapid expansion of services and customer-centric innovations, especially in digital banking and personalized service delivery.

CBE and Awash Bank are the biggest and most competitive in their categories and hence provides a good basis for comparative analysis. The two banks have different ownership structures, customer service philosophies, operational strategies and CRM investment levels, which provide the opportunity for the study to compare CRM practices in public versus private banking environments and their impact on customer loyalty. The selection of these two flagship banks guarantees that the study will have meaningful variation and at the same time will offer insights that are relevant, representative and applicable to the broader Ethiopian banking sector.

Arada district is chosen for the study because of its high concentration of key branches, high volume of daily financial transactions have all kind of customers and it is economic and commercial have since Merkato is the largest market in east Africa.

3.2 Research Design

The research adopted the key CRM practices such as trust, communication, relationship marketing and conflict handling as the main parameters to assess the outcomes of customer loyalty, based on relationship marketing theory. The research design was descriptive and explanatory, which made possible the quantitative analysis of the CRM-loyalty relationship. We collected data from the

customers of both banks using a structured questionnaire that simultaneously measures CRM dimensions (independent variables) and customer loyalty (dependent variable) through a cross-sectional field survey. This way differences of CRM practices between public and private banks and their impact on customer loyalty could be assessed, compared and interpreted systematically.

3.3 Research Approach

Each of these approaches, qualitative, quantitative and mixed methods, has its own strengths and none is better than the other (Creswell, 2005). The present study adopted a quantitative approach which is appropriate for the study of the causal relationship between CRM practices and customer loyalty with a selected public and private bank. This approach is in line with post-positivist assumptions (Creswell, 2009) as it enables the study to measure key CRM dimensions numerically, to test hypothesized relationships and to generalize the findings to the banking sector beyond the case study banks.

3.4 Target Population

The target population was customers of the two selected banks of Commercial Bank of Ethiopia and Awash Bank located in Arada District of Addis Ababa. These customers are in direct contact with different CRM practices like communication, trust, complaint handling and digital banking services, therefore they are the most appropriate data sources for assessing the impact of CRM on customer loyalty. The population represents a sufficient and relevant pool of respondents for the study, as both banks serve a large and diverse customer base within the district.

3.5 Sample Size Determination

The target population in the banking sector is unknown. Therefore, the sample size was determined by **Cochran's (1977) formula.** This approach is recommended when the population is large or not predetermined, especially during data collection.

Cochran's formula

$$n_0 = \frac{Z^2 p(1-p)}{e^2} \ldots\ldots\ldots\

- p=0.5p = 0.5p=0.5 (estimated proportion of the population; selected to maximize sample size)
- e=0.05e = 0.05e=0.05 (desired margin of error)

$$n_0 = \frac{(1.96)^2 x 0.5(1-0.5)}{(0.05)^2} = 384.$$

Therefore, the required sample size for the study was 384 customers. Proportional sample size was used across the six randomly selected branches of CBE and Awash Bank in Arada District.

3.6 Sampling Techniques

The target population was customers of both CBE and Awash Bank who visited the branches located only in the Arada District, Addis Ababa. Since the exact number of customers visiting the branches during the data collection period is unknown, the study employed a combination of random branch selection and convenience sampling. First, six branches were selected, three from CBE and three from Awash Bank, using simple random sampling.

On the other hand, respondents from customers were chosen using convenience sampling, whereby customers who visit the selected branches and are willing to participate during the data collection period were included. This approach is appropriate because the actual number of walk-in customers cannot be predetermined and convenience sampling enables efficient data collection within a limited time frame.

3.7 Data Sources and Methods of Data Collection

The study used both primary and secondary data sources. The primary data were collected through a structured questionnaire to convenience customers in the selected branches of CBE and Awash Bank. The questionnaire was divided into three parts: Section 1 gathered demographic information of the respondents. Section 2 gathered data on CRM practices. Section 3 was designed to collect data on customer loyalty. A 5 point Likert scale was used, ranging from 1 (strongly disagree) to 5 (strongly agree).

Also, secondary data was gathered by reviewing relevant documents such as annual reports, customer service manuals, strategic plans, published research studies, books and journal articles on CRM and customer loyalty in the banking industry. This document examines the support for the interpretation of quantitative results.

3.7.1 Reliability and Validity Tests

Several procedures were performed to ensure the adequacy of the measuring instrument. Items were first borrowed from prior studies and adapted to fit the particular context of this research. Next, the measurement instruments were examined in detail by the research advisor and external reviewers. Based on the feedback, the instrument was revised accordingly to improve the validity of the instrument and the constructs to be measured.

The measurement instrument was also pre-tested on a randomly selected group of individuals from the same setting in Addis Ababa . This pre-testing phase provided us with valuable information about the instrument's performance, allowing for Also adjustments. The content, overall structure, clarity and relevance of the questionnaire were evaluated and revised accordingly to ensure the validity and reliability of the instrument for the study objectives. Reliability was assessed by means of a Cronbach's alpha test with a cut-off point of 0.7 or above (Field, 2009; Hair et al., 2010). This strong process ensured that the final instrument was robust and appropriate for the research.

Table 1: Reliability Test

Variables	Cronbach alpha	No. of Items
Communication	.890	5
Trust	.858	5
Relationship commitment	.750	5
Conflict handling	.928	5
Customer loyalty	.843	5
Overall	**.854**	**25**

Source: Pilot survey, 2025

3.8 Methods of Data Analysis

Descriptive and inferential statistical techniques were employed to analyze the data for the purpose of examining the effect of CRM practices (communication, trust, relationship commitment and conflict handling) on customer loyalty in CBE and Awash Bank. Descriptive statistics (mean, standard deviation, frequencies and percentages) were used to summarize the respondents' demographic characteristics and to provide an overview of the distribution of responses for each

study variable. This helps in describing the perception of the customers about CRM practices and their loyalty level in the selected bank branches.

Pearson correlation analysis was conducted to test the strength and direction of relationships between the independent variables (communication, trust, relationship commitment, conflict handling) and the dependent variable (customer loyalty). This helps to identify important linear relationships before regression analysis. To determine the combined and individual effects of the CRM dimensions on customer loyalty, a multiple regression model was used. This model shows the size of variance in customer loyalty explained by communication, trust, relationship commitment and conflict handling and which are significant predictors of levels of loyalty.

$$Y = \beta 0 + \beta 1x1 + \beta 2x2 + \beta 3x3 + \beta 4x4 + \epsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots Eq.2$$

Where:
Y = Customer Loyalty
β0= Constant (value of Y when X1, X2, X3 and X4= 0)
β1…= β4=Regression coefficients
X1= Communication
X2= Trust
X3 = Relationship commitment
X4 = Conflict handling
ε= the error

Also, an independent samples t-test was used to compare mean differences in CRM practices and customer loyalty between CBE and Awash Bank. This analysis is very important in understanding whether the two banking segments are significantly different in terms of customer perception of their CRM strategies and loyalty outcomes.

3.9 Ethical Considerations of the Study

All participants in the study were informed about the purpose of the study and provided informed consent. All information provided by participants was kept confidential and used solely for academic purposes. Additional ethical issues were related to the provision of the respondents with detailed information about the aims of the research, their involvement in the process and the expectations from them during the participation.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS and INTERPRETATION

In this chapter, empirical findings are presented, interpreted and discussed. CRM practices and their effect on customer loyalty in selected public and private commercial banks. Data were collected from banking customers using CBE and Awash, especially from Arada district. The section starts with the demographic profile of the respondents, then presents the descriptive results concerning the main dimensions of CRM: communication, trust, relationship commitment, conflict handling and customer loyalty. The results of the multivariate analysis, that is, the Pearson correlation coefficient and the regression analyses, are then discussed. The results are discussed in the light of the research objectives and questions and clear conclusions are drawn concerning the influence of CRM practices on customer loyalty in the Ethiopian banking context.

4.1 Response Rate

Table 2: Response rate

Questionnaires Distributed	Questionnaires Returned	Response rate
384	344	89.5

The study was conducted on total of 384 customers who were intercepted from selected branches of CBE and Awash Bank in Arada District, Addis Ababa. The questionnaire was distributed to 384, of which 344 questionnaires were correctly filled and returned with an 89.6% response rate from CBE and 46.2% from those who have an account at Awash Bank. The response rate of 89.6% achieved in this study is considered very good and highly acceptable (Mugenda 2003; Saunders et al., 2009; Rogelberg and Stanton, 2007). Therefore, it shows strong willingness and cooperation from the bank customers, which adds significantly to the reliability and representativeness of the findings regarding CRM practices and customer loyalty.

4.2 Study respondents' profile

Table 3: Respondents' socio-demographic information

Source: Own field survey, 2026

Variables	Category	F	%
Gender	**Male**	**204**	**59.3**
	Female	**140**	**40.7**
Age	**18-28**	**90**	**26.2**
	29-38	**107**	**31.1**
	39-48	**99**	**28.8**
	49-58	**48**	**14.0**
Education level	**Diploma**	**72**	**20.9**
	Bachelor's degree	**195**	**56.7**
	MA and above	**52**	**15.1**
Current Occupation	**student**	**31**	**9.0**
	Employed (Full-time)	**105**	**30.5**
	Employed (Part-time)	**62**	**18.0**
	Self-employed	**97**	**28.2**
	Retired	**28**	**8.1**
	Unemployed	**21**	**6.1**
Marital status	**Married**	**141**	**41.0**
	Single	**158**	**45.9**
	Divorced	**30**	**8.7**
	Windowed	**15**	**4.4**

As presented in Table 3, most of the participants were male (59.3%) and 40.7% were female. Results show that the age group of 29–48 years accounts for 59.9% of the respondents implying that the sample was made up of relatively young to middle-aged banking customers who are regular users of banking services. The result also shows a large proportion (71.8%) had a Bachelor's degree or above, indicative of a well-educated customer base. Full-time employed respondents dominated the study with 30.5% followed by self-employed customers (28.2%). This implies that the study involved perception of those who are economically active and who often use banking services. The married respondents were 41.0% of the total respondents. 41% were single respondents.

Also, socio-economic profile of the respondents as shown in Table 3, depicts a diversified but relatively young, educated and economically active customers' profile that would be appropriate for the examination of the CRM practices and customer loyalty in the selected public and private commercial banks in Ethiopia.

Table 4: Respondents' banking background

	Variables	Category	F	%
	Customer tenure	Less than 1 year	130	37.8
		1-3 years	142	41.3
		4-6 years	60	17.4
		More than 6 years	12	3.5
	Account type	Savings account	179	52.0
		Current accounts	50	14.5
		Loan	36	10.5
		Mobile Banking	79	23.0
	Information channels	Word of mouth	159	46.2
		Online research	52	15.1
		Social media	42	12.2
		Advertisements (TV, radio, print)	91	26.5

Source: Own field survey, 2026

As shown in Table 4, the majority of the respondents were relatively new customers with 37.8% of them having less than one year experience and 41.3% having between 1 and 3 years of experience using the banking services. The result showed that only 3.5% of them had been customers for more than six years. Common account types: 1. Savings accounts 52.0% 2. Mobile banking users 23.0% 3. Current accounts 14.5% 4. Loan accounts 10.5% . This result shows that most of the respondents have a basic transactional relationship with the banks. Regarding information channels, customers learned about the banks with word of mouth (46.2%), followed by banking advertisements through TV, radio and print media (26.5%), while online search and use of social media accounted for 15.1% and 12.2%, respectively.

Also, as indicated in Table 4, the banking background of the customers indicates that the study captured perception mainly from relatively new customers who rely heavily on traditional information sources and maintain simple savings or mobile banking relationships with the selected public and private commercial banks in Ethiopia.

4.3 Customer Relationship Management Practices

In this section reveal the results and discuss the results on CRM practices between the CBE and Awash Bank. Effective communication is a core component of CRM as it builds transparency, trust and long-term customer relationships. The descriptive analysis compares customers' perception of

communication-related CRM dimensions between the two banks using the mean scores and standard deviations.

4.3.1 Banking Communication

Table 5: Comparison of communication dimensions of CRM in CBE and Awash

Communication practices-CRM	CBE		Awash Bank	
	Mean	Std. D	Mean	Std. D
The bank provides timely information regarding services and changes.	3.6541	.85928	3.4780	.89185
Communication from the bank is clear and easy to understand.	3.3730	.89462	3.2767	1.07275
The bank provides regular updates through SMS, email, or phone calls.	3.6324	.80422	3.4654	1.03594
Bank staff clearly explain procedures, fees and service requirements.	3.6000	.71627	3.4465	.93894
I can easily get information whenever I need clarification.	3.4811	.84114	3.2956	1.01603
Valid N (listwise)	185		159	

Source: Own field survey, 2026

As revealed in Table 5 above, customers of both banks had moderate perception of communication-related CRM practices; however, a disparity between the two banks. Customers of the CBE gave slightly higher ratings across all communication indicators compared to those of Awash Bank.

The highest-scored statement in both banks was "*The bank provides timely information regarding services and changes*," with a mean score of 3.65 (CBE) and 3.48 (Awash Bank). Similarly, customers perceived "*Bank staff clearly explain procedures, fees and service requirements*" relatively high in both banks, with a mean score of 3.60 (CBE) and 3.45 (Awash). These results indicate that both banks make reasonable efforts to keep customers informed about services and procedures. However, as indicated in Table 5, CBE showed higher performance than Awash Bank in the communication dimensions of CRM.

Significant differences were observed in the clarity and accessibility of information. For example, the mean score for the item "*Communication from the bank is clear and easy to understand* "was 3.37 (CBE), while 3.28 for Awash Bank. Similar results also reveal that the item "*I can easily get*

information whenever I need clarification", with a mean value of 3.48 in CBE, compared to 3.30 in Awash Bank. In fact, these gaps indicate that although both banks communicate with customers, CBE's communication is perceived as clearer and more accessible.

Also, as indicated in Table 5, the results reveal that despite public and private banks demonstrating moderate performance in communication dimensions of CRM, CBE appears to have a good performance over Awash Bank. This difference may stem from CBE's larger customer base, more established systems and greater resources for customer communications infrastructure. However, the scores in both banks are relatively moderate (mean score range between 3.27 and 3.65), indicating that there is a significant room for improvement to make communication more proactive, personalized and responsive, especially in the private bank (Awash) which is expected to compete aggressively on service quality.

4.3.2 Trust in CBE and Awash Bank

Trust is a fundamental dimension of Customer Relationship Management (CRM) in the banking sector and is important in createing long-term customer loyalty. This section compares customers' perception of trust toward the Commercial Bank of Ethiopia (CBE) and Awash Bank.

Table 6: Bank's trust

	CBE		Awash Bank	
Trust-CRM	Mean	Std. D	Mean	Std. D
I trust the bank to handle my financial transactions securely.	3.6395	.87282	3.6164	.96652
The bank keeps its promises and commitments.	3.8081	.67296	3.8239	.74234
The bank is honest and transparent in its operations.	3.6686	.68771	3.6918	.75431
I believe the bank acts in the best interest of its customers.	3.7267	.80869	3.7107	.85939
I feel safe sharing my personal and financial information with the bank.	3.7093	.91780	3.6541	.99992
Valid N (listwise)	185		159	

Source: Own field survey, 2026

As shown in Table 6, customers reveal their perception of trust for both banks, with all mean scores falling above 3.60. The result shows that Awash Bank slightly outperformed CBE in two indicators: "*The bank keeps its promises and commitments*", with a mean value of 3.82 (Awash) and 3.81 (CBE) and "*The bank is honest and transparent in its operations*", with a mean score of

3.69(Awash), while 3.67 for CBE. These results indicate that customers perceive the private bank as more reliable in fulfilling promises and maintaining transparency.

As shown in Table 6, on the other hand, CBE showed a slight advantage in other indicators of trust. For instance, customers gave higher scores to CBE for the item, "*I trust the bank to handle my financial transactions securely*", with a mean value of 3.64 (CBE), while 3.62 for Awash and "*I feel safe sharing my personal and financial information with the bank*", with a mean value of 3.71 and 3.65 for CBE and Awash, respectively. This result indicates that the public bank is perceived as more secure when handling sensitive financial data, compared to private banks in Ethiopia.

Interestingly, the highest mean score in both banks was recorded for the item, "*The bank keeps its promises and commitments*," indicating that promise fulfillment is the strongest element of trust for customers in both public and private banks. However, the lowest mean score for both banks was associated with the security of financial transactions, indicating that security issues remain a domain that both banks need to address better.

In terms of customer trust, the results also show a very competitive performance between CBE and Awash Bank. Both banks have relatively high levels of customer trust with a grand mean above 3.65. However, the findings revealed some variations indicating that Awash Bank is relatively better than private banks in terms of transparency and promise-keeping, which are areas expected to be dominated by private banks in general. Whereas CBE has a clear edge in perceived security and safety of customer information.

Also, these general descriptive results show that trust is fairly well developed in public and private banks. Yet, they need to improve, especially in increasing the confidence of customers in the security of financial transactions and data protection. The result showed that the high level of trust in this dimension can be strong base to build customer loyalty, as long as the banks continue to provide consistent and transparent services.

4.3.3 Bank's Relationship Commitment

Relationship commitment is an important dimension of CRM, which reflects the degree to which a bank is inclined to build long-term, mutually beneficial relationships with its customers rather

than focusing on short-term transactions. This section compares customers' perception of relationship commitment between the public and private banks.

Table 7: Bank's relationship commitment

Relationship commitment	CBE		Awash Bank	
	Mean	Std. D	Mean	Std. D
The bank values my long-term relationship as a customer.	3.6395	3.1622	3.6855	.84298
I feel the bank genuinely cares about my needs.	3.8081	3.3892	3.7358	.84534
The bank makes efforts to build strong and lasting relationships with customers.	3.6686	3.3459	3.6792	.82155
The bank treats me as a valued client rather than just a transaction.	3.7267	3.2324	3.6918	.73734
I intend to continue using this bank in the long term.	3.7093	3.2000	4.3899	5.42254
Valid N (listwise)	185		159	

Source: Own field survey, 2026

As revealed in Table 7, customers had moderate perception of the banks' relationship commitment practices. However, Awash Bank received consistently higher mean scores than CBE across most indicators. In particular, differences were observed in the item "*I intend to continue using this bank in the long term*," with a mean value of 4.39 for Awash Bank, while 3.71 was for CBE. This result shows that the customers of the private bank have significantly stronger long-term loyalty intentions. Awash Bank also scored well in the item, "The bank values my long-term relationship as a customer", with a mean score of 3.69 for Awash, while 3.64 was for CBE and a mean value of 3.68 (Awash Bank) and 3.67 for CBE for the item, "The bank makes efforts to build strong and lasting relationships with customers".

Interestingly, the result shows that the mean value of 3.81 for CBE and 3.74 for Awash Bank was scored for the items, "I feel the bank genuinely cares about my needs" and "The bank treats me as a valued client rather than just a transaction", with a mean value of 3.73 (CBE) and 3.69 (Awash Bank). These findings indicate that while Awash Bank seems to be better in promoting long-term commitment and loyalty intentions, CBE still has a slight advantage in making customers feel genuinely cared about and valued. Also, the results reveal that Awash Bank is more relationship commitment especially in the context of long-term loyalty intention. This could be because private

banks adopt a more customer-centric and competitive approach. On the other hand, CBE performance while solid seems a little more transactional in nature.

4.3.4 Bank's Conflict Handling Practice

Indeed, effective conflict handling is an important part of CRM as it directly impacts customer trust, satisfaction and long-term loyalty. How banks deal with complaints and resolve issues is often the deciding factor in whether customers remain loyal or defect to competitors. This section compares the perception of customers of conflict handling practices of CBE and Awash Bank.

Table 8: Bank's conflict handling practices

Conflict Handling Practice	CBE		Awash Bank	
	Mean	Std. D	Mean	Std. D
The bank handles customer complaints promptly and fairly.	1.9568	1.35063	2.5409	1.58610
Whenever problems arise, the bank provides quick solutions.	1.8486	1.25057	2.4906	1.56653
Staff are willing to listen and resolve customer concerns.	1.8270	1.26505	2.3711	1.46501
I feel the bank treats complaints seriously.	2.6108	1.39482	2.8302	1.41514
Conflicts with the bank are resolved in a satisfactory manner.	2.2324	1.34125	2.4025	1.41475
Valid N (listwise)	185		159	

Source: Own field survey, 2026

Both banks gave the lowest ratings to conflict handling practices among all CRM dimensions (Table 8), indicating a significant weakness. The overall performance in this area was poor, with most of the mean scores below 3.0.

A distinct and uniform pattern emerged. Awash Bank performed far better than CBE on all the five conflict handling indicators. For example, Awash Bank got 2.54 mean on the statement 'The bank handles customers' complaints quickly and fairly' while CBE got very low mean of 1.96. Likewise, "The bank gives fast solutions whenever problems arise" was scored 2.49 by Awash customers when compared with 1.85 by CBE customers. The widest gap was found in "Staff are willing to listen and resolve customer concerns" with Awash scoring 2.37 and CBE only 1.83 (See Table 8).

As can be seen from Table 8, even the comparatively better-rated item "I feel the bank takes complaints seriously", Awash Bank (Mean = 2.83) performed better than CBE (Mean = 2.61). The findings indicate that the customers of the private bank perceive their complaints to be more seriously treated and better resolved than those of the public bank. Also, the results show that

conflict handling is the weakest CRM dimension in both banks, but the problem is much more serious at CBE. The extremely low mean scores at CBE show systemic issues in complaint management, responsiveness and staff willingness to resolve problems.

Also, the weak handling of conflicts is particularly concerning, as unresolved complaints can quickly diminish trust and drive customers away, especially in a competitive banking environment. The distinction between the two banks is evident, showing that private banks like Awash are more nimble and customer-centric when it comes to resolving disputes while the public bank, CBE is enmeshed in bureaucratic procedures that extend the resolution time and diminish customer satisfaction.

4.4 Bank's Customer Loyalty Practice

Table 9: Bank's Customer Loyalty Practice

Customer loyalty	CBE		Awash Bank	
	Mean	Std. D	Mean	Std. D
I intend to continue using this bank for my financial needs.	3.4865	1.36775	4.1384	.53341
I would recommend this bank to friends, family, or colleagues.	3.6270	1.25383	4.2201	.45906
I prefer this bank over other banks in the area.	2.6973	1.42006	3.4088	.93602
I am satisfied with the overall services provided by the bank.	3.1568	1.06947	3.7107	.54362
I am willing to increase my use of the bank's services.	3.6162	1.15097	4.1321	.47883
Valid N (listwise)	185		159	

Source: Own field survey, 2026

Customer relationship management practices that work are those that lead to and realize, customer loyalty. Basically, it consists of attitudinal loyalty i.e. preference and satisfaction and behavioral loyalty i.e. intention to continue using the bank and willingness to recommend. Table 9 presents the customer perception of loyalty between the CBE and Awash Bank. As shown in Table 9, there was a distinct and significant difference between the two banks. Awash Bank customers reported highly higher levels of loyalty for all five indicators compared to CBE customers.

The greatest differences were found in behavioural loyalty indicators as shown in Table 9. The customers of Awash Bank had a very strong intention to continue to use the bank for their financial needs (Mean = 4.14, Std. Dev. = 0.53) while the customers of CBE had moderate intention (Mean

= 3.49). Similarly, the degree of willingness to recommend the bank to friends, family or colleagues was higher in Awash Bank (Mean = 4.22) than CBE (Mean = 3.63). These findings indicate that not only are Awash Bank's customers more likely to remain loyal to the bank, but they are also passionate advocates, a powerful driver of organic growth in a competitive market place. This finding is consistent with the Ethiopian banking sector where private banks such as Awash have consistently showd higher customer advocacy and retention rates compared to public institutions.

The finding also shows that Awash Bank surpassed CBE in attitudinal Loyalty. In particular, customers preferred their bank rather than competitors (Mean = 3.41) more than CBE customers with a low mean score of 2.70. The finding shows that many CBE customers do not consider their bank as their first choice despite its dominant market position and wide branch network. Overall satisfaction of services was also higher in Awash Bank (Mean = 3.71) than CBE (Mean = 3.16). This also shows the loyalty gap. The findings show that when comparative studies are done, the perceived service quality and customer satisfaction of private banks in Ethiopia are better and this leads to higher loyalty.

The results indicate that despite CBE's large customer base due to its historical dominance and wide availability, it does not build deep and long-lasting emotional loyalty. Meanwhile, Awash Bank has effectively established stronger relational ties and higher Commitment levels with its customers. In fact, this major difference is especially important in the growing competitive banking sector of Ethiopia where private banks are aggressively challenging the traditional dominance of public banks by better service delivery and customer centric strategies.

The findings indicate that the relatively better performance of Awash Bank in communication, trust, relationship commitment and especially conflict management is apparently resulting in higher customer loyalty. But CBE's weaker performance, particularly in conflict handling and relationship commitment, is likely a major driver of its lower loyalty scores. The pattern is consistent with the broader literature indicating that private banks in Ethiopia and other developing countries tend to achieve higher customer loyalty by means of more responsive and personalized CRM practices than public banks.

Also, the result of the study showed that Awash Bank has a significant higher customer loyalty than CBE. This advantage reflects the efficiency of private banks in developing strong relational bonds through superior execution of CRM dimensions. For CBE, enhancing customer loyalty requires conscious and consistent efforts to improve all the practices of CRM, especially conflict resolution, relationship commitment and personalized communication.

4.4 Comparison of CRM Practices and Customer Loyalty between CBE and Awash Bank

As indicated in Table 10, an independent-samples t-test was conducted to determine whether there is a statistically significant mean difference in overall CRM practices and customer loyalty between the CBE and Awash bank.

Table 10: Mean difference in CRM

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig.	Mean Difference	Std. Error Difference	Lower	Upper
CRM	Equal variances assumed	.624	.430	-2.267	342	.024	-.13679	.06035	-.25548	-.01809
	Equal variances not assumed			-2.268	335.049	.024	-.13679	.06031	-.25542	-.01815

Source: Own field survey, 2026

As indicated in Table 10, Levene's test for equality of variances was not significant ($F = 0.624$, $p = 0.430$), indicating that the assumption of equal variances could be accepted. The t-test results show a statistically significant difference in the mean CRM scores between the two banks ($t = -2.267$, $df = 342$, $p = 0.024$). The mean difference of -0.13679 (with a 95% confidence interval ranging from -0.255 to -0.018) indicates that customers of Awash Bank perceived the bank's overall CRM practices more favorably than customers of CBE.

This result is consistent with the descriptive results presented in section 4.3. Awash Bank outperformed CBE in most CRM dimensions, particularly in relationship commitment and conflict handling, which appears to have translated into a significantly better overall CRM perception

among its customers. The statistically significant difference is in line with existing literature on the public vs. private banks in Ethiopia and other developing countries. Private banks like Awash Bank are generally thought to be more customer-oriented, flexible and responsive because of more autonomy in decision making and more market orientation (Mekonen, 2019; Birega, 2022). However, public banks such as CBE are often constrained by bureaucratic restrictions that limit their abilities to offer tailored and responsive CRM services (Nigussie, 2017). Al-Suraihi et al. (2021) and Mazikana (2023) also found that better CRM implementation results in higher customer satisfaction and loyalty in private banks than in public institutions.

In addition, the independent samples t-test shows that there is a statistically significant difference in CRM practices between CBE and Awash Bank with Awash Bank having better overall CRM performance from the customers' view. This benefit might explain the higher customer loyalty observed at Awash Bank. Based on the findings, CBE needs to improve its CRM practices in responsiveness, personalization and conflict resolution in order to remain competitive in Ethiopia's fast changing banking sector.

Table 11: Mean difference in Customer loyalty

Independent Samples Test										
		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
Customer Loyalty	Equal variances assumed	.044	.833	.277	342	.782	.01739	.06268	-.10589	.14068
	Equal variances not assumed			.278	338.195	.781	.01739	.06246	-.10547	.14025

Source: Own field survey, 2026

As indicated in Table 11, Levene's test for equality of variances was not significant (F = 0.044, p = 0.833), confirming that the assumption of equal variances could be accepted. Interestingly, the t-test results show that the mean difference in customer loyalty between CBE and Awash Bank is not statistically significant (t = 0.277, df = 342, p = 0.782). The mean difference of 0.01739, with a confidence interval of 95% ranging from -0.106 to 0.141, indicates that, despite the descriptive differences observed, the level of customer loyalty between the two banks is not statistically significant. The result found that while Awash Bank shows a significant performance in cultivating customer loyalty, especially in behavioral indicators, such as intention to continue and willingness to recommend, this performance is not large enough to be considered statistically significant at the 0.05 level. In other words, although customers of Awash Bank tend to show stronger loyalty on average, the gap between the two banks is not robust enough to rule out the possibility of chance.

This result partially supports previous studies in Ethiopian banking that found private banks generally achieve higher customer loyalty than public banks due to more agile and customer-focused CRM practices (Mekonen, 2019; Birega, 2022). However, the lack of statistical significance implies that CBE's large customer base and widespread accessibility still enable it to maintain a competitive level of loyalty, even if it lags in relational aspects. This finding is consistent with Al-Suraihi et al. (2021), who noted that public banks in developing countries often retain customers through structural advantages including branch network and trust in government-backed institutions, while private banks win loyalty through superior service experience.

4.5 Relationship between CRM and Customer Loyalty in the Banking Sector

In this section, to examine the strength and direction of the relationships between the four CRM dimensions: communication, trust, relationship commitment and conflict handling and customer loyalty, a Pearson correlation analysis was conducted. The results are presented in the correlation matrix below (Table 12). This result helps to understand the interplay between CRM and customer loyalty across the public and private banking sectors in Ethiopia.

Table 12: Correlation results

Correlations						
		1	2	3	4	5
Communication (1)	Pearson Correlation	1				
	Sig. (2-tailed)					
Trust (2)	Pearson Correlation	.527**	1			
	Sig. (2-tailed)	.000				
Relationship Commitment (3)	Pearson Correlation	.194**	.365**	1		
	Sig. (2-tailed)	.000	.000			
Conflict Handling (4)	Pearson Correlation	.544**	.595**	.226**	1	
	Sig. (2-tailed)	.000	.000	.000		
Customer Loyalty (5)	Pearson Correlation	**.709****	**.759****	**.383****	**.784****	1
	Sig. (2-tailed)	.000	.000	.000	.000	
**. Correlation is significant at the 0.01 level (2-tailed). (N=344)						

Source: Own field survey, 2026

The correlation result revealed statistically significant positive relationships between the CRM dimensions and customer loyalty at the 0.01 level. Conflict management had strong positive relationship with customer loyalty ($r = 0.784$, $p < 0.01$). Trust ($r = 0.759$, $p < 0.01$) and communication ($r = 0.709$, $p < 0.01$) also had strong correlation with customer loyalty. Relationship commitment has moderate positive correlation ($r = 0.383$, $p < 0.01$). The findings indicate that the level of customer loyalty in the Ethiopian commercial banking sector is significantly related to the improvement of CRM practices.

strong and significant correlation between conflict handling and customer loyalty (r=0.784) underlines the significance of effective complaint resolution and problem-solving mechanisms in building loyalty. More importantly, if customers perceive their complaints are handled in a timely, fair and satisfactory manner, they will have a higher level of emotional attachment and intention to return. The finding is consistent with the international banking literature that always reveals service recovery and conflict management as one of the most powerful drivers of customer loyalty (Al-Suraihi et al., 2021; Mazikana, 2023). Public banks like CBE have been subjected to criticism in the Ethiopian context for their bureaucratic ways of handling complaints.

The results show that trust was the second most powerful predictor of customer loyalty ($r = 0.759$). These results are consistent with the theoretical proposition that trust is the foundation of long-

term customer-bank relationships. Customers who believe the bank is honest, transparent and acting in their best interests are far more likely to be loyal. The finding is consistent with the finding of Shaik et al. (2023) and Farouk et al. (2025) that trust is strong mediator between CRM practices and loyalty outcomes in service industries. In Ethiopia's banking sector, where financial security and data privacy concerns are on the rise, trust building and maintenance appears to play a particularly influential role.

The result shows that once again communication was strongly positively correlated with customer loyalty ($r = 0.709$). It appears that a key driver of loyalty is timely, transparent, two-way communication. This is consistent with the notion that communication is effective in reducing uncertainty, managing expectations and improving perceived relationship quality (Xue et al., 2024; Bozkus, 2023). However, the moderate relationship commitment ($r = 0.383$) indicates that although customers do appreciate long-term relational efforts, this dimension may be less immediate to loyalty than the trust, communication and conflict management, in the present Ethiopian banking sector.

On the other hand, the correlation result, interpreted together, provides strong empirical support for the conceptual framework of the study. In particular, all the CRM dimensions have significant and positive relationships with the customer loyalty, where the most influential are conflict handling and trust. This finding is in line with international banking studies (Farouk et al., 2025; Shaik et al., 2023) and empirical studies in Ethiopia (See Getu, 2025; Demissie, 2022). This emphasizes the importance of relational elements of CRM over transactional elements in building loyalty in competitive markets.

Also, the correlation analysis shows that CRM practices especially conflict handling, trust and communication have positive correlation with customer loyalty of banking customers in Ethiopia. On the other hand, the relatively weaker role of relationship commitment implies that Ethiopian banks may need to go beyond promises of long-term commitment to more tangible demonstrations of care and responsiveness to realize loyalty gains fully.

4.6 The effect of CRM Dimensions on Customer Loyalty in the Banking Sector

Conflict management had strong positive relationship with customer loyalty ($r = 0.784$, $p < 0.01$). Trust ($r = 0.759$, $p < 0.01$) and communication ($r = 0.709$, $p < 0.01$) also had strong correlation with customer loyalty. Relationship commitment has moderate positive correlation ($r = 0.383$, p

< 0.01). The findings indicate that the level of customer loyalty in the Ethiopian commercial banking sector is significantly related to the improvement of CRM practices.

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4.6.1 Normality test

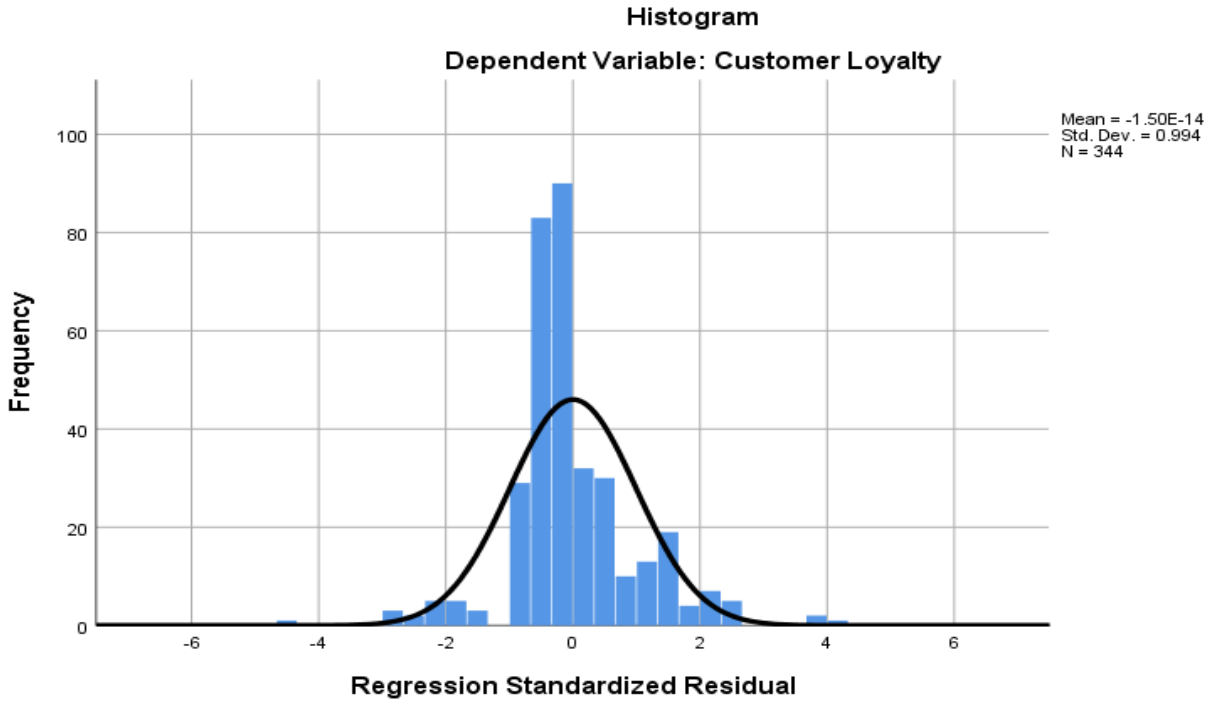


Figure 2:Histogram of Regression Standardized Residuals

Figure 2 shows that the residuals are approximately normally distributed. The distribution is approximately bell-shaped and symmetric about the mean (Mean ≈ -1.50E-14) with a standard deviation of 0.994. Hence, no significant skewness or heavy tails are observed, which means that the residuals satisfy the normality assumption required for multiple linear regression analysis. The normality test is performed to ensure the statistical robustness of the estimated coefficients and significance tests. This enables us to confidently interpret the relationships between CRM dimensions and customer loyalty (Hair et al., 2019; Field, 2018).

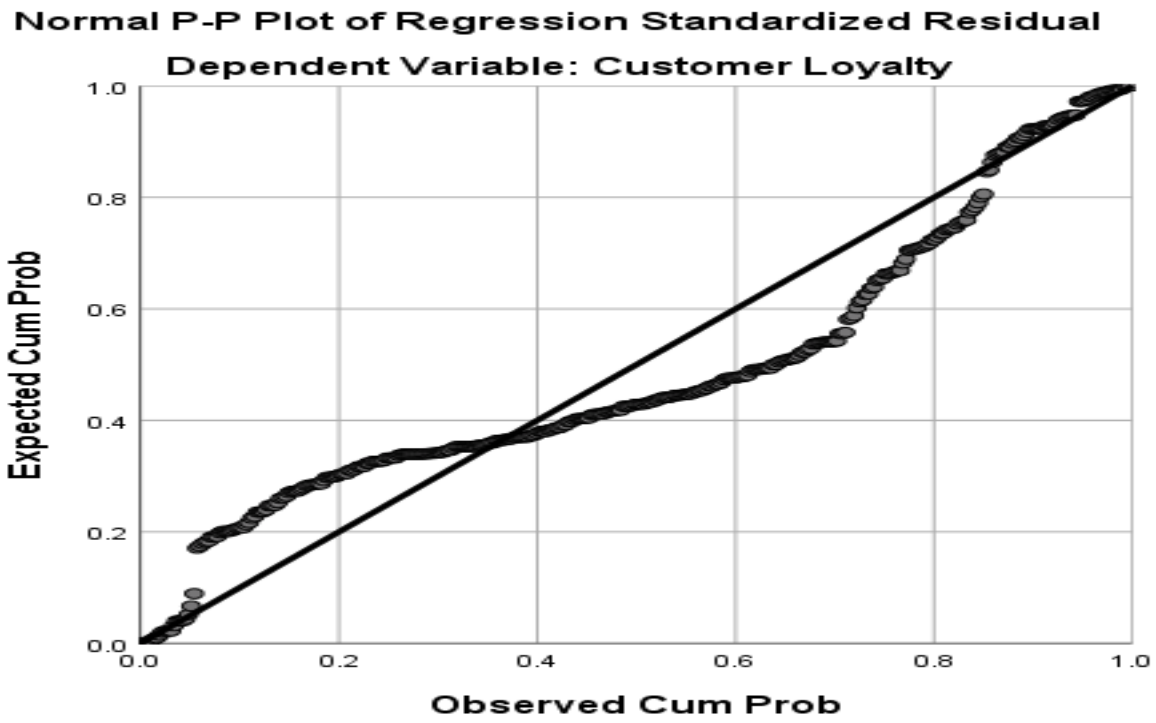


Figure 3:Normal P-P Plot of Regression Standardized Residuals

Normal P-P Plot is represented in Figure 3. The points are very close to the diagonal straight line as shown in the figure, with only a small deviation at the two ends. This alignment confirms that the residuals are not significantly different from normality. The validity of the regression model is more when the assumption of normality is fulfilled. It guarantees that the estimated coefficients, standard errors and significance tests are valid and unbiased.

4.6.2 Assumption of Homoscedasticity

The researcher also test for homoscedasticity as well. The residuals appear to be randomly scattered around the horizontal zero line in the scatterplot (Figure 4) with no obvious systematic pattern. No apparent pattern of a funnel shape, cone or increasing/decreasing spread of residuals as predicted values change. The points appear to be fairly evenly scattered around the range of the predicted values indicateing that the variance of the residuals is fairly constant. From Figure 4, the assumption of homoscedasticity is satisfactorily met as no clear heteroscedastic pattern exists. This supports the reliability of the regression coefficients, standard errors and significance tests.

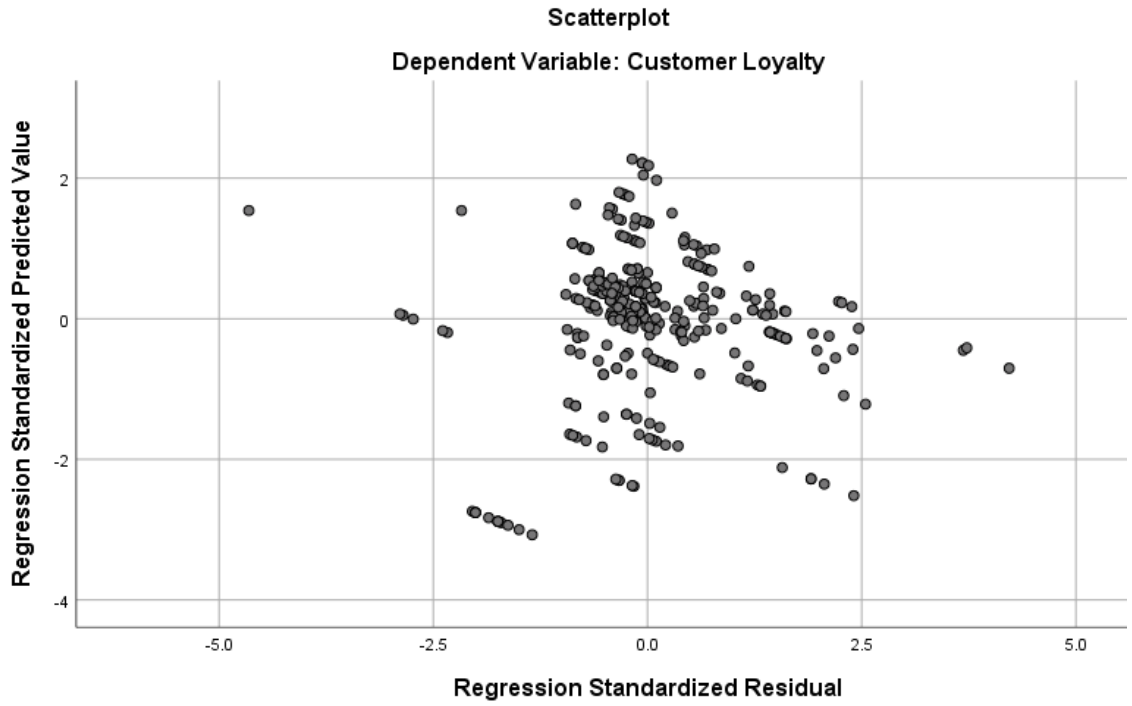


Figure 4: Scatterplot for testing homoscedasticity

4.6.3 Multicollinearity Assumption

Table 13: Multicollinearity diagnostic

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Communication	.640	1.563
	Trust	.540	1.851
	Relationship Commitment	.866	1.154
	Conflict Handling	.572	1.747
a. Dependent Variable: Customer Loyalty			

Source: Own field survey, 2026

All tolerance values were much higher than the minimum acceptable threshold of 0.10 and all VIF values were highly lower than the key value of 10, as shown in Table 13. The independent variables are free from serious multicollinearity, however trust would indicate problematic multicollinearity (Hair et al., 2010). The absence of multicollinearity in this study guarantees the stability of the regression coefficients and the interpretation of the individual impact of each of the dimensions of CRM on customer loyalty in an undistorted manner. The multicollinearity diagnostic Also

confirms the regression model and enhances confidence on the findings of the relative effect of CRM dimensions in banking sector.

4.6.4 Model Summary

As Table 14 shows, the overall fit and explanatory power of the regression model were evaluated using the Model Summary statistics.

Table 14: Model Summary

Model Summary[b]					
Model	R	R Square	Adjusted R-Square	Std. Error of the Estimate	Durbin-Watson
1	.903[a]	.816	.814	.24972	1.828
a. Predictors: (Constant), Conflict Handling, Relationship Commitment, Communication, Trust					
b. Dependent Variable: Customer Loyalty					

Source: Own field survey, 2026

The regression model revealed a multiple correlation coefficient (R) of 0.903 which indicates a very strong positive relationship between the CRM dimensions and customer loyalty while the coefficient of determination (R2) was 0.816 indicating that the CRM dimensions of communication, trust, relationship commitment and conflict handling collectively explain more than 81% of the variance in the dependent variable (customer loyalty) among banking customers, both CBE and Awash Bank. Also, the Adjusted R Square of 0.814 indicates that the model is still very robust after accounting for the number of predictors. This indicates good model fit, without overfitting.

The result also indicates that the Durbin-Watson statistic of 1.828 is within the acceptable range of 1.5 to 2.5 (Hair et al., 2010) which implies that there is no significant autocorrelation among the residuals. This offers Also validation of the reliability of the regression model. Also, the model has a great explanatory power, as shown by the high R2 value, indicating that the selected CRM dimensions are very important and together offer strong prediction of customer loyalty. This result confirms the importance of investing in well-designed CRM practices, particularly in communication, trust and conflict handling to enhance customer loyalty.

4.6.4 Model Fitness

As Table 15 shows, an Analysis of Variance (ANOVA) was conducted to test the overall significance of the regression model.

Table 15: Model fitness

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	93.773	4	23.443	375.925	.000[b]
	Residual	21.141	339	.062		
	Total	114.914	343			
a. Dependent Variable: Customer Loyalty						
b. Predictors: (Constant), Conflict Handling, Relationship Commitment, Communication, Trust						

Source: Own field survey, 2026

The result reveals that the regression model is highly statistically significant ($F = 375.925$, $p < 0.001$). This indicates that communication, trust, relationship commitment and conflict handling have a significant effect on customer loyalty among banking customers of CBE and Awash Bank. As indicated, the large F-value combined with a significance level well below 0.01 confirms that the model as a whole is a good fit and that the predictors collectively explain a high portion of the variation in the dependent variable (Customer Loyalty). In general, the CRM dimensions included in the model are jointly useful in predicting customer loyalty and the observed relationships are highly unlikely to have occurred by chance.

Also, strong overall model significance in this study provides a solid foundation for interpreting the individual contributions of each CRM dimension in explaining customer loyalty. It supports the central proposition of the study that effective CRM practices significantly influence customer loyalty in the Ethiopian commercial banking sector.

4.6.5 Regression coefficients

The individual contribution of each CRM dimension to enhance customer loyalty was examined through a multiple regression model and the results are interpreted using unstandardized (B), standardized (Beta) regression coefficients, std. error, t-value and respective p-value.

Table 16: Regression coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.340	.092		3.673	.000
	Communication	.269	.026	.298	10.230	.000
	Trust	.290	.029	.316	9.978	.000
	Relationship Commitment	.064	.014	.117	4.688	.000
	Conflict Handling	.328	.025	.408	13.244	.000
a. Dependent Variable: Customer Loyalty						

Source: Own field survey, 2026

As shown in Table 16, the CRM dimensions were statistically significant positive predictors of the dependent variable (customer loyalty) (p-value < 0.001). Specifically, handling customer complaint (conflict) had the strongest effect with a beta coefficient (β = 0.408, t = 13.244, p-value < 0.001). This implies that for every 1 unit increase in effective conflict handling practices customer loyalty increases by 0.408 units, all other things being equal. This finding shows on how the most important thing for customers is the way banks deal with complaints, resolve problems and show fairness.

Trust is found to be the second important predictor with positive coefficient (β = 0.316, t = 9.978, p value < 0.001). This strong positive effect confirms that customers' confidence in the honesty, transparency and reliability of the bank is a major loyalty driver. When customers trust that a bank has their best interest at heart and will keep their financial information safe, they're far more likely to be loyal or return as customers. The trust is the basis of long term customer relationships in order to support the broader relationship marketing theory especially in the banking industry.

The other mode results show that communication also had strong and significant positive effect (β = 0.298, t = 10.230, p-value < 0.001). Specifically, the clear, timely and understandable communication of the bank greatly contributes to the loyalty of customers. This is in line with the hypothesis that efficient information flow reduces uncertainty and improves perceived relationship quality, especially in service intensive industries like banking. Relationship commitment was the variable with the least relative influence (β = 0.117, t = 4.688, p-value < 0.001). However, it was statistically significant. Customers appreciate the bank's efforts to build long-term relationships,

but this dimension seems to be less important for loyalty than trust, communication and especially conflict handling. “The results indicate that long-term commitment promises should be accompanied by real actions such as reliable conflict solving and trustworthy behavior to have a positive and significant impact on loyalty.

In addition, the regression coefficients in Table 16 reveal that all dimensions of CRM have a significant and positive influence on customer loyalty and conflict handling and trust founding are the most influential factors of customer loyalty. In general, the model is very effective with an explained variance of 81.6% for customer loyalty. The findings of this study offer good empirical evidence that improving CRM practices especially in terms of prompt and fair handling of customer complaints and building trust in customers have the most impact on improving customer loyalty in public and private commercial banks in Ethiopia.

4.7 Discussion

This study is aimed at examining the effects of CRM practices on loyalty in selected private and public commercial banks in Ethiopia. The study is limited to Commercial Bank of Ethiopia and Awash Bank found in Arada District, Addis Ababa, Ethiopia. This discussion offers insights into the predictive influence of CRM and its practices on customer loyalty by using strong methodological framework and approach. The study used a regression model and was statistically significant ($F = 375.925$, p-value < 0.001) and had great explanatory power with $R2 = 0.816$ and Adjusted $R2 = 0.814$. Communication, trust, relationship commitment and Conflict handling together account for 81.6% of the variance in customer loyalty of CBE and Awash Bank banking customers.

The outcome shows that communication is a significant and strong predictor of customer loyalty ($\beta = 0.298$, $t = 10.230$, p-value < 0.001). The positive standardized coefficient shows that the increase in perceived communication quality is followed by the development of customer loyalty.This finding is supported by the correlation results, with strong positive correlation between communication and loyalty ($r = 0.709$, $p\text{-value} < 0.01$). In particular, the result showed that customers give a key value for timely information, clarity and accessibility of communication, yet public banks like CBE performed slightly better than private banks, as evidence draw from Awash Bank. This current result aligns with Xue et al. (2024) and Bozkus (2023), who argued that

clear and timely communication reduces uncertainty and enhances perceived relationship quality, thereby strengthening loyalty in service industries.

Trust was the second strongest predictor of customer loyalty ($\beta = 0.316,\ t = 9.978,\ p\text{-}value < 0.001$), with strong positive correlation results ($r = 0.759,\ p\text{-}value < 0.01$). In particular, customers who perceive the bank as honest, transparent and acting in their best interest show significantly higher loyalty. Similarly, descriptive results showed high mean scores for trust-related items in both banks, with minimal differences between public and private banks. This finding supports the commitment-trust theory of relationship marketing (Morgan & Hunt, 1994) and is consistent with recent empirical studies (see Alam et al., 2021; Damberg et al., 2022; Kim et al., 2024), which confirm that trust is a foundational driver of loyalty, particularly when customers entrust sensitive financial information.

The findings found that relationship commitment had a positive effect on customer loyalty. However, relatively weaker effect on customer loyalty, with a coefficient value of ($\beta = 0.117,\ t = 4.688,\ p\text{-}value < 0.001$ and moderate correlation ($r = 0.383,\ p\text{-}value < 0.01$). Most importantly, although customers value the bank's efforts to build long-term relationships, this dimension appears less decisive than trust, communication and conflict handling. Similarly, the descriptive results also indicated moderate perception for relationship commitment items, with Awash Bank slightly outperforming public banks such as CBE. These results align with Getu (2025) and Demissie (2022), who found that relational promises in Ethiopian banks must be supported by tangible actions to meaningfully influence loyalty.

Customer complaint handling was the strongest predictor of customer loyalty ($\beta = 0.408,\ t = 13.244,\ p\text{-}value < 0.001$), showing the highest correlation ($r = 0.784,\ p\text{-}value < 0.01$). In particular, this high effect shows that prompt, fair and satisfactory resolution of complaints is the most powerful driver of loyalty in this context. The results revealed that conflict handling received the lowest ratings among all CRM dimensions in both banks; however, CBE performed particularly poorly. The result strongly supports service recovery theory (Farouk et al., 2025; Al-Suraihi et al., 2021) and explains why private banks such as Awash Bank tend to achieve higher loyalty, as they are perceived as more responsive in handling customer problems.

However, in the study, the independent samples t-test result showed no statistically significant difference in overall customer loyalty between Public and Private banks, taking CBE and Awash

Bank as evidence (*t = 0.277, p-value = 0.782*). However, descriptive results consistently favored Awash Bank across most CRM dimensions and loyalty indicators. Awash Bank's superior performance in conflict handling, relationship commitment and trust appears to translate into higher loyalty scores, even though the overall difference in loyalty did not reach statistical significance. The result is in line with the comparative studies in Ethiopian banking (Mekonen, 2019; Birega, 2022) that show private banks tend to acquire more relational loyalty through the successful implementation of more flexible and customer centric CRM, while public banks like CBE maintain a competitive loyalty level through structural advantages such as broad branch networks and perceived stability.

Also, the integrated results of descriptive statistics, t-test, correlation and regression analyses confirm that there are significant impacts of the four dimensions of CRM, communication, trust, relational commitment and complaint handling on customer loyalty. The strongest effects are those of conflict handling and trust, followed by communication. Relationship commitment plays a greater role in cultivating customers into a loyal but less dominant role. These findings offer strong empirical support for the conceptual framework of the study and extend the commitment-trust theory and service recovery literature to the Ethiopian banking perspectives. Most importantly, from a practical perspective, the study shows that private banks such as Awash Bank are gaining a relational advantage by more successfully executing their CRM, whereas public banks such as CBE have to improve conflict resolution and trust-building to close the loyalty gap and stay competitive in Ethiopia's changing banking environment.

CHAPTER FIVE

5. SUMMARY, CONCLUSIONS and RECOMMENDATIONS

5.1 Key Summary of Major Findings

The study analyzed the effect of CRM practices including communication, trust, relational commitment and conflict handling on customer loyalty of customers of both public and private Banks. Data were collected from Awash Bank and Commercial Bank of Ethiopia located in Arada District Addis Ababa. Methodologically, the study used descriptive and explanatory design with quantitative approach. The number of intercepted banking customers reached 344, with 185 customers from CBE and 159 customers from Awas Bank. Different techniques were used in the study for analyzing the data such as mean score, independent-samples t-test, Pearson correlation and multiple linear regression.

This study in particular investigated the current practices of CRM in terms of communication, trust, relationship commitment and conflict handling and their impact on customer loyalty. The study also used evidence from CBE and Awash Bank to compare the effectiveness of CRM practices between public and private banks. The regression model in this study explained 81.6% of the variance in the dependent variable (customer loyalty) ($R^2 = 0.816$). This result indicates strong predictive power.

The study results revealed that CRM dimensions significantly and positively influence customer loyalty. Most importantly, conflict handling or the way banks handle customer complaints emerged as the strongest predictor ($\beta = 0.408$). It also revealed that trust ($\beta = 0.316$), communication ($\beta = 0.298$) and relationship commitment ($\beta = 0.117$) had a significantly positive effect on customer loyalty. Although there is a statistically significant difference in CRM practices, Awash Bank showed better performance than CBE, the difference in customer loyalty was not statistically significant between the two banks. However, CBE showd superior performance in customer loyalty, particularly in trust and communication.

5.2 Conclusions

This study, based on findings, examined the effect of CRM practices on customer loyalty among banking customers of both public and private banks, drawing from CBE and Awash Bank. The study findings have several implications, in particular, strengthening the idea that prospective customers can be cultivated into loyal and repeat customers by leveraging the sustainable relationship between customers and banks. The analysis leads to the following conclusions.

The study has shown that customer relationship management practices play a key and high role in shaping customer behaviors and preferences, thereby cultivating them as loyal customers, especially in the banking sector. The main conclusion that can be drawn from this study is that among the four dimensions examined, conflict handling and trust emerged as the most influential factors. This is an important finding in understanding the outcome of a proper and effective handling of the customer complaints. Specifically, when customers feel their complaints are handled in a timely, fair and caring way, they get more emotionally involved and more likely to stay with the bank or company. Also, the findings offer important proof of the influence of trust on customer loyalty. Overall, these findings provide insight that trust is built through honesty, transparency and the belief that the bank acts in the customer's best interests . This, in turn, lays a key foundation for long-term customer loyalty.

It was found that communication was an important driver of customer loyalty in the banking sector as well. The findings had revealed that This key realization meant that customers valued prompt, straightforward, readily accessible information from their bank, as it alleviated uncertainty and heightened the feeling of being informed and appreciated. The research provides useful evidence that communication alone is not enough but it becomes effective if supported by trustworthy behaviour and sound problem resolution by the banking sector. Thereby a long term relationship is created with the customers. On the other hand, the result has shown that relationship commitment although valued by customers, showed a relatively weaker impact on Customer loyalty. Indeed, attempts to grow long-term relationships are appreciated by customers. However, these efforts should be backed up with consistent actions, especially in terms of addressing issues fairly and being reliable. This leads to a major conclusion: long-term commitment promises, without concrete care demonstrations, tend to have a limited effect on customer loyalty.

A major conclusion of the study is the remarkable pattern that emerged from the comparison of public and private banks. The results reveal that the two institutions have a fair degree of customer loyalty. However, Awash Bank performed better in a consistent way in most of the CRM dimensions, especially in conflict handling and relationship commitment. These findings are of an important implication that the private bank has been more successful in developing deeper emotional connections and relational bonds with its customers. On the contrary, CBE, with its large customer base and extensive network, is currently struggling more to convert its structural advantages into strong relational loyalty. From this result, it has been understood that the public banks tend to follow a more bureaucratic processes, which seem to limit their responsiveness and personalization. This generally influences customer view of its commitment to customer needs.

The study also provides an important theoretical perspective. For example, the results strongly support the commitment-trust theory of relationship marketing and are consistent with a service recovery theory. These theories, of course, translate these well-established frameworks to the Ethiopian banking context, where customers seem particularly sensitive about how banks handle problem and exhibit trustworthiness. The study results also indicate that, in emerging markets such as the Banking sector in Ethiopia, functional reliability and emotional confidence are more important drivers of customer loyalty than hollow relational promises.

Also, basically, even though both public and private banks have tried to implement strong CRM practices, the study findings provide strong evidence to conclude that the quality of execution, especially in conflict handling and trust-building, determines the strength and level of customer loyalty. The study particularly concluded that private banks like Awash seem to have a relational advantage in being more agile and customer-centric while public banks like CBE must eliminate bureaucratic delays, enhance responsiveness and show genuine care for individual customer needs to build loyalty and stay competitive in a rapidly changing banking environment.

5.3 Recommendations

Based on the findings, the researcher provides the following recommendations.

• The handling of customer conflict i.e. complaints has been found in the study to be strong driver of customer loyalty. Therefore, this finding indicates that conflict handling should be a strategic focus area for both public and private banks. Most importantly, banks have to build systems for faster, fairer and more transparent complaint resolution including dedicated customer service teams and digital tracking of complaints.

• Customers require strong evidence of trustworthiness to stay loyal. Thus, banks need to reinforce trust building initiatives. Banks need to be more open about their fees, procedures and data security practices. Ongoing communication around the protection of customer data is also needed, which can go a long way in improving perceived trustworthiness.

• The findings indicate the need for banks to improve the quality of communication by providing information in a timely, clear and accessible manner, e.g., SMS, email, mobile app and in-branch support.

• Specifically, public banks including CBE should accelerate the resolution of bureaucratic delays in complaint management and service delivery to improve responsiveness. Provide staff training on customer-centric behaviour and empathetic service recovery.Create more personalized communication and relationship-building programs to compete with private banks on relational loyalty.

• Whereas a private bank such as Awash Bank should: Take advantage of its current edge in the relationship commitment by developing formal long-term customer engagement programs e.g. loyalty tiers, personalized financial advisory.Invest more in digital tools that improve the speed of communication and conflict resolution. Monitor customer feedback closely, to preserve the loyalty edge over public banks.

Additionally, the significant findings show that bank managers are still not practically using CRM and they need to move from transactional CRM to relational and recovery-based strategies. For example, Banks should conduct regular CRM audits and use customer feedback mechanisms that

should be institutionalized to continuously monitor and improve performance in high-impact dimensions.

5.4 Limitations and Future Research Directions

The study concluded with a well-structured conclusion and provided important implications for the banks especially how they can use CRM to convert prospects into loyal customers. However, there are some limitations to the study. First, the study was confined to the Arada District of Addis Ababa. This might not be a true representative of the customers in other branches within the capital city and other regions. Secondly, the researcher has applied a cross-sectional design in data collection. This reflects perception of customers at only one point in time. Third, the study was mainly based on self-reported data, which may be subject to certain response bias.

Future studies could fruitfully explore the effect of CRM on customer loyalty by adopt longitudinal design to track changes in CRM practices and loyalty tiers over time. Also, future studies sufficiently consider more comparative studies across more banks and regions in Ethiopia to improve the generalizability and replicability of results. Also, future research should try to link objective measures (e.g., actual retention rates, complaint resolution times) with the perceptual data in an effort to get a more complete picture of the CRM-loyalty nexus.

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Annex 1: QUESTIONNAIRE

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
MASTERS OF BUSINESS ADMINISTRATION PROGRAM

Dear Respondent,

My name is Estifanos Lulie, a postgraduate MBA student at Addis Ababa University, conducting a research study on "Customer Relationship Management (CRM) and Customer Loyalty in Commercial Bank of Ethiopia (CBE) and Awash Bank in Arada District." The purpose of this study is to investigate how CRM practices including communication, trust, relationship commitment and conflict management, influence and enhance customer loyalty in both public and private banking contexts. Your responses are extremely important and all information you provide will be kept strictly confidential and used solely for academic purposes. Please answer the questions honestly and do not write your name anywhere on the questionnaire.

If you have any questions, you may contact me at +251 929 083 624

or Email: estifanoslulie17@gmail.com

Thank you very much for your cooperation and timely response.

Part I - Personal Information Direction:

Please select an appropriate response category by putting a thick mark (√) on the one that corresponds to your response.

1. Gender

a. Male

b. Female

2. Age

a. 18-28

b. 29-38

c. 39-48

d. 49-58

e. Above 58

3. What is your level of Education?

a. High school and less

b. Diploma

c. First Degree

d. Master's and above

4. Marital status

a. Single

b. Married

c. Separated

d. Divorced

5. Occupation

Student
Employed (full-time)
Employed (part-time)
Self-employed
Retired
Unemployed

Part 2: Bank Usage

1. **Which bank do you primarily use?**

CBE ☐
Awash Bank ☐
Other: _____

5. Branch Name_____

6. Years of Relationship With the Bank:

☐ Less than 1 year ☐ 1–3 years ☐ 4–6 years ☐ More than 6 years

7. What type of accounts do you currently hold with this Bank?

A. Saving accounts

B. Current accounts

C. Loan

D. Mobile banking

8. **How did you first learn about your bank? (Select all that apply)**

A. Word of mouth
B. Online research
C. Social media
D. Advertisements (TV, radio, print)
E. Bank promotions/events
F. Other: _____

- **What sources do you rely on for information about banking services? (Select all that apply)**

A. Bank website
B. Customer service representatives
C. Online reviews
D. Friends/family
E. Financial advisors
F. Other: _____

7. Type of Service Mostly Used:

☐ Saving account ☐ Current account ☐ Loans ☐ Mobile/Internet banking

☐ ATM services ☐ Other (specify) _____

Part II: Customer Relationship Management (CRM) Practices

This part of the questionnaire uses a five-point Likert scale to assess your perception for CRM practices. Please place (√) mark in the space provided to indicate your level of agreement with the statements in the first column. Where, 1 =Strongly Disagree, 2= Disagree, 3= Neutral, 4 = Agree and 5 =Strongly Agree.

No	Measurement Items	**Measurement Scale**				
		1	2	3	4	5
Communication						
1	The bank provides timely information regarding services					
2	Communication from the bank is clear and easy to					
3	The bank provides regular updates through SMS, email, or phone calls.					
4	Bank staff clearly explain procedures, fees and service requirements.					
5	I can easily get information whenever I need clarification.					
Trust						
1	I trust the bank to handle my financial transactions securely.					
2	The bank keeps its promises and commitments.					
3	The bank is honest and transparent in its operations.					
4	I believe the bank acts in the best interest of its customers.					
5	I feel safe sharing my personal and financial information with the					
Relationship Commitment						
1	The bank values my long-term relationship as a customer.					
2	I feel the bank genuinely cares about my needs.					
3	The bank makes efforts to build strong and lasting relationships					
4	The bank treats me as a valued client rather than just a					
5	I intend to continue using this bank in the long term.					
Conflict Handling						
1	The bank handles customer complaints promptly and fairly.					
2	Whenever problems arise, the bank provides quick solutions.					
3	Staff are willing to listen and resolve customer concerns.					
4	I feel the bank treats complaints seriously.					
5	Conflicts with the bank are resolved in a satisfactory manner.					
Customer Loyalty						
1	I intend to continue using this bank for my financial needs.					
2	I would recommend this bank to friends, family, or colleagues.					

3	I prefer this bank over other banks in the area.					
4	I am satisfied with the overall services provided by the bank.					
5	I am willing to increase my use of the bank's services.					

Additional Comments

Please share any opinions or experiences you feel are important regarding CRM and customer loyalty in your bank:

_____

_____

Thank you for your participation!