



ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE

DEPARTMENT OF MARKETING MANAGEMENT

**THE EFFECT OF RELATIONSHIP MARKETING ON
CUSTOMER LOYALTY:**

THE CASE OF SELECTED COMMERCIAL BANKS IN ETHIOPIA

BY

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A Thesis Submitted to Addis Ababa University School of Commerce in Partial
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Declaration and Confirmation

I, the undersigned, declare that this submission is my own work, prepared under the supervision of Dr. Mulugeta Gebremedhin. To the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

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This is to certify that the thesis entitled “The Effect of Relationship Marketing on Customer Loyalty: The Case of Selected Commercial Banks in Ethiopia” submitted by Woy. Meskerem Bizuwork to Addis Ababa University School of Commerce towards partial fulfillment of the requirements for the award of the degree of Master of Arts in Marketing Management is a genuine record of the work carried out by her under my supervision and guidance.

Dr. Mulugeta Gebremedhin

Signature

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Abstract

The purpose of this study was to examine the effect of relationship marketing on customer loyalty in commercial banks in Ethiopia. Five dimensions of relationship marketing namely Trust, Commitment, Communication, Empathy and Conflict Handling were considered as predictor factors for the analysis of this study. A structured questionnaire with five point Likert scale was used to collect the data. A total of 400 questionnaires were distributed to customers of 8 big city branches of CBE, Awash Bank, Dashen Bank and Abay banks, based on convenience sampling method and 387(97%) were returned for analysis. Descriptive statistics were used to give general observation of the data and existing relationship marketing practice of the banks. To investigate the relationship and effects of the variables Pearson correlation and multiple regression analysis is done. Result of the study showed that 48.9% of customer loyalty was found to be explained by relationship marketing factors. Commitment, Trust and Conflict handling were found to be the major and significant contributing factors on customer loyalty while contributions of Communication and Empathy are found to be statistically insignificant. Based on the findings, it was recommended that the banks management to focus on the statistically significant factors in order to make customers more loyal. In addition, the study recommends the banks to focus on some relationship marketing factors such as empathy since such factors exhibited lesser mean value in the study.

List of Table and figures

Tables and figures	Pages
Figure 2.1. Conceptual Framework	17
Table 3.1. Sample Quota	27
Table 3.2. Reliability Analysis: Cronach's Alpha Value	30
Table 4.1 Respondents Demogrphic Profile	32
Table 4.2. Respondents Banking Relation Profile	33
Table 4.3. Descriptive statistics of Dependent & Independent Variables	34
Table 4.4. Pearson Correlation	37
Table 4.5. Collinearity Statistics	38
Table 4.6. Multiple Regression for Customer Loyalty	40
Table 4.7 Summary of Hypothesis Testing	42

Table of Contents

INTRODUCTION

1.1. Background of the study	1
1.1.1. Banking in Ethiopia.....	3
1.2. Statement of the problem	3
1.3. Research Questions.....	5
1.3.1. General Research Question	5
1.3.2. Specific Research Questions	5
1.4. Objectives of the study	6
1.4.1. Specific Objectives of the Study	6
1.5. Significance of the study	6
1.6. Scope of the study	7
1.7. Definition of terms.....	7
1.8. Organization of the research	8

CHAPTER TWO

LITRATURE REVIEW	9
2.1. Theoretical Literature Review.....	9
2.1.1. Concepts of Relationship Marketing.....	9
2.1.2. Development of Relationship Marketing Concept	10
2.1.3. Benefits of Relationship Marketing	11
2.1.4. Relationship Marketing in the Banking industry.....	12
2.1.5. Customer Loyalty	13
2.1.6. Relationship Marketing and Customer Loyalty.....	14
2.2. Empirical Evidences	15
2.3. Conceptual Framework and Research Hypothesis	17
2.3.1. Trust and Customer Loyalty.....	18
2.3.2. Commitment and Customer Loyalty.....	19

2.3.3. Communication and Customer Loyalty.....	19
2.3.4. Empathy and Customer Loyalty	20
2.3.5. Conflict Handling and Customer Loyalty	21

CHAPTER THREE

RESEARCH METHODOLOGY	23
3.1. Research Approach	23
3.2. Research Design.....	24
3.3. Population and Sample	25
3.3.1. Target Population.....	25
3.3.2. Sampling Technique.....	25
3.3.3. Sample Size	26
3.4. Data Source, Data Type and Collection Procedure.....	27
3.4.1. Data Source.....	27
3.4.2. Data Collection Method.....	28
3.5. Method of Data Analysis.....	29
3.6. Reliability and Validity	29
3.7. Ethical Considerations.....	30

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION	31
4.1. Introduction	31
4.2. ResponseRate	31
4.3. Respondent’s Profile.....	31
4.4. Normality Test	34
4.5. Descriptive Statistics	34
4.6. Factor Analysis of Variables	35
4.7. Correlations.....	36
4.8. Assumptions of Regression Analysis	37
4.8.1. Sufficient Number of Observation	37
4.8.2. Testing Multicollinearity	38

4.8.3. Checking for Linearity	38
4.8.4. Homoscedasticity	39
4.9. Regression Analysis.....	39
4.10. Hypothesis Testing.....	41

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMONDATION.....	43
5.1.Summary of Findings	43
5.2. Conclusion.....	44
5.3. Recommendations	44
5.4. Limitation and Direction for Further Research	45
REFERENCES.....	46

CHAPTER ONE

INTRODUCTION

This chapter begins with a background discussion on relationship marketing and banking in Ethiopia and further discusses on problem of the study, research questions, objectives, significance and scope of the study. It ends by presenting the outline of the thesis.

1.1 Background of the study

The marketplace today is very dynamic, vivacious and competitive. The customers are smarter, more informed, and have an access to many channels and choice. Customer can easily defect to competitors who promise better offerings at lower prices (Bhardwaj, 2007). Accordingly, many commercial banks have been facing severe competition and major customers' switch off. Well informed customers, the decline in brand loyalty, the increased understanding of venders regarding the benefit of having long term relationship with existing customers and the high intensity of competition among banks in terms of technology, product, customer service are the core reasons that escalate the importance of customer relationship marketing in the banking industry.

Until a new proclamation was issued out to effect the deregulation and liberalization of the financial sector in 1994, the Ethiopian banking sector had operated like a monopoly (Aderaw G and Manjit S., 2016). However, with the entry of private banks, the industry has taken more competitive form. Banks are now faced with very high and intense competition (Harvey, 2010). Homogeneity of services offered and competition within the banking industry have put added pressure on banks to achieve competitive differentiation. Increasing customer loyalty emerges as the most challenging phenomenon facing each bank.

Cultivating loyal customers is frequently argued to be the single most important driver of organizations' long-term financial performance, which can lead to increased sales and market share, lower costs, and higher prices. Transforming indifferent customers into loyal ones and establishing a long term relationship with customers is critical for organizational success (Bhardwaj, 2007).Eisingerich & Bell(2007) find empirical support that customer loyalty emerges

as the dominant, significant, direct determinant of repurchase intention. Also their study suggest that, in managing client relationships, financial institutions should consider the relative effectiveness of individual relationship building strategies in fostering customer loyalty. According to Onut et al. (2006), banks and other service providers realize the importance of customer relationship marketing (CRM) and its potential to help the acquiring new customers, retain existing ones and maximize their life time value. Marketing attention shifted gradually but definitely from mutually independent transactions to loyalty based repeat purchases and cross-sell opportunities [e.g. Berry, 1995; DeWulf et al., 2001; Winer, 2001].

Key objective of Customer Relationship Marketing is to foster customer loyalty, which Blomqvist et al. (1993) proposed the following key characteristics of relationship marketing: every customer is considered an individual person or unit; activities of the firm are predominantly directed towards existing customers; implementation is based on interactions and dialogues; and the firm is trying to achieve profitability through the decrease of customer turnover and the strengthening of customer relationships(Blomqvist,1993).Parvatiyar & Sheth (2000) consider relationship marketing to be the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-use customers to create or enhance mutual economic value at reduced cost.” According to Morgan & Hunt (1994) it refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges. Rapp & Collins (1990) suggest that its goals are to create and maintain lasting relationships between the firm and its customers that are rewarding for both sides.

Berry (1995) perceived relationship marketing as a tool from which customer loyalty can be secured and, as a result, the attainment of higher competitiveness and enhanced customer satisfaction can be achieved. Thus, if CRM practices are conceived and implemented properly, they will enable companies to retain customers for life, get maximum value out of each customer and generate exemplary customer bonding (Tamilarasan, 2011). Successful customer relationship management improves customer loyalty and firm performance through stronger relational bonds. (e.g., De Wulf, Odekerken-Schröder, and Iacobucci, 2001). Therefore, this study aims to empirically investigate the effect of relationship marketing on loyalty of customers in the case of commercial banks in Ethiopia.

1.1.1. Banking in Ethiopia

Banking service is about a century old practice in Ethiopia. Banking service was started in early 20th century in Ethiopia when an agreement was reached between Emperor Minilik II and MaGillivray, representative of the British owned National Bank of Egypt in 1905(Shanka, 2012). The agreement enabled the country to establish the first bank called “Bank of Abyssinia” in 1906.

During the five years of Italian occupation i.e. during the period of 1941-43 banking industry of the country was relatively expanded and most of the banks were owned by the Italian. On January 1, 1975 all financial institutions are nationalized and all the government banks were formed.

After market liberalization policy, private banks and other financial institutions are encouraged to enter the financial system of the country and currently the banking sector comprises one central bank (National Bank of Ethiopia), two public banks and sixteen private banks(Aderaw and Manjit, 2016) which indicate the increased availability and accessibility of banks in the country.

1.2 Statement of the problem

Commencing two decades, liberalization of the financial sector gives the opportunity for the financial institutions in Ethiopia to grow and expand. Banks today are working in a competitive and rapidly changing environment, with not only competing among each other but also with other financial institutions (Aderaw G. and Manjit S, 2016).

Banks offer varying products and benefits to satisfy their customer needs. However Customers perceive very little difference in the banking products offered, as any new offering is quickly matched by competitors in services. (Shanka, M. S., 2012). In addition, despite the efforts made by the banks to increase customer satisfaction and retention, there is high customers switch from one bank to another. In such kind of environment, banks need to identify and understand the

effect of various marketing strategies which can enable them to retain the existing ones by gaining better competitive advantage.

Relationship marketing has emerged over the years as an exciting area of marketing that focuses on building long-term relationships with customers and other parties. The strategy is particularly important to the service industries because of the intangible nature of the product and their high level of customer interaction. A key feature of the strategy of relationship marketing is that it not only results in increased customer and company profitability, but it also provides a sustainable competitive advantage to a service firm as the intangible aspects of a relationship are not easily duplicated by competitors (Reichheld & Sasser, 1990).

In view of the importance of the subject, much attention is given and various studies have been conducted by different researchers to show the many benefits of relationship marketing which include development of customer loyalty in the service industry particularly in the banking sector. (Stavros & Westberg, 2009) (Colgate and Alexander, 1998) and (Gilbert and Choi, 2003). According to the studies, there are numerous factors that influence relationship marketing success towards customer loyalty such as trust (Macintosh and Lockshin, 1997), commitment (Beetles and Harris, 2010), competence (Hunt et al, 2006), equity (Kavali et al, 1999), benevolence (Ndubisi and Wah, 2005), empathy (Ndubisi, 2004), conflict handling (Gilaninia et al, 2011), and communication or sharing of secrets (Ndubisi and Wah, 2005). Also various scholars such as Morgan and Hunt, 1994; Evans and Laskin, 1994; Chattananon & Trimetsoontorn, 2009) have documented shared values, bonding, and reciprocity, communication, empathy as the underpinnings of relationship marketing.

However, researches in the field remains questionable as the past studies reported differing results regarding the factors of relationship marketing and the magnitude of their effects on loyalty of customers. Mukhiddin J. et al (2012) reported that customer loyalty is influenced by empathy, commitment, trust, perceived value, perceived service quality and conflict handling in the context of retail banking in the northern Malaysia. While communication and conflict handling aspects were found to be the significant drivers of overall customer satisfaction by Mihir D. and VineethaR. (2013), Halimi, A.B, et al (2011) stated that personalization and communication had highly influence customer satisfaction and customer loyalty. Also in the

study of Wijekoon and Dharmadasa (2011), commitment had acted as a strong determinant of customer loyalty in Sri Lankan banking sector.

In addition from the few studies conducted in Ethiopia regarding the effect of relationship marketing on loyalty, most studies focused on a single bank context instead of the whole banking sector.

Therefore considering the importance of relationship marketing in the current bank business in Ethiopia and based on the above mentioned theoretical and contextual gaps, this research intended to investigate the effect of relationship marketing on customer loyalty in the case of selected commercial banks in Ethiopia by taking five explanatory variables Trust, Commitment, Communication, conflict handling and Empty.

1.3 Research Questions

The study is conducted with the aim of providing answer to the following research questions.

1.3.1 General Research Question

How does Relationship Marketing influence customers' loyalty in commercial banks in Ethiopia?

1.3.2 Specific Research Questions

1. How does trust affect Customers' loyalty in commercial banks in Ethiopia?
2. How does Commitment affect customers' loyalty in commercial banks in Ethiopia?
3. How does Communication affect customers' loyalty in commercial banks in Ethiopia?
4. How does Empathy affect customers' loyalty in commercial banks in Ethiopia?
5. How does Conflict Handling affect customers' loyalty in commercial banks in Ethiopia?

1.4. Objectives of the study

The main objective of the study is to examine the effect of relationship marketing on customer loyalty in the case of selected commercial banks in Ethiopia.

1.4.1. Specific Objectives of the Study

Specifically, this study has the following objectives:

1. To investigate the effect of trust on customers' loyalty in the banking sector in Ethiopia.
2. To examine the effect of commitment on customers' loyalty in the banking sector in Ethiopia.
3. To determine the effect of communication on customers' loyalty in the banking sector in Ethiopia.
4. To study the effect of empathy on customers' loyalty in the banking sector in Ethiopia.
5. To investigate the effect of conflict handling on customers' loyalty in the banking sector in Ethiopia.

1.5. Significance of the Study

The study helps to verify the main factors of relationship marketing which can lead to customer loyalty in order to stay competitive in banking industry. It also provides valuable information about the effect of relationship marketing on loyalty with regards to banks specifically in the context of Ethiopia. Besides, based on the result and findings of the research, banks will focus and work hard on customer relationship marketing components that have significant effect of customer loyalty and will take remedial actions on those issues which need improvement. Moreover, the research can serve as aspiring board for those who want to undertake further research in this area. Finally the conduct of this study highly merits the researcher by creating pleasing opportunity to explore the marketing literature and integrate with practical knowledge.

1.6. Scope of the study

In examining the effect of customer relationship marketing on customer loyalty, different studies use various components of relationship marketing. However, in this study, the effect of relationship marketing on loyalty is measured using trust, commitment, communication, empathy, and conflict handling.

Because of the broader nature of the research, the study was limited to customers of one government owned bank (Commercial Bank of Ethiopia) and three selected private banks (Dashen Bank, Awash Bank and Abay Bank) in Addis Ababa city. Addis Ababa city is selected for the study area because customers are assumed to be better source for the investigation since they are more knowledgeable, demanding, and have better choice of banks.

The target group of the population is taken from customers of the selected bank and the sample size was determined by using formula from published article that are relevant to this study.

1.7. Definition of Terms

Commitment

Commitment is defined as an enduring desire to maintain a valued relationship (Moorman, Zaltman, and Deshpandé, 1992).

Communication

Anderson and Narus (1990) defined Communication as formal as well as informal sharing of meaningful and timely information between firms.

Conflict handling

Conflict handling is the ability of each supplier's to minimize the negative consequences of manifest and potential conflicts. (Dwyer et al., 1987)

Empathy

Empathy can be viewed as the ability to share, understand and feel another person's feelings in a relational situation (Velnampy and Sivesan, 2012).

Trust

Trust is defined as one party's confidence in an exchange partner's reliability and integrity. (Morgan and Hunt, 1994)

1.8. Organization of the Research

This research paper is organized in to five chapters. The first chapter addresses background of the study, statement of the problem, objectives of the study, significance of the study and scope of the study. The second chapter deals with the review of related literature where theoretical and empirical evidences are explored from different publications in the area of customer relationship marketing. The third chapter presented the research design and methodology which focused on the type of research, target population, sample size, sampling techniques, sources and instruments of data collection, procedures of data collection and finally method of data analysis. The fourth chapter discuss about the results and discussion concerning with the summarization and interpretation of the research findings. Finally in chapter five, summary of findings, conclusions, recommendations of the study are presented.

CHAPTER TWO

LITERATURE REVIEW

In this chapter, theoretical, empirical and the conceptual framework that guides the study are briefly highlighted.

2.1 Theoretical Literature Review

2.1.1 Concepts of Relationship Marketing

First, it is worth defining relationship marketing, despite the lack of agreement on common meaning of the concept. Various authors define relationship marketing from different academic or practical perspectives.

Mudie et al,(2006) defined relationship marketing as “Relationship Marketing is a philosophy of doing business, strategic orientation that focuses on keeping and improving current customers rather than acquiring new customers”. According to Clark et al. (1995) relationship marketing is "the business of attracting and enhancing long-term client relationships". Grönroos (1990, p.138) stated that relationship marketing is “to establish, maintain and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties are met”. (Mishra & Lij, 2008) views Relationship marketing as “all marketing activities directed toward establishing, developing, and maintaining successful relationship exchanges”. Kotler and Armstrong (1999, p.550) illustrated relationship marketing as "Relationship marketing involves creating, maintaining, and enhancing strong relationships with customers and other stakeholders.

Most of relationship marketing definitions emphasize longer term perspective, focusing on keeping customers rather than getting customers. In a general sense, relation marketing is about identifying, establishing, maintaining, enhancing and, when necessary, terminating relationships with customers, so that the objectives of both parties are met (Rashid, 2003). Fundamental to the notion of relationship marketing is the concept of relational exchange It is associated with attempts by firms to develop long-term profitable relationships with customers.

As to Morgan and Hunt (1994, P.22), Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful exchanges. Gabmble, Stone and Woodcock (1999) also illustrate this idea by defining Customer relationship marketing as “An enterprise-wide commitment to identify your named individual customers and crate a relationship between your company and these customers so long as this relationship is mutually beneficial”.

2.1.2. Development of Relationship Marketing Concept

The development and the creation of a conceptual framework to understand relationships marketing and to study its nature was very slow in adoption. For a long time, marketing focused on acquiring customers instead of attempting to retain them. Traditional marketing approach does not encapsulate the essence of ongoing or relational exchange. Eventually, consumers' needs and expectations have changed. To notice to various customers and also their needs, organizations want to apply differentiation and customer-oriented marketing strategies for achieving competitive advantage. Transactional based marketing that focus only on the selling of the product and only devoting effort to attract new customers shifted to interactive marketing that focus on the establishment of sustainable and long term customer relation.(Turkamani et al. 2010).

Relationship marketing concept was developed as an effective strategy to attract, maintain and enhance customer relationships (Roberts et al., 2003). Sheth and Parvatiyar, (2000) indicated that relationship marketing emerged in the 1980s as an alternative to the prevailing view of marketing, because it was recognized that many exchanges, particularly in the service industry, were relational by nature. They add that in the first half of the 1990s the development of marketing changed from transaction marketing to relationship marketing. Concerned parties (sellers and buyers) understood and appreciated each other's' needs and constraints much better, and they change their trends for the favor of cooperation with one another, so, they become more relationship oriented.

2.1.3. Benefits of Relationship Marketing

The concept of CRM is very important to the business sector. It has appeared as one of the most widely prescribed solutions for diminishing market share and slow growth of many industries. CRM is a marketing philosophy, which places the customer at the heart of the business processes, activities and cultures for improving customer satisfaction and maximizing profits.

Companies can gain many benefits in applying customer relationship marketing.

Agarwal (2009) described that a relationship-based marketing approach has the following benefits.

- Over time, retail bank customers tend to increase their holding of the other products from across the range of financial products / services available.
- Long-term customers are more likely to become a referral source.
- The longer a relationship continues; the better a bank can understand the customer and his/her needs & preferences, and so greater the opportunity to tailor products and services and cross-sell the product /service range.
- Customers in long-term relationships are more comfortable with the service, the organization, methods and procedures. This helps reduce operating cost and costs arising out of customer error.

As Buttle(1996), stated Relationship marketing has two economic benefit from the firm's perspective

- It is more expensive to win a new customer than it is to retain an existing customer
- The longer the association that exists between company and customer, the profitable is the relationship for the firm

Also (Marshall et al, 1979) show the benefit of relationship marketing towards increasing profitability as “ongoing relationships may have a direct impact on financial outgoings by helping to reduce transaction costs associated with repeat ordering”

Relationship marketing adds value to a product or service package which creates or improve competitive advantage as a result a premium may be charged to the customer (Crosby and Stevens, 1987).

As to Christopher et al. (1991), relationship marketing may go beyond creating mere customer loyalty and, as the relationship strengthens, may create “customer advocates” of the company and play an important role as a referral source. Relationship marketing, due to its focus on customer satisfaction, has become a proven method of increasing the sales of a company.(Baral & Bihari, 2009, p.324)

2.1.4. Relationship Marketing in the Banking Industry

The current business situations provide customers numerous choices which increase their bargaining power. Customers are searching for various benefits from banks including better services, lower transaction fees, and higher interest rates for their deposits, sign of affluence, new products, and access to the bank from different convenient channels among others. This has made institutions to rethink of new ways to satisfy customers so as to remain in business.

CRM is one way that a bank can differentiate itself from other financial institutions and encourage brand loyalty among its customers. Banks that embrace the marketing concept see relationship banking as the way to build loyal and profitable long-term relationships with each customer. Relationship based marketing can result in long-term retention, which leads to improved financial and market performance, and an increased competitive edge. It enables a bank to analyze customer profiles, detect their needs and potential profitability areas and establish the necessary actions to achieve customer satisfaction, competitive advantage and thus the profitability (Woodcock, Foss & Stone, 2003).

Rashid et al. (2003) defined relationship marketing in a financial institution as "an approach to providing seamless coordination among process, people, information and technology that creates positive experiences for a party each time he or she interacts with the bank. It is the capability for delivering each 'valued experience' enabled by the bank's knowledge about a party including their preferences, behaviors, goals, and attitudes".

According to a study conducted in the sector of banking, convenience of location, price, recommendations from others and advertising are not important selection criteria for banks. From customers' point of view, important criteria are: account and transaction accuracy and carefulness, efficiency in correcting mistakes and friendliness and helpfulness of personnel. Thus, according to Onut et al. (2006) customer relationship marketing is a business strategy of identifying the banks most profitable customer and prospects, and devotes time and attention to expanding account relationship with those customers through individualized marketing, reprising, discretionary decision making and customized service all delivered through the various sales channels that the bank uses.

2.1.5. Customer Loyalty

In a typical company, the rate of customer defection each year runs at about 10 – 30% which means that the business has to recruit same new customers to maintain the customer base. Evidence suggests that here is a consistent relationship between customer retention and long term profitability. The best performing companies are those that succeed in retaining their existing customers. (Ross B. et al., 2008. P. 151)

Customer loyalty is defined by Oliver (1999) as a deeply held commitment to re buy or re patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior " (Yim et al.,2008). Customer loyalty focuses on a customer's repeat purchase behavior that is triggered by a marketer's activities (Hennig-Thurau et al., 2002).

It is the result of developing past positive experiences with an individual and having that person returned back to you various times due to these experiences (Ghavami & Olyaei, 2006). It has been with. If customers are receiving poor service and neglected from the organization towards their need, the company will have a short term relationship.

Cultivating loyal customers is frequently argued to be the single most important driver of organizations' long-term financial performance, which can lead to increased sales and customer share, lower costs, and higher prices (Alrubaiee and Al-Nazer, 2010)

Loyal customers Benefits an organization in various ways.

- Low acquisition cost that are non-recurring which occur only once
- The longer the customer stay with the business, the more they will inclined to spend to trade up enhanced products or service
- Referral business will be gained from satisfied customers recommendation
- Satisfied customers may not hesitate to pay premium price for the value gained.

It is clear that many firms have concluded that strategic action to move customers along the spectrum or towards the relational end is desirable as a means of trying to cement customer loyalty and improve their own long-term profitability. Relationship marketing strategies can either be a response to the nature of the exchange or an attempt to increase the relational element in the exchange in order to achieve a competitive advantage. (Ross et al, 2008)

2.1.6. Relationship Marketing and Customer loyalty

CRM is mainly based on the belief that establishing a sustainable relationship with customers is the cornerstone for obtaining loyal customers who are much more profitable than non -loyal ones (Dowling, 2002).

The goal of relationship marketing is to satisfy the customer in such a manner that he becomes loyal to the company and is unlikely to switch to competitors (Baral & Bihari, 2009). Thus, loyalty leads them to retain with the organization. Customer retention improves profitability principally by reducing costs incurred in acquiring new customers (Cohen et.al, 2006).

Peng and Wang (2006) define relationship marketing as all marketing activities directed towards building customer loyalty (keeping and winning customers) by providing value to all the parties involved in the relational exchanges”. According to Zeithaml et al. (2002) relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers rather than acquiring new ones. This philosophy assumes that consumers prefer to have an ongoing relationship with one organization than to switch continually among providers in their search for value.

Empirical studies have showed the effects of relationship marketing on loyalty which affects customer retention (Bolton, et al., 2000; De Wulf et al., 2001; Verhoef, 2003). Findings obtained by Lages et al., also showed that there is a significant relation between customer loyalty and relationship marketing and its factors (Lages et al., 2008). Strong relationships with business customers foster increased profit, improved communication, and an increase in satisfaction, creating Loyalty (Petersen & Rajan, 1995).

Relationship marketing is about to make a great relationship with customers in order to make them buy from company again and also persuade others to do the same. If organizations try to improve relationships with their consumers it can leads to have more loyal interactions.

2.2. Empirical Evidences

According to Velnampy and Sivesan (2012) have conducted a study on Customer Relationship Marketing and Customer Satisfaction a study on Mobile Service Providing Companies in Srilanka. The main purpose of the study is examining the relationship between customer relationship marketing and customer satisfaction. Customer relationship marketing can be measured through following ten variables trust, commitment, empathy and equity. Data were collected through a seven points Likert type summated rating scales of questionnaire. A sample of one hundred and seven customers was surveyed from three mobile service providing companies such as Airtel, Dialog, and Mobitel. Correlation and regression analyzed has been employed to measure relationship and contribution among the dependent and independent variables. The finding reveals a positive and significant relationship between relationships marketing and customer satisfaction.

Mohammad et al. (2011) this research aimed to empirically investigate the impact of relationship marketing underpinnings (namely trust, commitment, communication, conflict handling, bonding, shared values, empathy, and reciprocity) on customer loyalty in the banking industry. A survey was conducted, collecting data through a questionnaire containing 34 items that was completed by 384 randomly selected bank customers and multiple regression analysis was used

for data analysis. The results revealed that the all underpinnings of relationship marketing were directly associated with customer loyalty and they had a significant effect on it. Therefore it is reasonable to conclude that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, handling conflict efficiently, paying attention to shared values, improving the empathetic and reciprocal abilities of the salespeople, and developing strong bonds between buyers and sellers.

Seyyedeh et al. (2011) have investigated on relationship between relationship marketing and customer loyalty case study on Pasargad bank in Mazandran province. The main objective of the study is to add to understanding about the role of relationship marketing tactics in customers' loyalty. Sample size is determined using Cochran Sampling method which the statistical sample is 352 of these bank customers which have been selected through the simple random sampling method. To gather the data, the study used questionnaires with 37 items. Questionnaires reliability was estimated by calculating Cronbach's Alpha. In order to analyze the data resulted from collected questionnaires deductive and descriptive statistical methods are used. Finding show that correlation results has a positive relationship between trust, commitment, communication, conflict management and competence as independent variable and customer loyalty as dependent variable. Therefore, as the level of trust, commitment, communication, conflict management and competence increase the customer loyalty.

Filip and Anghel (2009) studied the level of customer loyalty on Romanian retail banking sector. They stated that the level of trust, commitment, satisfaction and bank's attitude towards its customers had supported the level of customer loyalty.

Ndubisi's (2007) study examined the impact of relationship marketing strategy on customer loyalty. The study used a questionnaire and distributed it over 220 bank customers in Malaysia. Multiple regression analysis assessed the impact on customer loyalty of four key constructs of relationship marketing (trust, commitment, communication and conflict handling). The study concluded that the four variables have a significant effect and predict a good proportion of the variance in customer loyalty.

2.3. Conceptual Framework and Research Hypothesis

Relationship marketing dimensions measure the extent to which a company engages in developing a long term relationship with its customers. Various literatures revealed a number of dimensions that could influence relationship marketing towards loyalty of customers.

Based on combination of models presented in previous studies such as Ndubisi (2007) and Sin et al. (2002), this study propose to test the effects of five customer relationship marketing dimensions(Trust, Commitment, Communication, Empathy and Conflict Handling) on customers loyalty in the banking sector in Ethiopia

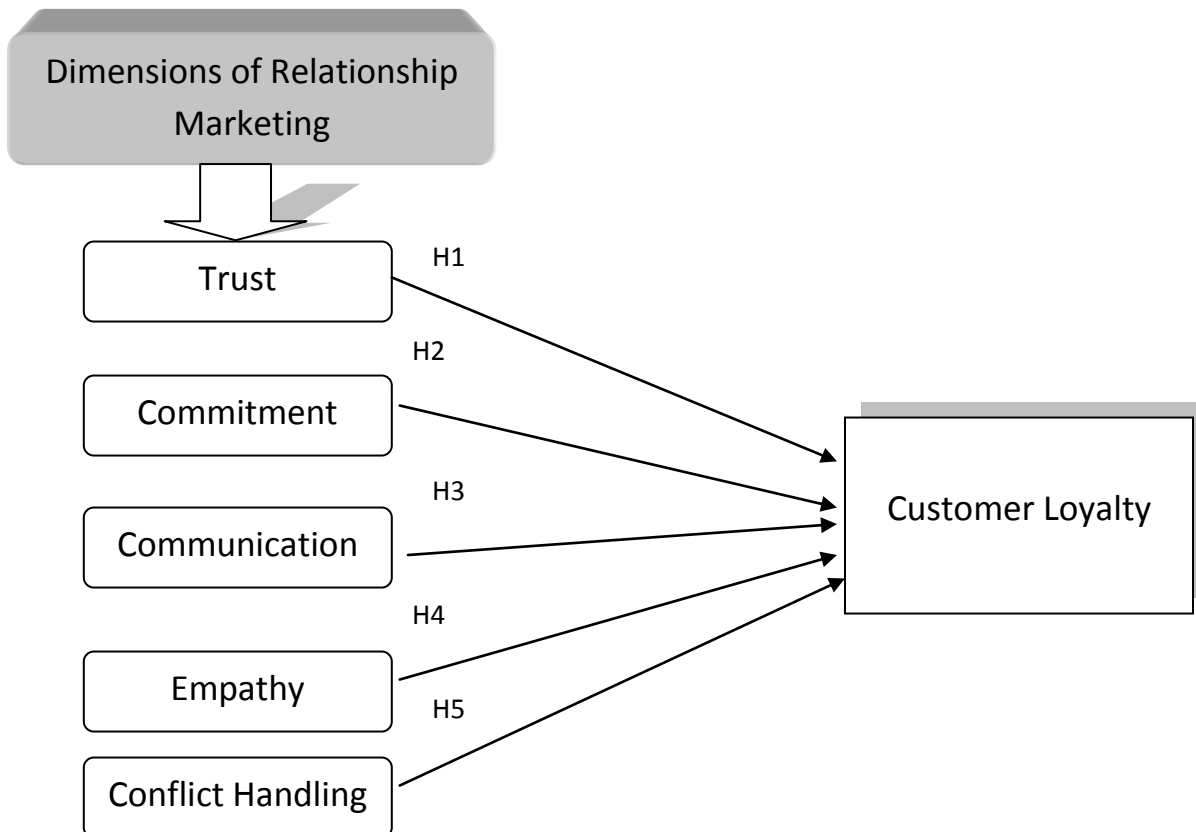


Figure 2.1. Conceptual Framework

2.3.1 Trust and Customer Loyalty

In the bank business, trust is the ground for relationship. Dwyer, Schurr, and Oh (1987) indicated that trust is considered the foundation of strategic partnerships, and it seems to be a mediating or intermediary element in provider-customer relationships. It is considered as a key element in establishing long-term relationships with customers and in maintaining a company's market share.

Findings of researches ascertain the fact that trust is one predictor of loyalty and is recognized as a major construct in modeling Relationship marketing(Morgan & Hunt(1994), Veloutsou et al.(2002); Singhand Sirdeshmukh (2002).

Trust is defined as a belief or conviction about the other party's intentions within the relationship. In the context of relationship marketing, trust is defined as the dimension of a business relationship that determines the level to which each party feels they can rely on the integrity of the promise offered by the other (Chattananon & Trimetsoontorn, 2009). In the banking context, trust is customer confidence in the quality and reliability of the services offered by the organization (Garbarino & Johnson, 1999)

Trust is a highly valuable non-balance sheet asset that requires investment of considerable resources in creating. It is believed to be a result of excellent and reliable service of an organization. Trust in organizations comes from customers' positive experiences that induce them to continue with the relationship (Vesel & Zabkar, 2010). It exists when one party has confidence in another party's reliability and integrity (Hansen et al. 1999). Therefore,

H1: Trust has a significant positive effect on customer loyalty in the banking sector in Ethiopia.

2.3.2. Commitment and Customer Loyalty

Commitment is another important component of relational exchanges defined as “an enduring desire to maintain a valued relationship” (Moorman, Zaltman, and Deshpandé, 1992) that produces significant benefits for companies (Farrelly & Quester, 2003).

High peaked relationship bonding and Long term relationship is indicated by the existence of commitment among partners.(Morgan & Hunt, 1994; Shamdasani & Sheth, 1995). Scanzoni (1979) revealed that commitment is the most advanced phase of partners’ interdependence.

In the relationship marketing literature the concept of commitment plays a central role, as it is a major characteristic of relationship marketing models (Scanzoni, 1979). It determines the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan and Hunt, 1994). Commitment is at the core of all successful working relationships and that it is an essential ingredient in successful long-term relationships (Anderson & Narus, 1998).

Committed customers are characterized as partners who wants enduring relationship.(Morgan & Hunt ,1994).Committed customers benefit the partnering organization through both positive attitude and behavior as well as engage in positive and delighted word-of-mouth exchanges with other potential customers. Committed customers are resistant to competitors attempts to persuade them and likely to be willing to extend their business with the brand, and to evolve their relationship with the brand over a period of time. Therefore,

H2: Commitment has a significant positive effect on customer loyalty in the banking sector in Ethiopia.

2.3.3. Communications and Customer Loyalty

Communication is considered as an important aspect of successful relationships (Morgan & Hunt, 1994). Good communications have positive impact on customer satisfaction, loyalty and trust.

Communication is defined as a formal as well as informal exchanging and sharing of meaningful and timely information between customers and service providers (Anderson and Narus,1990). Today communication is viewed as an interactive dialogue between the company and its customers, which takes place during the pre-selling, selling, consuming and post-consuming stages (Anderson & Narus, 1990). The characteristic aspect of marketing communication in a relationship marketing context is an attempt to create a two-way or sometimes even a multi-way communication process. Not all activities are directly two-way communication, but all communication efforts should lead to a response of some sort that maintains and enhances the relationship.

Communication is an important part of a relationship marketing strategy (Duncan and Moriarty, 1997).If relationship marketing is to be successful; an integration of all marketing communications messages is needed to support the establishment, maintenance and enhancement of relationships with customers. An alignment among all marketing communication messages is required for continuance and improvements of long term mutually satisfying relationships with customers and stakeholders.

Empirical evidence suggests that communication increases the level of trust between partners (Anderson and Narus, 1990; Anderson and Weitz, 1989; Morgan and Hunt, 1994). It also helps build trust by providing partners with a mechanism that can be used to resolve disputes(Sin et al. ,2002). In addition, it improves partners' ability to align their expectations and perceptions. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal. Therefore,

H3: Communication has a significant positive effect on customer loyalty in the banking sector in Ethiopia.

2.3.4. Empathy and Customer Loyalty

Empathy is the dimension of a business relationship that is defined as seeking to understand somebody else's desires and goals. It involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive sense. It involves sensing others' feelings and perspectives, and taking an active interest in their concerns.

Empathy enables the two parties to see the situation from the other's perspective (Wang, 2007). Empathy is characterized by looking expressions of the people face or body movement, or by hearing their tone of voice, which will have immediate response on how they feel and treat them in the manner they would like to be treated (Ndubisi, 2004). It gives the ability to share and understand another person's state of mind or behavior.

The importance of empathy increases as duration of the relationship among the parties increase. Liking the other on the behalf of each party develops a close interpersonal and business relationship and gives a more positive outlook to each party.

In the personal selling literature, the empathetic abilities of the salespeople are a prerequisite for successful selling. In the service marketing literature, the component of empathy is used in developing the SERVQUAL test instrument for service quality. Empathetic marketers are not insensitive to the needs and concerns of the consumer. Empathy implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need. Empathy should not be equated with sympathy; marketers can be empathetic while still driving a hard bargain with customers (Murphy et al, 2007).

New research finds that fundamental human emotions, gestures and responses such as genuine empathy for a client's well-being, gratitude and appreciation creates a pathway to customer trust, loyalty, retention and ultimately performance outcomes. Therefore,

H4: Empathy has a significant positive effect on customer loyalty in the banking sector in Ethiopia.

2.3.5. Conflict Handling and Customer Loyalty

Conflict, in general, is considered as a harmful, destructive experience by people, but it is more natural. Interactions of service providers with their customers contain complaint handling as an integral part. It may not be practical to achieve service performance without failure at all time, however, conflicts resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues if not handled carefully will result in defection.

Conflict handling was described by Dwyer et al.(1987) as the firm's capability to reduce the harmful outcomes of apparent and possible conflicts. Conflict handling reflects the supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solution openly when the problem arises.

Proper handling of conflict should be timely and proper. It poses negative impact on credibility and on trust of service provider if viewed by customer as inappropriate and slow handling of complaints (Ganesan, 1994). Organizations will benefit, if complaint is known, accepted and well managed in appropriate approach. The ability of the service provider to handle conflict well influences customer loyalty. Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. Organizations that encourage disappointed customers to complain and empower employees to remedy the situation on the spot have been shown to achieve higher revenues and greater profits (Kotler and Keller, 2006: 419 - 420). Therefore,

H5: Conflict Handling has a significant positive effect on customer loyalty in the banking sector in Ethiopia.

CHAPTER THREE

RESEARCH METHODOLOGY

In this chapter the research approach and design, population and sample of the study, sampling procedures, research instruments, data source and data gathering instruments are discussed. It also describes data analysis method and interpretations that are appropriate for the study.

3.1. Research Approach

Research approach are plans and procedures for research that span the steps from broad assumptions to detailed methods of data collection, analysis, and interpretation (Creswell, J. , 2014). It informs the philosophical assumptions the researcher brings to the study; procedures of inquiry; and specific research methods of data collection, analysis, and interpretation. In researches Quantitative or Qualitative or mixed methods approach can be applied to study a topic. Quantitative research design is used to examine the relationship between variables and test theory. The main emphasis of quantitative research is on deductive reasoning which tends to move from the general to the specific. It is proved to be suitable for the researches that will use structured questioners to collect data, depend on small sample size and results will be presented and analyzed using statistical methods. It places greater emphasis on the numerical data and statistical test to achieve conclusion that can be generalized (Saunders, 2012). Qualitative research approach is applied for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. Follower of this approach support honors an inductive style, a focus on individual meaning and the importance of rendering the complex (Creswell, 2014). Mixed methods research approach involve collecting and integrating both quantitative and qualitative data and using distinct designs that may involve philosophical assumptions and theoretical frameworks in order to provide more complete understanding of a research problem.

In this study, quantitative research approach is applied to examine the relationship among factors of relationship marketing and customer loyalty by deducting theories and pose questions and hypotheses.

3.2. Research Design

According to Chopra et al. (2012), research design is the conceptual structure within which Research is conducted. They specifically indicate the arrangement of condition for collecting and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure .There are three types of research design based on the study purpose: exploratory, descriptive and explanatory (David, 1987).Exploratory research studies aim at formulation of a problem from more precise investigation or of developing the working hypothesis from an operational point of view. According to Polit et al (2001), exploratory studies are undertaken when a new area is being investigated or when little is known about an area of interest. Its major emphasis is on the discovery of ideas and insights.(Kothari, C.R, 2004).Descriptive research design can be related to statistical research, which means that it describes data and different characteristics about a specific population and/ or phenomenon (Wallén, 1996). The primary concern of descriptive research is finding out "what is". It stems from prior knowledge and is concerned with describing a specific phenomenon (Saunders, 2012). It usually is the best methods for collecting information that will demonstrate relationships and describe the world as it exists. "Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection"(Glass & Hopkins, 1984). On the other hand, the main aim of explanatory research is to identify any causal links between the factors or variables that pertain to the research problem. Explanatory studies look for explanations of the nature of certain relationships. It focuses on why questions.

Both descriptive and explanatory research design are used in conducting the study. Descriptive study is used to demonstrate the current reality and associations of the study variables while explanatory research design is used to test the relationship between relationship marketing and customer loyalty in the banking industry of Ethiopia.

3.3. Population and Sample

Parahoo (1997:218) defines population as “the total number of units from which data can be collected”, such as individuals, artifacts, events or organizations. Polit et al (2001:234) define a sample as “a proportion of a population”. A carefully selected sample can provide data representative of the population from which it is drawn.

3.3.1. Target Population

Target population is defined as identifiable total set of elements of interest being investigated by a researcher. Therefore, the target populations for the study will be customers of Commercial Bank of Ethiopia, Awash International Bank, Dashen Bank, and Abay Bank which are located in Addis Ababa city consider previously and recently emerged banks in the market.

3.3.2. Sampling Technique

According to (Kothari, 2004), two general approaches to sampling are used in social science research i.e. Probability sampling or non-probability sampling. Probability samples are those based on simple random sampling, systematic sampling, stratified sampling, cluster/area sampling whereas non-probability samples are those based on convenience sampling, judgment sampling and quota sampling techniques.

With probability samples each element has a known probability of being included in the sample but the non-probability samples population elements are selected on the basis of their availability (e.g., because they volunteered) or because of the researcher's personal judgment that they are representative.. “In non-probability sampling researchers use their judgment to select the subjects to be included in the study based on their knowledge of the phenomenon” (Parahoo ,1997:223).

To increase the randomization effect of the sample, Lottery method is used to select two sample branches from the big branches of each bank and Convenience sampling method is used to select sample customers from each sample branches, since banks do not have a robust sample frame.

3.3.3. Sample Size

One of the primary concerns with deciding the sample size is how large the sample should be (Malhotra, 2010). It shows how many respondents will participate in the research.

According to the internal report of CBE, even if the number of bank account in Ethiopia reached 20.3 million as of June 2016, the number of bank customers are not known due to the fact that one customer may have more than one account in a given bank.

Determining sample size is directly proportional to the desired confidence level of the estimate (z) and to the variability of the phenomenon being investigated, and it is inversely proportional to the error that the researcher is prepared to accept (Corbetta, 2003). When the size of population is unknown and previous researches are unavailable to determine the variability of an estimate over all possible samples, thus the sample size is calculated for the list favorable case $p = q = 0.5$ (Corbetta, 2003). Indeed, as the variability is measured by \sqrt{pq} , it is easy to see that this index assumes its highest value when $p = q = 0.50$ (Corbetta, 2003).

Since the total population is unknown in this study, the following formula is used based on the recommendation of Corbetta (2003) in determining the standard deviation, 95% confidence interval and 5% sampling error in calculating the sample size.

$$n = \frac{z^2 p * q}{e^2}$$

Where:

n = required sample size

Z = Degree of confidence (i.e. 1.96)²

P = Probability of positive response (0.5)

Q = Probability of negative response (0.5)

E = Tolerable error (0.05) ²

$$n = \frac{(1.96)^2 \times 0.5 \times 0.5}{(0.05)^2}$$

$$n = \frac{3.8416 \times 0.5 \times 0.5}{0.0025}$$

$$n = 384.16 \equiv 385 \text{ Respondents}$$

The questionnaires are distributed according to the quota calculated based on the number of branches each bank have in Addis Ababa as described in the below table.

Table 3.1. Sample Quota

Name of Bank	No. of Branches in A.A.	Share of Branches (%)	Sample Quota
CBE	262	50	200
Awash Bank	119	22%	88
Dashen Bank	116	22%	88
Abay Bank	27	6%	24
TOTAL	524		400

(Source: NBE Annual Report 2015/16)

3.4. Data Source, Data Type and Collection Procedure

3.4.1. Data Source

The sources in collecting the empirical data can be divided into two different categories, primary or secondary sources. Primary data are useful to collect first hand and tailor made information because of its up-to-date and specific information, which is an advantage for the research. Secondary data, in the other hand, is the data that has been collected for some other aims than the problem at hand (Kotler et al., 2002). Secondary data can be divided into internal secondary data and external secondary data. Internal secondary data can be such as, value documents that exist inside a specific company like annual reports and personal diaries from a consumer perspective. External secondary data is material that is available for everyone such as, what customers are writing in forums like twitter etc. (Malhotra, 2010).

Both primary and secondary data were used in this research. Five point Likert scale questionnaire was distributed to customers of the selected branches to generate primary data for

the study. The questionnaire is used to measure the effect of relationship marketing on Customer loyalty in the banking sector in Ethiopian.

Secondary data were collected from organizational website and articles to get specific reference on trends and to explore different construct important to this study.

3.4.2. Data Collection Method

Data collection methods have to much the purpose and fulfill the specific requirements for the research (Bryman and Bell, 2005). According to Bryman and Bell (2005), the most common data collection methods are interviews, focus groups, survey and content analysis.

According to (Bryman and Bell,(2005), if the outcome of the data collection will be presented in form of numbers and statistics, survey is a valid method that will generate a good information base on the analysis of the research. Since this study adopts quantitative research design, survey data collection method is used. The questionnaire consisted two parts. The first part comprised demographic characteristics of respondents and the second part concerned on variable of customer relationship marketing and loyalty. To make the questionnaire more clear for the target respondents, five point Likert scale ranging from strongly agree=5 to strongly disagree =1 was used.

Items that measure the dependent and the independent variables in questionnaire were adopted from past researches. The four questions regarding communication dimension are adopted from Ndubisi and Wah(2005) and Mudassir & M. Waheed(2015). The second dimension Trust consisted six questions which were adopted from Ndubisi(2007), Shifera B. (2011) and Mudassir& M. Waheed(2015). For the third dimension, Commitment, there were three questions which are adopted from Ndubisi(2007)&Laith A. and Nahla A.(2010). The questions used for Empathy dimension were adopted from Oliver, R.L. (1999), Shifera B. (2011). The five questions of conflict handling dimension were adopted from Ndubisi(2007), Shifera B. (2011) and Mudassir & M. Waheed(2015). The dependent variable customer loyalty consisted four questions which were adopted from Shifera B. (2011) and Mudassir & M. Waheed(2015).

3.5. Method of Data Analysis

Data processing and analysis is an important part of the whole survey operation in any study. Data collected was analyzed using both descriptive and inferential analysis. Descriptive statistics were used mainly to organize and summarize the demographic data of the respondent, correlation coefficients were used to show the relationship between components of customer relationship marketing and customer loyalty in the banks and multiple regression analysis was carried out to measure the impact of customer relationship marketing on customer loyalty in the bank. According to Kothari, (2004), multiple regression analysis is adopted when the researcher has one dependent variable which is presumed to be a function of two or more independent variables

3.6 Reliability and Validity

Reliability is the quality of consistency or replicability of a study or measurement (Kothari, 2004). It explains the degree to which observed scores are free from errors of measurement and indicate the extent to which the different items, measures, or assessments are consistent with one another in measuring that variable. Reliability is an essential pre-condition for validity and can be estimated in one of four ways: Internal consistency (typically Cronbach's alpha), split-half reliability (the Spearman- Brown coefficient), test-retest reliability and inter-rater reliability. This study applied Cronbach's alpha value as a tool for reliability examination. The higher the Cronbach's alpha value, the higher the internal consistency (Hair, Anderson, Tatham, & Black, 1998). According to Sekaran(1996) and Melewar and Saunders(1999), reliability figures less than 0.60 are generally considered to be poor, those in the range of 0.70 to be acceptable, while those above 0.80 to be good .

Based on the result depicted in Table 4.2, the value of the Cronbach's alpha for each variables range from 0.817 to 0.881 and all variable together resulted a value of 0.951 Alpha coefficient, which implied that the scales used in the questionnaire satisfactorily measured the constructs and suggested good internal consistency of the items.

Table 3.2. Reliability Analysis: Cronbach's Alpha Value

Dimensions	No. of Items	Cronbach's Alpha
Communication	4	.846
Trust	6	.821
Commitment	3	.817
Empathy	3	.881
Conflict Handling	5	.848
Loyalty	4	.873
Overall Reliability	25	.951

(Source: Survey data, 2017)

Validity is defined as how much any measuring instrument measures what it is intended to measure (Joppe, 2000) or whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept. Pretesting on potential respondents and expert judgment are used for content validity test. Construct validity has focused on whether the scores serve a useful purpose and have positive consequences when they are used in practice (Humbley & Zumbo, 1996).

3.7. Ethical Considerations

Ethics is the core to human relations and dignity. Ethical codes are written to cover the specific problems and issues that researchers frequently encounter during research work. In this study, the researcher informed the participants about the objectives of the study. The respondents were assured of confidentiality and protection of their name. Also it was made clear that the information gathered would solely be used for the purpose of this study. Any deceptions in data collection were avoided.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis of data and findings of the research in accordance to the research objective and hypothesis focusing on demographic results to show the general characteristics of the respondents, descriptive statistics of the response to describe the basic features of the data, and correlations and regression analysis to investigate the relationship of the independent variables of relationship marketing (trust, commitment, conflict handling, communication, and Empathy) on the dependent variable customers' loyalty. The statistical package SPSS (version 20.0) was used for data analysis.

4.2. Response Rate

To collect the data and extract findings, structured questionnaires were prepared and distributed to customers of Commercial bank of Ethiopia, Awash Bank, Dashen Bank and Abay banks in Addis Ababa city .From the total 400 questionnaires distributed at different big branches of each banks , a total of 387(97%) was returned. However 8 questionnaires were not filled correctly so that 379 were used for the data analysis of the study, which gives a response rate of 94%.

4.3. Respondents' Profile

In this section both characteristics of respondents and their banking profile is summarized to know the general demographics and banking relation of the respondents based on Gender, Age group and Educational level, Account type they have, Sector of the bank they are using and Year of banking relationship.

Table 4.1: Respondents Demographic Profile

S/N	Factors	Frequency	Percentage%
1	Gender: Male	263	69.4%
	Female	116	30.6%
2	Age: 18 – 25 Years	101	26.6%
	26-40 Years	202	53.3%
	41-60 Years	70	18.5%
	Above 60 years	6	1.6%
3	Educational level: Secondary Education	31	8.2%
	Diploma	64	16.9%
	Degree	229	60.4%
	Post Graduate	33	8.7%
	Other	22	5.8%

(Source: Survey data, 2017)

The above Table 4.1 depicted the demographic characteristics of respondents in terms of Gender, Age and Educational Level. As stated in data, majority of the respondents were male 263(69.4%) as compared with 116(26.6%) of remaining respondents being females. Regarding the age category of the respondents, the data illustrated that, majority of respondents were in the category of 26-40 years old representing the highest percentages among respondents with 202(53.3%) whereas 101(26.61%) were in the age bracket of 18-25 years, 70(18.51%) were between 41-46 and only 6(1.6%) were 49-54 years old. This indicates that most respondents are in the working age group of the population has more banking usage culture which may have implication to the banks that it has a lot of young people who may continue to do business with the bank for a long time if they are satisfied with the banks' relationship marketing efforts. With regard to the educational qualification of respondents, the highest percentage 229(60.4%) was taken by holders of bachelor's degree while the remaining 64(16.9%) attained College diploma, 33(8.7%) Masters Degree and 31(8.2%) were high school graduates and 22(5.8.4%) respondents indicated that they had other qualification.

Table 4.2: Respondents Banking Relation Profile

S/N	Factors	Frequency	Percentage%
1	Name of your bank : CBE	192	50.7%
	Abay Bank	22	5.8%
	Dashen Bank	87	23%
	Awash Bank	78	20.6%
2	Account Type: Deposit Account	351	92.6%
	Loan Account	9	2.4%
	Both	19	5%
3	Banking Relationship: Less than 1 Year	36	9.5%
	1-5 Years	168	44.3%
	6 – 10 Years	101	26.6%
	Above 10 Years	74	19.5%

(Source: Survey data, 2017)

Table 4.2 is used to show the banking relation profile of the respondents. As can be seen on the table, almost half 192(50.7%) of the respondents are from Commercial Bank of Ethiopia representing the Public Sector and the rest are customer of the private banks constituting 78(20.6%) from Awash Bank, 87(23%) from Dashen Bank and 22(5.8%) from Abay Bank.

Concerning the number of years customers have transacted business with the bank, the result shows that most of the customers (44.3%) have been with the bank for 1-5 years, 26.6% have been with the bank for 6-10 years, 19.5% have transacted business with the bank for above 10 years and 9.5% have been with the bank for less than years, which gives a good contribution to the objectives of the study in reflecting loyalty. In addition to these respondents were asked to identify the type of accounts they have and majority of respondents were saving account holders i.e. 92.6% and the remaining 2.4% of respondents have loan facility with their respective banks while only 2.4% of the respondents have both kind of accounts.

4.4. Normality Test

Normality of data distribution is an assumption of several inferential statistics. It is important that we know if our variables are highly skewed or not since most common inferential statistics or test assume that the dependent variable is normally distributed. In general, if skewness is more than +1.0 or less than - 1.0, the distribution is markedly skewed and it would be prudent to use a nonparametric (ordinal type) statistic. (Karen and George 2005) .Annex III. shows the dependent variable, Loyalty, is normally distributed. Also in Table 4.3, that skewness of the all variables are in the acceptable range indicating normal distribution.

Table 4.3. Descriptive Statistics of Dependent & Independent Variables

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
COMMUNICATION	379	1.75	5.00	4.1451	.65216	-.928	.125	1.544	.250
TRUST	379	2.00	5.00	4.2041	.62029	-.721	.125	.214	.250
COMMITMENT	379	1.33	5.00	3.9217	.78420	-.677	.125	.536	.250
EMPATY	379	1.67	5.00	3.9305	.79950	-.678	.125	.223	.250
CONFLICT	379	1.80	5.00	3.7393	.72273	-.233	.125	-.303	.250
LOYALTY	379	1.00	5.00	3.9044	.78126	-.527	.125	.046	.250
Valid N (listwise)	379								

(Source: Survey data, 2017)

4.5. Descriptive Statistics

In this section analysis is done using the descriptive statistics by computing the grand mean and Standard Deviation score of each dimension. The main purpose of using this statistical parameter is to interpret the average response rate of respondents. Interpreting the pattern of these values will also give us an indication of the impact of our independent variables. (Pallant, 2005).

As can be depicted from the table 4.3, the mean score of 4.15(standard deviation.652) on communication dimension shows that most of the customers highly agreed that the banks are good in provides accurate, reliable and timely information to its customers regarding its services and on customers transactions. The dimension trust has superior value in relation to the other

five dimensions with mean score of 4.20(standard deviation .620). This indicates that most of the respondents strongly admitted that the banks have qualities to increase their trustworthiness in the mind of their customers. Commitment as a dimension has scored 3.92 grand mean (standard deviation .784), which indicated that most of the respondents agree on the commitment and flexibility of the banks in serving customer need for a continuous relationship. Concerning the Empathy variable, the mean is 3.93(standards deviation .799) which shows that good number of respondents agreed on the statements that indicate banks give individual attention to their customers, always try to understand customers' feeling and solve their problems. Conflict handling dimension exhibit the list score in relation to other variables with mean value 3.74(standard deviation of 0.723) implying that the average respondents agreed on the good practice of the banks in handling conflicts. Mean 3.90(standard deviation of 0.783) of the dependent variable, Loyalty, indicated that majority of respondents are loyal to their bank.

4.6. Factor Analysis of Variables

Factor Analysis is directed at understanding the relations among variables by understanding the constructs that underlie them. It allows determining which, of a fairly large set of items, hang together as a group, or are answered most similarly by the participants. Factor scores can help explain what the factors mean. With such scores, several other multivariate analyses can be performed. Factor analysis groups variables with similar characteristics together.

For this study, principal component Analysis was employed to extract the underlying factors of relationship marketing. The KMO measures the sampling adequacy which should be greater than 0.5 for a satisfactory factor analysis to proceed (Mooi & Sartsedt, 2011). Bartlett's test is another indicator of the strength of the relationship among variables. It tests the null hypothesis that the correlation matrix is an identity matrix in which correlations between variables are all zero. The Bartlett's test should be significant (Sig. level less than .05) to indicate if the variables are correlated highly enough to provide a reasonable basis for factor analysis. Component (Factor) Matrix contains the factor loadings, which are the correlation between the variable and the factors. The higher the absolute value of the loading, the more the factors contributes to the

variable. It has been customary in factor analysis literature for loading of 0.33 to be the minimum absolute value to be interpreted (Kotari, 2004).

As can be detected from Annex 3.2, the KMO .893 and Bartlett's test score with sig. value of .000 confirm that that variables are correlated highly enough to provide a reasonable basis for factor analysis.

The factor analysis of all variables indicated in Annex 3.3 depicted that all the questions are loaded to their respective factors. All the questions have favorable factor loadings with a component matrix value greater than the minimum 0.33, which indicated that the variables are well represented by those questions and are valid for further analysis.

4.7. Correlations

Correlations can demonstrate whether and how strongly variables are related. To examine the relationship among the dependent variable (Customer Loyalty) and the independent variable (Communication, Trust, Commitment, Empathy and Conflict Handling), Pearson correlation coefficients were calculated. The results obtained in Table 4.4 provide information about the direction of the relationship (either positive or negative), the intensity of the relationship (-1.0 to +1.0) and information on whether the correlation is statistically significant as well (Marczyk, 2005). The correlation is significant at the 0.01 level (2-tailed). The principle used for the level of significant was set a native.

As can be observed from the Person correlation result, the correlations between the dependent and independent variables were statistically significant. In addition, the statistical evidence depicted that all independent variables have moderate positive correlation with customer loyalty with Person correlation coefficient of .466, .597, .616, .524, .574 of Communication, Trust, Commitment, Empathy, and Conflict Handling respectively. This indicates that all relationship marketing variables under this study have moderate positive association with customer loyalty in the banking sector in Ethiopia. A positive improvement with regard to trust, commitment, communication, trust and conflict handling by the banks also increase customers' loyalty.

Table 4.4.- Pearson Correlation

		Correlations ^b					
		COMMUNI CATION	TRUST	COMMITMEN	EMPATY	CONFLICT	LOYALTY
COMMUNICATION	Pearson Correlation	1					
	Sig. (2-tailed)						
TRUST	Pearson Correlation	.662**	1				
	Sig. (2-tailed)	.000					
COMMITMENT	Pearson Correlation	.532**	.601**	1			
	Sig. (2-tailed)	.000	.000				
EMPATY	Pearson Correlation	.436**	.540**	.607**	1		
	Sig. (2-tailed)	.000	.000	.000			
CONFLICT	Pearson Correlation	.510**	.569**	.643**	.620**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
LOYALTY	Pearson Correlation	.466**	.597**	.616**	.524**	.574**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	

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

b. Listwise N=379

4.8. Assumptions of Regression Analysis

In order to be able to calculate the regression analysis accurately, some assumption need to be met. Assumptions are prerequisites to insure the statistical results be statistically significant, accurate and help the researcher not to draw the wrong conclusion about the results.

4.8.1. Sufficient Number of Observation

Number of participants Statistics is used to the minimum number of observation required to perform regression analysis. Although there are more complex formulae, Green (1991) provides the formula $N > 50 + 8m$ to determine regression sample sizes and $N > 104 + m$ for testing individual predictors (where m is the number of Independent Variables). For this study 379 participants are used, which is beyond the minimum number of participants required (i.e. $50+8*5=90$).

4.8.2. Testing Multicollinearity

Collinearity, or multicollinearity for multiple variables, refers to the situation when a high degree of correlation exists between one or more predictor variables. (Kothari, 2004). Multicollinearity is a potential source of confusing or misleading results in multiple regression analysis, which can result in unstable estimates of the regression coefficients or inflated standard errors and confidence intervals. If Collinearity is discovered then one can either remove one of the variables or create a new variable that combines the previous two that were highly inter-correlated (Cohen et al., 2007). Collinearity can be detected by Collinearity statistics through checking the Tolerance or VIF ((Variable Inflation Factor). Hair et al.,(1998) cited that VIF value above 10 and a tolerance value below 0.10 pose a multicollinearity problem.

In this study, the result of collinearity statistics analysis shows variance inflation factors (VIF) value ranges from 1.906 to 2.253. Tolerance value ranges within the value of 0.444-0.525 which indicated that there is no multicollinearity problem.

Table 4.5. -Collinearity Statistics

Model		Coefficients ^a	
		Collinearity Statistics	
		Tolerance	VIF
1	COMMUNICATION	.525	1.906
	TRUST	.444	2.253
	COMMITMENT	.460	2.176
	EMPATY	.523	1.910
	CONFLICT HANDLING	.472	2.120

a. Dependent Variable: LOYALTYCOMPILED

4.8.3. Checking for Linearity

Linearity is the assumption that two variables are related in a linear fashion. The assumption can be checked using the scatter plot of the dependent and independent variables. Annex 3.4 scatterplot shows the linear relationship between customer loyalty and the independent variables.

4.9.4. Homoscedasticity

According to Berry and Feldman (1985) and Tabachnick and Fidell (1996) slight heteroscedasticity has little effect on significance tests; however, when heteroscedasticity is marked it can lead to serious distortion of findings and seriously weaken the analysis thus increasing the possibility of a Type I error. Homoscedasticity means that the variance of errors is the same across all levels of the variable. When the variance of errors differs at different values of the variables, heteroscedasticity is indicated.

For this study, as can be seen in Annex 3.5.plot, the response seems concentrated in a specific area with few outliers depicting constant error throughout the observations.

4.9. Regression Analysis

From the results of correlation analysis, it is difficult to identify causes and effect relationships between variables. If the goal is to assess the influence of one or more predictor variables on the response variable, however, regression analysis is an appropriate statistical test to use (Levine et al., 2001). Researchers use regression analysis to know by how much the independent variable explains or influences the dependent variable. In this study multiple regression analysis was employed in order to examine the impact of relationship marketing on customer loyalty by taking Customer Loyalty as dependent variable and different factors of relationship marketing(Trust, communication, commitment, empathy and conflict handling as independent variables. While running the regression analysis, statistical significance was given due care at p value of 0.05.

The regression analysis model summary indicated that relationship marketing was considered as predictor of customer loyalty. (Refer Annex 3.6) The R square value of 0.489 confirming that, 48.9% of the variation in customer loyalty is explained by relationship marketing. Relationship marketing as used for prediction was found to be significantly related to customers loyalty as the p-value is less than 0.05.

Table 4.6. Multiple Regressions for Customer Loyalty

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.257	.214		1.201	.231
	COMMUNICATION	.006	.061	.005	.104	.917
	TRUST	.346	.070	.275	4.948	.000
	COMMITMENT	.273	.054	.274	5.021	.000
	EMPATY	.094	.050	.096	1.872	.062
	CONFLICT	.194	.058	.179	3.326	.001

a. Dependent Variable: LOYALTYCOMPILED

In Table 4.6 multiple regression result of relationship marketing and customer loyalty helped us to understand which variables among the five independent variables are significant and most important in explaining the variance in customers loyalty. According to Beta coefficient, trust has maximum impact (0.275) followed by commitment (0.274), Conflict Handling (0.179), Empathy (0.096) and Communication (0.005) respectively on customer loyalty. From the sig. value of the variables one can understand the variables trust, commitment and conflict handling influence customer loyalty significantly. However, the Sig. value in the regression analysis (communication =.917 and Empathy=.062) indicted that the effects of communication and Empathy on customer loyalty is found to be insignificant.

According to the table, trust variable with Beta coefficient of .275 and meaningfulness value of .000, has significant and maximum effect on customer loyalty. It indicted that as trust of the customer towards the banks increase by 1 percent, the customer loyalty also increase by 27.5% positively. On the other hand, commitment has beta coefficient of .274 and sig. value .000 which indicate that commitment influence customer loyalty positively and significantly and as commitment of the banks increase by a single unit customer loyalty increase by 27.4%. In this study, commitment has found to be a major predictor of customer loyalty next to trust in commercial banks in Ethiopia. The regression analysis result on conflict handling also depicted that it influence customer loyalty significantly at .05 confidence interval with sig. level .001.

According to the Beta value (.179), customer loyalty increase positively by 17.9% as the banks conflict handling practice of the banks increase by 1%.

Therefore the regression model can be written as:

$$\hat{Y} = 0.257 + 0.006X_1 + 0.346X_2 + 0.273X_3 + 0.094X_4 + 0.194X_5 + 0.05$$

The coefficient values help us to know which of the variables included in the model contributed to the prediction of the dependent variable. It indicates that three variables out of the five variable which are Trust, Commitment and conflict handling influence customer loyalty significantly at 95% confidence interval with a sig. level of 0.000, 0.000, 0.001 respectively.

4.10. Hypothesis Testing

H1: Trust has a significant positive on customer loyalty in the banking sector in Ethiopia.

As can be seen from result of the regression result, the relationship between trust and customer Loyalty is positive and significant ($\beta=0.275$, $\rho<0.05$). The β value of Trust variable shows that a one unit increases in trust will increase customer loyalty by 27.5 percent. The ρ value is less than 0.05 so H1 is accepted.

H2: Commitment has a significant positive effect on customer loyalty in the banking sector in Ethiopia.

Relationship between commitment and Customer Loyalty is positive and significant ($\beta=0.274$, $\rho<0.05$) means one unit increase in commitment then customer loyalty will be increased by 27.4percent which support H2.

H3: Conflict Handling has a significant positive on customer loyalty in the banking sector in Ethiopia.

As per the finding, H3 is accepted since conflict Handling has a positive and significant effect on customer loyalty which indicate that, as trust increases or decreases by 1%, customer retention

increases or decreases at the time by 17.9% controlling for (x2, x3, x4 and x5) with sig. value of 0.001.

H4: Communication has a significant positive effect on customer loyalty in the banking sector in Ethiopia.

The regression result of communication with customer loyalty showed that insignificant level of effect at $\beta=0.061$ and sig. value 0.917 indicating the rejection of the fourth hypothesis.

H5: Empathy has a significant positive effect on customer loyalty in the banking sector in Ethiopia.

The effect of Empathy on customer loyalty was found insignificant as per the regression analysis result in which Beta value is 0.096 with sig. value 0.062. This automatically rejected the hypothesis.

The below table summarize result of hypothesis tests.

Table 4.7- Summary of Hypothesis Testing

Hypothesis	Result	Reason
H1: Trust has a Significant positive effect on customer loyalty in the banking sector in Ethiopia	Supported	$\beta= .275, p<0.05$
H2: Commitment has a Significant positive effect on customer loyalty in the banking sector in Ethiopia	Supported	$\beta= .274, p<0.05$
H3: Communication has a Significant positive effect on customer loyalty in the banking sector in Ethiopia	Not Supported	$\beta= .005, p>0.05$
H4: Empathy has a Significant positive effect on customer loyalty in the banking sector in Ethiopia	Not Supported	$\beta= .096, p>0.062$
H5: Conflict Handling has a Significant positive effect on customer loyalty in the banking sector in Ethiopia	Supported	$\beta= .179, p<0.001$

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

The present study investigated the effect of relationship marketing on customer loyalty of commercial banks in Ethiopia using five relationship marketing factors namely Trust, Commitment Communication, Empathy and Conflict Handling.

The mean and standard deviation scores of the variables indicated that the banks were found to be good on all relationship marketing dimensions.

According to the correlation result all relationship marketing dimensions found to have moderate positive correlation with customer loyalty. The result of regression analysis also showed that 48.9% of the customer loyalty were explained by the relationship marketing practices of the banks. Three out five relationship dimensions (Commitment, Trust and Conflict Handling) demonstrate a significant association with customer loyalty while Communication and Empathy dimensions of relationship marketing found to be statistically insignificant as p-value found to be greater than 0.05.

These findings provide the same results as with previous studies. The result concerning trust, Commitment and Conflict Handling has a significant positive effect on customer loyalty is in agreement with a study made by Ndubisi, 2006 which found that relationship marketing variables (trust, commitment and conflict handling) have significantly affected customer loyalty in the banking sector in Malaysia. In the study of Ibrahim et al.(2015) on Customer Relationship Management Quality and Customer Loyalty, the study had found that three components of relationship quality of CRM trust, commitment and conflict handling positively significantly related to the loyalty while communication showed no significant relation. In addition, in the study of Getie, G. A. (2017),while communication and empathy are found to influence customer loyalty insignificantly, five variables trust, conflict handling, bonding, shared value, and relationship quality influence customer loyalty significantly in the banking sector in Ethiopia.

5.2. Conclusion

In this study it was aimed to investigate how relationship marketing influence customers' loyalty in commercial banks in Ethiopia and to examine how each relationship marketing factors (i.e. Trust, Commitment, Communication, Empathy and Conflict handling) affect customer loyalty.

According to the results, it was determined that the overall relationship marketing has a positive significant effect on customer loyalty. With regard to the effect of each relationship marketing factors on loyalty, the research finding depicted that trust has a significant positive effect on customer loyalty which indicated that, as the trust of consumers feel for the banks increases, their loyalty also increases significantly. When the effect of commitment on customer loyalty was taken into consideration, it was also concluded that commitment has significant positive effect on customer loyalty. From the findings conflict handling was found to have a positive and significant effect on customer loyalty. When the effect of Empathy and Communication on customer loyalty was considered, it can be concluded that Empathy and Communication has positive but insignificant effect on customer loyalty of commercial banks in Ethiopia.

5.3. Recommendations

Based on the findings of the study, Trust, commitment and conflict handling practices of the banks significantly affects customer loyalty. Therefore, it is recommend that banks should attach more importance in creating and developing customer trust, show commitment and apply effective conflict handling in order to be winner in the competitive field in gaining loyalty of customers. Hence, to maximize the effect of trust, banks should keep their promises, be consistent in providing the promised quality, be honest and have high integrity. Also banks should stay committed to meet customer needs and to have continuous relationship with customers. In addition, banks should managing conflicts proactively and timely before it runes the relationship.

In general, bank management should realize that relationship marketing plays a major role in influencing customer loyalty, so that they should emphasize on improving relationship marketing strategies to influence customer loyalty positively.

5.4. Limitation and Direction for Further Research

While trying to accomplish the objective of the study, some limitations were faced by the researcher such as lack of adequate references and some non-voluntary and inconsiderate respondents to the research questions. Also due to time and resource constraints to get the correct data on population size of the study, the researcher have used non-random sampling method by taking samples from city branches only. In addition, the study is limited to some factors of relationship marketing.

Based on these limitations the researcher suggests further studies on the subject to including additional relationship marketing factors using sample drawn from different geographic area of Ethiopia.

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Appendix 1

ADDIS ABABA UNIVERSITY

School of Commerce

Master of Marketing Management

Questionnaires to be filled by customers of _____ Bank

Dear Respondent:

As partial fulfillment towards the completion of my postgraduate degree, the research titled ***“The Effect of Customer Relationship Marketing on Customer Loyalty: The case of commercial Banks in Ethiopia”*** is undertaken. Hence, I kindly request you to fill this questionnaire while assuring you that the information that you provide will be treated with confidentiality and shall only be used for the purpose of this academic research.

Your honest response and due attention is very much important to complete the questionnaire.

Please attempt to answer all the questions and tick one appropriate box that best suits your perspective for each statement.

Thank you very much for your time and assistance.

Best Regards.

MeskeremBizuwork

Part I. Demographic Profile

1. What is your Gender?

- Male Female

2. What is your Age group?

- 18-25 26-40 41-60 above 60

3. What type of account do you have in the Bank?

- Deposit Account
 Loan Account

4. What is your educational qualification?

- Primary Education Secondary Education Diploma
 Degree Postgraduate Others

5. How long have you been the customer of the bank? (In years)

- Less than 1 1-5 6-15 above 15

Part II. Survey of Relationship marketing

Please show the extent to which you agree or disagree with the statements given below.

<i>INDICATORS</i>	<i>ANSWERS</i>				
	<i>Strongly Agree(5)</i>	<i>Agree(4)</i>	<i>Neutral(3)</i>	<i>Disagree(2)</i>	<i>Strongly Disagree</i>
COMMUNICATION					
1. The bank provides timely information.	5	4	3	2	1
2. The bank provides accurate and reliable information.	5	4	3	2	1
3. The bank providesthe information if there is a new banking service.	5	4	3	2	1
4. My bank provides information on my transactions to the extent I need to be informed.	5	4	3	2	1
TRUST					
1. I feel secured in all of my transactions with the bank.	5	4	3	2	1
2. The bank always does what it promised to do.	5	4	3	2	1
3. I am confident on the financial status of the bank.	5	4	3	2	1
4. The bank is consistent in providing quality services.	5	4	3	2	1
5. The bank has high integrity.	5	4	3	2	1
6. The bank is always honest to me.	5	4	3	2	1
COMMITMENT					
1.The bank is flexible to meet changing customer needs.	5	4	3	2	1
2. The bank offers personalized services to meet customers Need.	5	4	3	2	1
3. The bank is very committed to continue relationship with customers	5	4	3	2	1
EMPATY					
1. Employees of the bank always tries to understand my Feelings	5	4	3	2	1
2. The bank gives individual attention to its customers	5	4	3	2	1
3. Employees of the bank shows a sincere interest in solving my problems	5	4	3	2	1
CONFLIC HANDLING					
1. The bank tries to avoid potential conflicts.	5	4	3	2	1
2. The bank tries to solve noticeable conflicts before it create Problems.					
3. The bank openly discuss on solutions when problem arise.	5	4	3	2	1
4. The bank give quick response for my complaints	5	4	3	2	1
5. The bank collect feedback on its response towards customers' complaint.	5	4	3	2	1
ANSWERS					

<i>INDICATORS</i>	<i>Strongly Agree(5)</i>	<i>Agree(4)</i>	<i>Neutral(3)</i>	<i>Disagree(2)</i>	<i>Strongly Disagree</i>
LOYALTY					
1. I will always choose this bank over any other bank	5	4	3	2	1
2. I am giving positive word of mouth witnesses to other about this bank confidently.	5	4	3	2	1
3. It would be difficult to change my belief about the bank.	5	4	3	2	1
4. I got that it is difficult to change to other banks due to what I receive from this bank.	5	4	3	2	1

Appendix 2

በአዲስ አበባ የኒሽርሲ ቴሌቪዥን ስርዓት ት/ቤት

የማርኬቲንግ ማኔጅመንት ድህረ ምረቃ ትምህርት ክፍል

በ _____ ባንክ ደንበኞች የሚሞላ መጠይቅ

ውድ ደንበኞች፡

ይህ መጠይቅ የተዘጋጀው ለማስተር ስነ ሮግራም ትምህርት ማሟያ የተዘጋጀ የባንክ የደንበኞች ግንኙነት ማርኬቲንግ ደንበኝነትን በማጠናከር ላይ ያለውን ተጽእኖ ለመረዳት የሚያስችል ጥናት ለማካሄድ ነው፡፡

በመሆኑም በመጠይቁ ላይ የሚሠጡት ማንኛውም መረጃ ሚስጥራዊነቱ የተጠበቀ ለጥናቱ ግብአትነት ብቻ የሚውል መሆኑን እየገለጸኩ መጠይቁን በመሙላት ለሚያደርጉት ትብብር በቅድሚያ ምስጋና አቀርባለሁ፡፡

መጠይቁን በሚሞሉበት ጊዜ መልስ ምት በሚገኝበት ቦታ አንጻር የምልክት በማስቀመጥ የሚመርጡትን ያመልክቱ፡፡



ክፍል I - አጠቃላይ መረጃዎች

1. ጾታ

ወንድ ሴት

2. እድሜ

18-24 25-34 35-44 ከ45 ላይ

3. በባንክ የሚጠቀሙት የሂሳብ አይነት

የቁጠባ የላ

4. የትምህርት ደረጃ

ሁለተኛ ደረጃ ዲፕሎማ ደግሪ

ማስተርስ ሌላ

5. የባንክ ደንበኛ ከሆኑ ምን ያህል ጊዜ ሆነዎት

ከ1 አመት በታች

ከ1-5 ዓመት

ከ6-10 ዓመት

ከ10 ዓመት በላይ

ክፍል II -

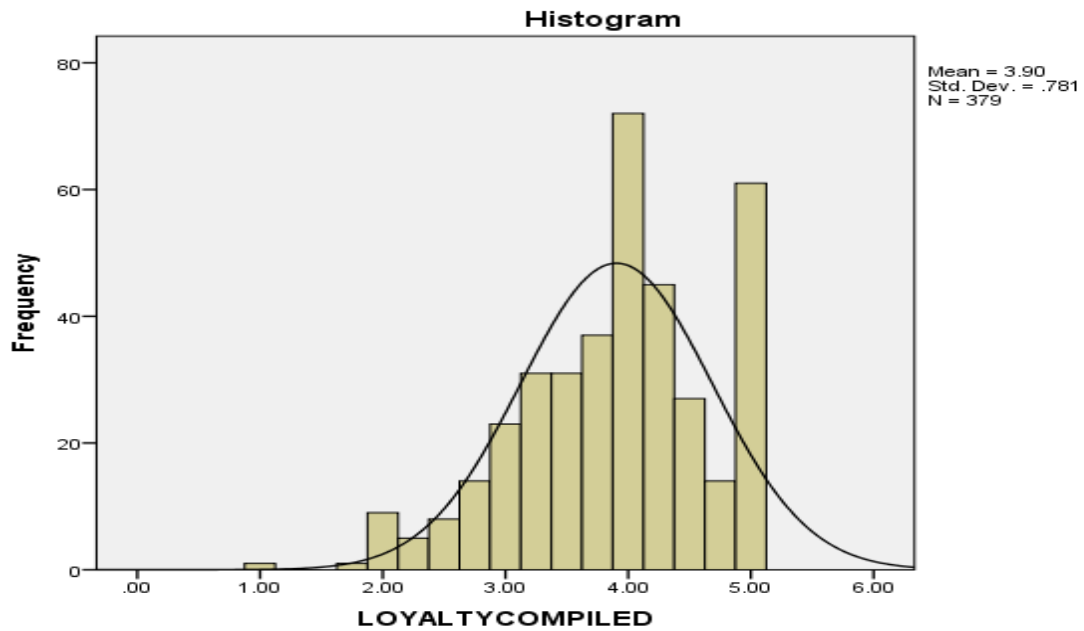
በባንኩ የደንበኞች አገልግሎት ላይ ትጥቆቻችን ይደብረዋል ለማሳሰብ ምርጫ ላይ የበማድረግ መልስ ያስገቡ።

ተ.ቁ	መገለጫዎች	በጣም እስከ	የሌሎች
መረጃ			
1	ከባንኩ መረጃ በተገቢው ሰዓት አገኛለሁ	5	4
2	ባንኩ ትክክለኛና አስተማማኝ መረጃ ይሰጣል	5	4
3	ባንኩ ተግባራዊ በሚያደርጋቸው አዳዲስ አገልግሎቶችና አሰራር ላይ አስፈላጊውን መረጃ ይሰጠኛል	5	4
4	ከባንኩ ጋር ባለኝ የሰራግን ነገሮች ላይ ማገኘት በሚገባኝ መረጃ ይሰጠኛል	5	4
		5	4
እምነት			
1	ከባንኩ ጋር በማከናወኛቸው ጉዳዮች ደህንነት ይሰጣኛል	5	4
2	ባንኩ ለደንበኞች ቃል የገባውን ሁሉም ይፈፅማል	5	4
3	ባንኩ ባለው የገንዘብ አቅም / Financial Status / እተማመነለሁ	5	4
4	ባንኩ ሁሉም ጥራቱን የጠበቀ አገልግሎት ይሰጣል	5	4
5	ባንኩ ከፍተኛ ታማኝነት አለው	5	4
6	የባንኩ አሰራር ሁሉም ግልፅነት አለው	5	4
ቁርጠኝነት			
1	ባንኩ አሰራሩን ከደንበኞቹን ፍላጎት ጋር ለማጣጣም ጥረት ያደርጋል	5	4
2	ባንኩ የእያንዳንዱን ደንበኛ ፍላጎት ለማርካት የእያንዳንዱን ደንበኛ ፍላጎት ላይ የተመሰረተ አገልግሎት ይሰጣል	5	4
3	ባንኩ ከከደንበኞቹ ጋር ያለኝ ግንኙነት አጥብቆ ለመቀጠል ከፍተኛ ቁርጠኝነት አለው	5	4
❖ ፍላጎትን መረዳት			
1		5	4
2		5	4
3		5	4

ተ.ቁ	መግለጫዎች	በጣም እስማ	የአጠቃላይ
❖ ቅሬታ ፈቺነት			
1	ባንኩ ሊከሰቱ የሚችሉ ቅሬታዎችን ቀድሞ ለማስወገድ ጥረት ያደረጋል	5	4
1	ባንኩ አለመግባባት መነሻ የሚሆኑ ነገሮችን ግርካማ ስኬተኝነት ተቀባይነት ቀድሞ ያስወግዳል	5	4
3	ባንኩ ቅሬታዎች በሚከሰቱበት ወቅት በመፍትሔ ሃሳቦች ላይ በግልፅ ነት ይወያያል	5	4
4	ባንኩ ቅሬታዎችን ላይ አስቸኳይ ምላሽ ይሰጣል	5	4
5	ባንኩ በደንበኞች ቅሬታዎች ላይ ስለተወሰደው መፍትሔ /ምላሽ/ ላይ ከደንበኞች ንጹህ ያየት ይጠይቃል	5	4
❖ ታማኝነት			
1	ባንኩ ንክሊሎች ባንኮች እመርጠዋለሁ	5	4
2	ስለ ባንኩ መልካም ነገሮች ለሌሎች በኩራት ምስክርነት እሰጣለሁ።	5	4
3	ስለ ባንኩ ያለኝን እምነት ለመለወጥ አስቸጋሪ ነው	5	4
4	ባንኩ ከሰጠኝ ነገሮች አንጻር ለጌታ ላባን ከደንበኛ መሆን ያስቸግረኛል።	5	4

Appendix 3.1.

Histogram of Customer Loyalty



Appendix 3.2.

KMO and Bartlett's Test

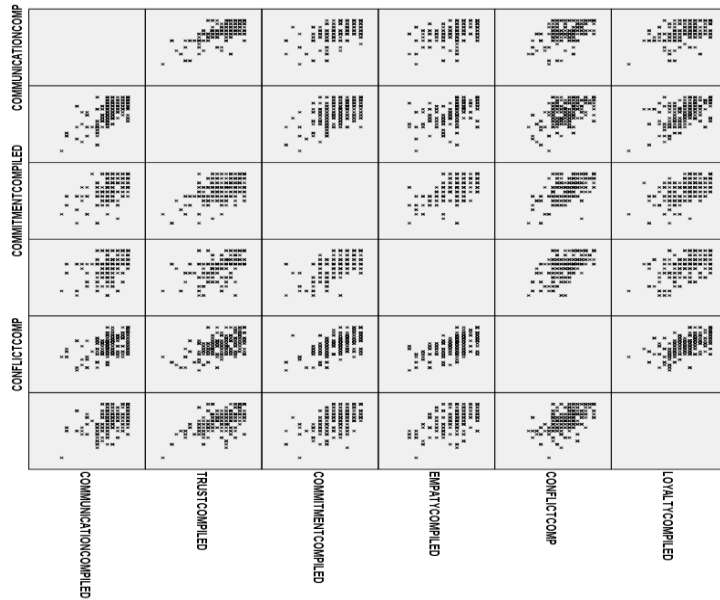
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.893
Approx. Chi-Square	5952.714
df	325
Bartlett's Test of Sphericity	
Sig.	.000

Appendix 3.3.

Component Matrix of Variables

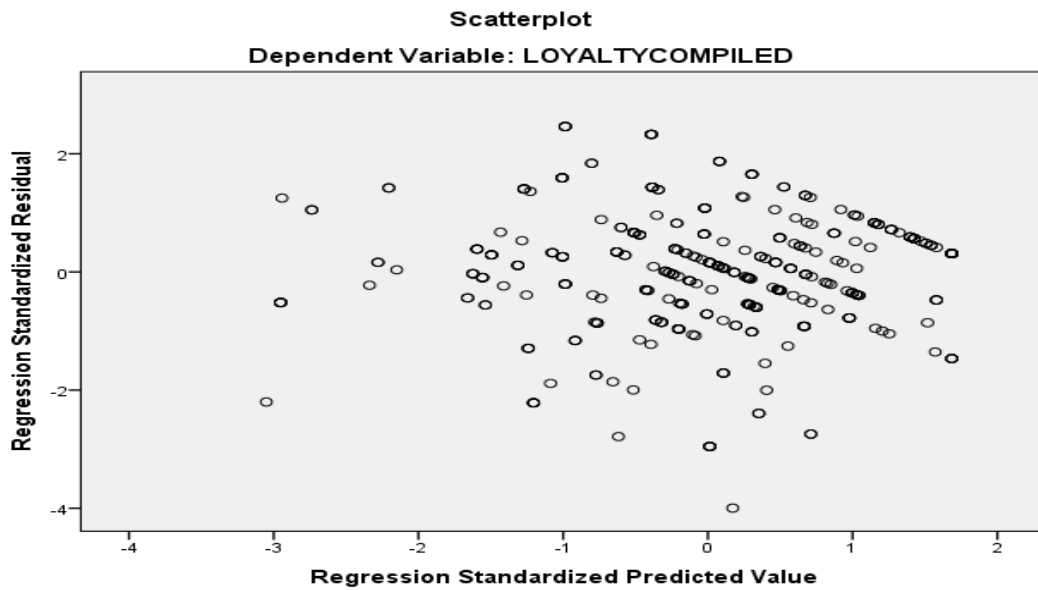
Component 1: Communication	
The bank provides timely information.	.798
The bank provides accurate and reliable information	.859
The bank provides the information if there is new banking service	.787
My bank provides information on my transactions to the extent I need to be informed	.734
Component 2: Trust	
I feel secured in all of my transactions with the bank.	.692
The bank always does what it promised to do.	.816
I am confident on the financial status of the bank.	.612
The bank is consistent in providing quality services.	.745
The bank has high integrity.	.730
The bank is always honest to me.	.755
Component 3: Commitment	
The bank is flexible to meet changing customer needs	.834
The bank offers personalized services to meet customers need	.845
The bank is very committed to continue relationship with the customer	.794
Component 4: Empathy	
Employees of the bank always tries to understand my feelings	.880
The bank gives individual attention to its customers	.873
Employees of the bank shows a sincere interest in solving my problems	.820
Component 5: Conflict Handling	
The bank tries to avoid potential conflicts	.763
The bank tries to solve noticeable conflicts before it create problems	.829
The bank openly discuss on solutions when problem arise.	.812
The bank give quick response for my complaints	.862
The bank collect feed bank on its response towards customer complaint	.767
Component 6: Loyalty	
I will always choose this bank over any other bank	.823
I am giving positive word of mouth witnesses to other about the bank confidently	.854
It would be difficult to change my belief about the bank.	.826
I got that it is difficult to change to other banks due to what I receive from this bank	.848

Appendix 3.4.



Scatterplot for Customer Loyalty

Appendix 3.5.



Scatter Plot for Homoscedasticity

Appendix 3.6.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.699 ^a	.489	.482	.56238

a. Predictors: (Constant), CONFLICTHANDLING, COMMUNICATION, EMPATY, COMMITMENT, TRUST

Appendix 3.7.

ANOVA for Customer Loyalty

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	112.750	5	22.550	71.299	.000 ^b
	Residual	117.971	373	.316		
	Total	230.720	378			

a. Dependent Variable: LOYALTY

b. Predictors: (Constant), CONFLICTHANDLING, COMMUNICATION, EMPATY, COMMITMENT, TRUST

