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The Effect of Relationship Marketing on Credit Customer Retention: the case of Selected Commercial Banks in Ethiopia

**A Project Paper Submitted to Addis Ababa University School of
Commerce Graduate Studies**

Marketing Management Program

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May, 2017

Addis Ababa

Ethiopia

DECLARATION

I declare that the thesis entitled “The effect of Relationship Marketing on credit customer retention in case of selected commercial banks in Ethiopia.” is my original work and has not been presented in Addis Ababa University or any other University, and that all sources of material used for the project have been duly acknowledged.

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This is to certify that thesis prepared by Aboset Kassa, entitled: The effect of Relationship Marketing on credit customer retention in case of selected commercial banks in Ethiopia and submitted in partial fulfilment of the requirements for the Degree of Masters in Marketing Management complies with the regulations of the university and meets the accepted standard with respect to originality and quality.

Signed by the Examining Committee:

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Advisor _____

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ACKNOWLEDGEMENTS

First and foremost, I wish to thank the almighty God for the strength, guidance and the abundant grace he gave me throughout the course and the completion of this thesis. My special gratitude also goes to my beloved wife for her unreserved love and moral support which helped me a lot a throughout my life.

The completion of this study would have not been realized without the help of others and I would like to take this opportunity to thank everyone who helped me with this thesis. First I would like to express my thanks and appreciation to my principal advisor Mulugeta G/Medhin (PHD), for his guidance, continual advice, patience, vast knowledge, and critical review of the thesis.

A great thanks and special gratitude is addressed to all management groups of Commercial Bank of Ethiopia, Bank of Abyssinia and Wagagen Bank and their respective customers. Without their kind cooperation, this study would not have been complete and became a reality.

LIST OF ABBREVIATIONS AND ACRONYMS

CBE: Commercial Bank of Ethiopia

BOA: Bank of Abyssinia

WU: Wagagen Bank

RM: Relationship Marketing

SPSS: Statistical Package for the Social Sciences

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ABSTRACT

This research is conducted to investigate the effect of relationship marketing on customer retention. . It is casual research type. Data were collected through the five point's likert scales of questionnaires. The questionnaire was physically distributed to credit customers of Commercial Bank of Ethiopia (CBE), Bank of Abyssinia (BoA) and Wugagen Bank (WB) who. Out of 358 customers 337 customers were completed and collected. Descriptive, correlation and regression analysis methods were used to analyze the collected data by using SPSS software version 20 and Questionnaires reliability was estimated by calculating Cronbach's Alpha. Descriptive analysis tools such as frequency, percentage, to present results statistical analysis tools such as correlation coefficient was worked out and used to explore the relationships between variables. Regression analysis was performed to study the effect of independent variables on customer retention. Research findings indicates that there is a significant relation between customer relationship marketing components including trust, Commitment, customer satisfaction, conflict handling and communication on customer retention and also to regression testing that all variables were examined simultaneously on customer retention; results showed that all components have a significant effect on customer retention in the following order, commitment, trust, conflict handling, communication and satisfaction. It is also concluded that there is significance difference between public and private banks in terms of their CRM and customer retention practice, were privet banks practice CRM in a better manner. The researcher has recommended that commercial banks in Ethiopia need to improve their practice of Relationship Marketing in order to retain their customers in all levels dimensions of RM ; trust, commitment, communication, conflict handling and satisfaction.

Keywords: customer retention, Relationship Marketing, trust, commitment, communication, conflict handling and satisfaction.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Relationship marketing is a form of marketing that is client - based in terms of customer retention and satisfaction rather than individual transactions (Gledhill, 2008). Moreover, Gilaninia et al (2011) has defined relationship marketing as a kind of marketing that aims at developing and managing long - term and trustworthy relationships with customers, suppliers and all others acting in the market.

Msoka et al, (2014) has stated that relationship marketing is an alternative to transactional marketing. Banks have changed their focus from transactional marketing to relationship marketing that is client - based contrasting transactional which focuses on product selling only. Transactional marketing takes customer for granted and does not mind about customers' needs and whether it is met or not, does not worry losing a customer for a firm believed that there would be enough customers to replace the defecting ones. According to Jorgensen (2001) building relationship is the only way that an organization can achieve a permanent competitive advantages and which leads to survival and long term growth in the market.

According to Abraham (2011) customers have opted for relationship marketing as the customers have become knowledgeable of what they require from the bank service providers, decline in product differentiation, drastic technological changes and non - banks and other financial institutions, competition from other banks which offer almost identical products and services, making customers switch from one bank to another (Msoka et al, 2014). As Ndubisi (2007) reason out building relationships with customers assist a firm to gain quality sources of marketing intelligence which consequently facilitate to have better planning and marketing strategy.

Similarly, Bergeron et al (2008) stated that relationship marketing leads to customer retention, customer satisfaction, increased loyalty, increased profits and competitive advantage. According to Ro - King (2005) customer retention is important to most companies because the cost of acquiring a new customer is far greater than the cost of maintaining the existing customer. As

stated by Kotler (2006) acquiring new customers can cost five times more than the costs involved in satisfying and retaining the current customers and that the customer profit rate inclined to increase over the life of the retained customer. Chen & Popovich (2003), have asserted that customer relationship marketing is important element of organization that help them assess customer satisfaction, retention, loyalty and profitability in terms of repeat purchases, money spent, and longevity.

According to Gummesson (2002) in order to retain customers over time professional service providers need to place more efforts on the creation of personal relationships with the clients, as it is a strong bond tying customers to the firm. In addition, Gummesson (2002) made clear that customer satisfaction and switching barriers are the main strategies used by firms, for retaining customers. Hollensen, (2003) stated that retention strategies are the firms' ability to convey confidence, to get the customers involved, and to be able to deliver good quality services. Recent marketing activity has seen a shift in emphasis among marketers from a traditional transactional approach, to one that seeks a more long - term relationship.

In the services literature reviewed, numerous studies exist on customer satisfaction and its role in improving profitability of organisations (Narteh & Kuada, 2014; Jamal & Naser, 2002; evesque & McDougall, 1996). Several studies have also looked at customer loyalty across several industries (Kandampully & Suhartanto, 2000; Ndubisi, 2007; Rasheed & Abadi, 2014). Moreover, the effect of customer satisfaction and loyalty in relation to relationship marketing with diverse constructs has also been studied across various industries, according to the researcher's knowledge, little attention to measure the effect of relationship marketing on credit customer retention between the two concepts in commercial banks here in Ethiopia. This study, therefore, carried out to examine the effect of relationship marketing on credit consumer retention in commercial banks in Ethiopia and whether significant relationships exist between customer relationships constructs (commitments, communication, Conflict handling, customer satisfaction and trust) and credit customer retention at commercial banks in Ethiopia.

1.2. Statement of the Problem

In the ancient days, the marketing perspective of many service firms was basically devoted to attracting new customers rather than retaining them (Schneider, 1980), a strategy that led to the increase in the cost of acquiring new customers (Ennew and Binks, 1996). The increase in competition in most business sectors in the world coupled with the need for a change in the marketing perspective have led managers to develop strategies that enable them keep up with the growing competition. Since this competition is very stiff, managers thought of holding onto the available customers on the same level as attracting new ones.

Banks that established relationship marketing on customer retention are doing better than those that do not focus on relationship marketing for customer retention. Hence, relationship marketing enables firms to increase market share, penetrate foreign markets, increase profits, increase sales and reduce production and marketing cost (Brown, 2002). Wood (2008) confirmed that due to increasing competition, banks have resorted to relationship marketing as a strategy to attract, maintain and enhance customer relationship and build customer loyalty and retention.

A study conducted by Ogongo (2014) on customer retention strategies adopted by commercial banks in Kenya found that the customers would be retained in the bank if the customers are satisfied, if the bank has efficient services, listen and resolve customers' problems and met customers' needs.

Similarly, Anabila et al (2012) studied relationship marketing practices and customer loyalty in Ghanaian banking industry. The study attested that communication had a strong positive relationship with customer loyalty and retention. The study further suggested that banks provide timely and prompt information for customer retention and loyalty. Another study by Gilaninia et al (2011) conducted on influence of relationship marketing on the purchase intention in Iran banking industry revealed that trust has a strong positive relationship on purchase intentions. Similar studies also conducted by Soimo et al (2015) on influence of relationship marketing on customer retention in commercial banks in Nakuru town, Kenya. The study established that trust is vital in relationship marketing.

Xu and Walton (2005) asserts that banks that practice relationship marketing are able to retain existing customers, improve customer satisfaction levels, achieve cost savings and enhance customer lifetime value. Hence, banks need to employ the marketing strategies that enable them to attract new customers and also retain the existing ones.

Banks in Ethiopia are operating in a dynamic business environment which is characterized by growing competition in the industry leading to decreased markets share. Commercial banks in Ethiopia compete amongst themselves with technology and investment in marketing to outdo each other. It is evident that the changes witnessed in the industry coupled with the jockeying of position by industry players would drive the banks towards adopting customer - based structures. Central to this move is the adoption of relationship marketing to enable the banks retains already acquired customers for long - term survival.

However little study had done so far in order to articulate on how relationship marketing will be utilized to retain customer for life time. This is mainly because of two reasons. First some of the studies done so far specifically addresses the concept relationship marketing practices and its effect by focusing on specific bank case, for instance if we see the work of Asemamw Abera (2016) who conducted the effect of relationship marketing on customer retention in the case of Commercial Bank of Ethiopia and also Cherinet Boke Chakiso (2015) who assessed relationship marketing with specific focus on Zemen Bank. Even the work of Eleni could be mentioned where by the researcher conducted the practice of relationship marketing with specific on Commercial bank of Ethiopia.

The second reason is that the researchers used limited constructs to measure relationship marketing. For instance according to the study made by Asemamw Abera (2016) there is significant relation between customer relationship marketing components including trust, bonding, reciprocity, empathy and responsiveness on customer retention. This study, therefore, laid its focus on establishing the extent of customer relationship dimensions (commitments, communication, Conflict handling, customer satisfaction and trust) on customer retention at commercial banks in Ethiopia. According to Ndubisi (2015), marketing literature has theorized key virtues that underpin relationship marketing, such as trust (Morgan and Hunt, 1994;

Veloutsou et al., 2002), commitment (Grossman, 1998; Chan and Ndubisi, 2004), conflict handling (Dwyer et al., 1987; Ndubisi and Chan, 2005), and communication.

1.3. Research Questions

Based on the problem stated above, this study will investigate the effect of customer relationship marketing on customer retention in case of commercial banks in Ethiopia.

Hence, the study seeks to answer the following specific research questions:

- ❖ To what extent trust influence credit customer retention in commercial banks in Ethiopia?
- ❖ To what extent communication influence credit customer retention in commercial banks in Ethiopia?
- ❖ To what extent conflict handling influence credit customer retention in commercial banks in Ethiopia?
- ❖ To what extent commitment influence credit customer retention in commercial banks in Ethiopia? And
- ❖ To what extent satisfaction influence credit customer retention in commercial banks in Ethiopia?

1.4. Objective of the Study

1.4.1. General Objective

The general objective of this study is to investigate the effect of relationship marketing on credit customer retention the case of Commercial Banks in Ethiopia.

1.4.2. Specific Objectives

Considering the general objective, the study addressed the following specific objectives: -

- ❖ To determine the extent to which trust influences credit customer retention in commercial banks in Ethiopia.
- ❖ To examine the extent to which communication influences credit customer retention in commercial banks in Ethiopia.

- ❖ To investigate the extent to which conflict handling influence credit customer retention in commercial banks in Ethiopia.
- ❖ To scrutinize the extent to which commitment influences credit customer retention in commercial banks in Ethiopia.
- ❖ To establish the extent to which satisfaction influences credit customer retention in commercial banks in Ethiopia.
- ❖ To examine if there is significant difference between public and private banks in terms their relationship marketing and credit customer retention practice.

1.5. Significance of the Study

This study will be important to financial institutions managers for it would sensitize them on how, where and when to apply marketing relationship strategies. It will also shed light to the bank employees on the value of sustaining customer relationship. Further, it will provide other researchers with knowledge on how to carry related studies on relationship marketing and credit customer retention in future. Generally, the result of this study is significant: -

- ❖ To have a detail understanding about customer relationship marketing practice in Commercial Banks in Ethiopia and maintaining, and attracting new customers as well.
- ❖ The finding of the study is also be helpful in identifying possible gaps of relationship marketing practice of Commercial Banks in Ethiopia and its contribution on customer retention.
- ❖ It would help management bodies of Commercial Banks in Ethiopia at every level to take actions to fill the gaps.
- ❖ The study will serve as a good base for other researchers who want to do a further research on this topic in Commercial Banks in Ethiopia.
- ❖ Lastly, the study could also contribute to the existing body of knowledge regarding marketing management and can serve as insight or input for further research on the area more specifically on economy aspect of marketing management.

1.6. Scope of the Study

The study deal with the effect of customer relationship marketing on credit customer retention on selected commercial banks such as Commercial Bank of Ethiopia, Wegagen Bank and Bank of Abyssinia. These Banks are selected due to the fact that they elapsed long years since they implemented customer relationship management practice in their process. The study also confined only to the credit customers that exist at head office of the three selected Commercial Banks. The researcher is obliged to conduct the research on head office customers due to the time and financial constraint. In addition, the study is delimited to private customers of the selected commercial banks only. Conceptually, the study has confine itself to assess the role of customer relationship marketing on credit customer retention in terms of relationship marketing dimensions such as commitment, communication; conflict handling, satisfaction and trust. Methodologically, customers who are registered after September 2016 will not be included in the study due to lack of similar record in all selected banks after September 2016. Furthermore, it is difficult and unmanageable to include entire commercial banks operating in Ethiopia due to time and financial constraints. Hence, only those credit customers of commercial banks such as Commercial Bank of Ethiopia, Wugagen Bank and Bank of Abyssinia residing in Addis Ababa are the target population of the study.

1.7. Limitation of the Study

There are a number of factors that limit the researcher to assess effects of relationship marketing on credit customer retention of commercial banks in Ethiopia all over the country. These are time and financial constraints. These the study is confined only on three commercial banks (two private and one public bank) in Ethiopia i.e. Commercial Bank of Ethiopia, Wegagen Bank and Bank of Abyssinia credit customer retention - customer relationship with specific relationship marketing underpinnings namely conflict handling, commitment, satisfaction, trust and communications. Besides, credit customer retention measured by asking the bank customers if they have plan of shifting to another bank. This is because the bank could not provide information on customer retention which is assumed to be very sensitive to reveal. Related to this, therefore, only credit customers is included in the study. Moreover, as novice researcher who lacks experience, the result of the study, conclusion and recommendations made may not be comprehensive, exhaustive and free from any of deficiency.

1.8. Definition of Terms

- ❖ Trust is a vital factor in the development of marketing relationships and exists "when one party has confidence in an exchange partner's reliability and integrity" Morgan and Hunt (1994).
- ❖ Commitment focuses on the enduring desire of parties to maintain a relationship Morgan and Hunt (1994).
- ❖ Communication is a formal and informal sharing of meaningful and timely information between firms - customers (Anderson and Nuru 1990).
- ❖ Customer satisfaction can be defined as meeting customer's expectation as to delight customers delivering a service or a product that goes far beyond customer's expectations (Jones and Suh 2000).
- ❖ Conflict handling as a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems arises (Dwyer et al. (1987).
- ❖ Credit customer means those customers who have credit terms with the banks.

1.9. Organization of the Paper

The research paper is organized as follows. Chapter one contains introduction, statement of the problem, research questions, objectives of the study, research hypothesis, significance the study, scope and limitation of the study, definition of terms and organization of the paper. Chapter 2 contains a review of the literature and discussed theoretical framework as wee as empirical literature emphasizing on such issues like the social exchange theory, relationship marketing theory, customer retention, commitment, conflict handling, customer satisfaction, communication, trust and finally the conceptual framework. The third chapter is research design and methodology which includes description of the study area, research approach, research design, sampling design, data collection instrument, unit of analysis, data analysis method, test of reliability and validity and ethical consideration. Chapter four is discussed the data presentation and analysis that contains background of the respondent, determinants of relationship marketing under this descriptive pretention of the data, correlation analysis, and regression analyses. The final chapter, chapter five, included summary of findings, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Marketing as a separate discipline was born out of economics around the beginning of this Century. As the discipline gained power, and developed through the first three quarters of the twentieth century, the primary focus was on transactions and exchanges. According to Kotler and Armstrong (2008), the development of marketing as a field of study and practice is undergoing re - conceptualization in its orientation from transactions to relationships. The importance on relationships as opposed to transaction based exchanges is very likely to redefine the domain of marketing. The literature review is discussed with emphasis on social exchange theory and relationship marketing theory under the heading theoretical framework. Furthermore, under the title empirical literature of the study, customer retention, commitment, conflict handling, satisfaction, communication and trust in banking industry is discussed. In similarly manner the independent and dependent variable is explained through conceptual framework.

2.2 The Social Exchange Theory

According to the social exchange theory of Homan (1958), persons that give much to others try to get much from them. The theory dowels on the social exchange relationship between the parties which build up through reciprocal exchanges and fulfilment of promises. The theory is significant in this study for the bank will develop long - term and profitable relationships with their customers if they communicated effectively, build trust and offer quality services in the banking industry.

Social exchange theory specifies that individuals are willing to maintain relationships on account of expectation that is rewarding. This is applicable in this study for the bank customers would maintain relationship with the bank after they are offered service qualities that are reliable, prompt and timely services. Social exchange theory tries to account for the development, growth and even termination of social as well as business relationships. This means people or business firms evaluate their reward when deciding whether or not to maintain a relationship. This is applicable in this study for the bank customer evaluates how the bank

commitments, communication, Conflict handling, satisfaction and trust levels rewards them before having a long term relationship.

The theory is bolted on three factors: trust, commitment and relational exchanges. The theory is applicable in this study for the bank trust, commitment and a relational exchange with their bank customers is crucial in the banking industry. The bank should be trustful to their customers. The bank watches trust on bank products/services, trust on handling customers, and trust on handling transactions concern, trust on loan information and trust on bank information confidentiality. When the bank customers are unable to find trust with the bank, they shift to another bank, buy less bank products and talk harmful of the bank. On the other hand, if the bank maintains high levels of trust, customers are satisfied, the bank customers purchase more products/services, customer flow to the other banks is minimized and customers positively recommend their friends and relatives about the bank.

2.3 Relationship Marketing Theory

According to Arnett & Badrinayanan (2005) relationship marketing theory states that successful relationship marketing is occasioned by certain aspects of cooperative relationships that characterize successful relational exchanges. The accomplishment of relationship marketing is nailed on three major factors. According to Sivadas & Dwyer (2000), these major factors include trust, relationship commitment, and communication. Sirdeshmukh, Singh, & Sabol (2002) attested that the theory suggests that successful relationship marketing efforts enhance customer loyalty and firm's performance through stronger relational bonds.

There are varied viewpoints about which relational constructs mediate the effects of relationship marketing efforts on outcomes. As stated by Sin et al., (2005) commitment, trust and communication, satisfaction, bonding, shared values, empathy, dependence and reciprocity have been identified as vital components of relationship marketing orientation. Palmatier et al., (2006) further stated that the aforementioned different relational mediators have been linked to many antecedents and outcomes.

De Wulf et al., (2001) suggested that these components are just indicators of the global mediator relationship quality, which is essentially an overall assessment of the strength of a relationship and is conceptualized as a multidimensional construct that captures the many

aspects of an exchange relationship. The relationship marketing theory, however, fails to give further details about how service quality is important in relationship marketing. Relationship marketing theory is implemented in this study to explain the link between the various components of relationship marketing (particularly, communication and customers' trust) and customer retention.

2.4 Customer Retention in the Banking Industry

Relationship marketing directs to customer satisfaction, increased loyalty, customer retention, increased profits and competitive advantage (Bergeron et al 2008). Banks need to make use of marketing strategies that retain existing customers and attracts new ones. According to Ro - King (2005) customer retention is important to most companies because the cost of acquiring new customer is far greater than the cost of maintaining the existing customer. As stated by Kotler (2006) acquiring new customers can cost five times more than the costs involved in satisfying and retaining the current customers and that the customer profit rate tends to increase over the life of the retained customer. Ainsour (2013) conducted a study on how to retain a bank customer in Jordanian banks. The study established that internal marketing plays a big role in customer retention. Some drivers such as communication, transparency, trust and satisfaction had a strong effect on customer retention. Kate et al (2014) carried a study on customer retention strategies in Ghanaian banks. The study aimed at investigating the importance of retention strategies that influence customers to make continual patronage of banking services in Ghanaian banking. The study revealed that bank service quality, loyalty rewards and customer relationship management had a positive significant on customer retention. In similar manner, Msoka (2014) carried a study on determinants of customer retention in Commercial banks in Tanzania. The study revealed that quality of services and products and pricing of banks products had a strong positive relationship on customer retention. A study on challenges of customer retention in the Kenyan banking is conducted by Mbithi (2013). The results of the study revealed that Kenya banks were required to pay serious attention to retain their customers and not only is to increase new customers and that retaining the existing customer is more significant than increasing the new ones. Similar study on factors affecting customer retention in Barclays bank of Kenya was carried out by Njane (2013). The study revealed that customer retention is influenced by accuracy of transactions, delivery of services, efficiency of customer

services and physical appearance of the bank. The study recommended that management to put strategies so as to satisfy their customers and retain them.

A study on the effect of brand loyalty on customer retention in Kenyan banking sector is carried out by Mbugua (2014). The study revealed that the customers were not sensitive about products and prices charged and fee paid for their accounts was reasonable so they were not likely to defect to another bank because of prices. Similarly, Ogongo (2014) conducted a study on customer retention strategies adopted by commercial banks in Kenya. The study found that the customers would be retained in the bank if the customers were satisfied, if the bank had efficient services, listened and resolved customers' problems and met customers' needs.

In the previous studies with respect to customer retention, the researchers have discussed customer retention factors, challenges and practices and strategies. They have not studied the influence of relationship marketing on credit customer retention. This study will fill this knowledge gap.

2.4.1 Commitment

Relationship commitment is defined as “an enduring desires to maintain a valued relationship” Morgan and Hunt (1994). Morgan and Hunt (1994) further explained that an ‘enduring desire to maintain’ corresponds with that a committed partner wants the relationship to endure indefinitely and is willing to work at maintaining it. And the term ‘valued relationship’ indicates that commitment exists between the parties when it considered important. On the contrary, Dwyer, Schurr and Oh (1987) defined commitment as ‘an implicit or explicit pledge of relational continuity between exchange partners’. According to Dwyer, Schurr, and Oh (1987), commitment is believed to employ a willingness to make short – term sacrifice to realize longer – term benefits.

Palmatier, (2008) underlined commitment increase the quality of the relationship bonds necessary for high – performance exchanges; relationship investments improve other performance – enhancing aspects of the exchange. Furthermore, commitment represents exchange partners’ desire to maintain valued relationship and thus their relational motivation toward partners.

Palmatier, (2008) added that relationship marketing can increase joint knowledge about relationship partners and informal communication between partners, which may improve the effectiveness and efficiency of the relational exchange while also increasing trust and commitment. As asserted by Morgan and Hunt (1994) “presence of relationship commitment is central to successful relationship marketing, not power”.

2.4.2 Conflict Handling

According to Geyskens et al. (1999), conflict implies a level of tension, frustration, and disagreement in the relationship due to one party obstructing the other party in reaching its goal. Conflict handling is also defined as ‘a supplier's ability to avoid potential conflicts, solve manifest conflicts before they create problems, and discuss solutions openly when problems arises’ (Dwyer et al. 1987). To make this strategy tangible, organization will approve conflict management approach includes avoidance, compromise, adaptation and collaboration. The approaches indicate commitment through signalling and have low to high levels of exchanging information. The approaches vary in their levels of assertiveness and cooperation.

Therefore, organization leaders are responsible for creating a work environment that enables people to succeed. When incongruity and differences of opinions rise into interpersonal conflict, leaders must intervene immediately so as to have common mission/purpose, shared values and goals, agreements and policies clear and in writing, fair, participatory decision - making process, creating community spirit, partner system, wisdom circles, staying in touch with each other emotionally, adopting communication agreements consist of addressing each other respectfully, no hurtful physical contact, bring in an outside mediator, serving as kindly fair witnesses in meetings between community members in conflict, active listening, peaceful communication, process work, voice dialogue and another cases are the ways for handling conflict (Browning and Kathy 2007).

According to Morgan and Hunt (1994), effective conflict handling can have a dramatic impact on customer retention rates, redirect the spread of damaging word of mouth, and improve end result performance. Effective resolution of customer problems and relationship marketing are linked closely in terms of their mutual interest in customer satisfaction, trust, and commitment. Concerning to this a research was conducted by Ndubisi (2007) on the Banks of Malaysia on the determinants of relationship marketing and forwarded the following result: Conflict handling

strengthens relationship. Since it is difficult to achieve zero service failure all the time, it is important that banks bring into being effective conflict resolution or problem solving mechanism. What could drive a customer to the competitor may not be occurrence of a problem, but how the problem was handled. However, this is a reactive approach to conflict handling. A more admirable approach, which is proactive in planning and implementation includes, avoiding potential conflicts, solving conflicts before they visible, and recognizing potential sources of conflict and stopping them. These efforts would bring about better relationship and loyalty to the firm.

Negi (2010) has conducted research in similar case but in different country that is Ethiopian telecommunication and forwarded similar result with the above researcher and has stated that, It is difficult to achieve in total the avoidance of conflicts, it is important that Ethiopian telecommunications corporation introduced effective conflict resolution or problem solving mechanism, as what could drive a customer to become disappointed thus separated from behaving loyally, will not be occurrence of a problem by itself, but how the problem was resolved. These efforts if directed properly would bring about better firm - customer relationship that in turn, ensures customer retention.

2.4.5 Customer Satisfaction

Customer satisfaction is defined as “the degree to which a business’s product or service performance matches up to the expectation, then the customer is satisfied, if performance is below par then the customer is dissatisfied” Robert – Lombard (2009). According to Hu, Kandampully & Juwaheer (2009), customer satisfaction is influenced by expectations, perceived service and perceived quality. Expectations influence total satisfaction when the customer evaluates a product or service. Satisfaction is a customer’s emotional response when evaluating the discrepancy between expectations regarding the service and the perception of actual performance. This perception of performance is gained through the physical interaction with the business and the product and service of the business (Salami 2005). Perceived quality is measured through recent service experiences that consist of two components, namely perceived product quality and perceived service quality. As stated by Balaji (2009), there is a direct link between perceived quality and total satisfactions. The customer first forms expectations based on needs, values, past experiences and extrinsic cues about the product.

Grounaris, Tzempelikos and Chatzpanagiotou (2007), further explained that the perceived quality is based on those first expectations, and the choice that the customer made is then evaluated to determine satisfaction. Perceived value is the customer's overall assessment of the quality of a product based on the perception of what is received compared with what is provided Yu, Wu, Chiao & Tai (2005).

Rootman (2006) has stated that high levels of service quality may lead to increased customer loyalty, higher profitability, increased market share and lower employee turnover. If a customer believes that he has a satisfying relationship with the business, he may perceive the business to have a high level of service.

2.4.6 Communication

According to Bosch, et al (2006) communication is the formal and informal sharing of timely information between the supplier and the customer through various methods from one individual or group to another. Communication has been defined differently by different authors. Thuo (2008) affirmed that through communication the customers are informed about the features, benefits, availability, and usage of a particular product or service for persuasion purpose.

As made plain by Kotler and Keller (2007), customer's complaints should be resolved without delay else they may spread bad news to the other customers, other banks and friends. They argue that to make it easy for customer to complain requires suggestions forms, a seven day and twenty four hour toll free hotline to receive the customer complaint, suggestion forms, websites, phone calls and e-mails and complaint lines. According to Kotler & Tait (2010), communication in relationship marketing can be a word of mouth between the bank employees and customer and marketing communication to and from clients (Elliot, 2009). Kuria (2010) study on relational marketing strategies among commercial banks in Kenya revealed that information communication technology has improved customer retention and loyalty in banks and that it plays a crucial role in improving customer satisfaction. A study conducted by Rootman et al (2011) on relationship marketing and customer retention lessons for South African banks with the aim of understanding relationship marketing and customer retention. The study found that communication was one of the variables that had a strong positive relationship on customer retention. The study recommended that communication between the bank employees and

customers would be improved by use of appropriate and preferred communication methods, trustfulness and honesty communication that is not misleading, informing clients about new products or services, and their usage and benefits.

Similarly, a study on impact of customer relationship marketing on customer satisfaction in commercial banks in Ethiopia is conducted by Assefa Garbi Tufa and Megbaru Misikir Teshu (2015). The study discussed four independent variables: trust, commitment, competence and conflict handling. The finding of the study was that communication had a strong positive relationship with customer satisfaction in commercial banks in Ethiopia. A study on relationship marketing and customer loyalty in the mobile telecommunication industry in Kenya is conducted by Wanjiku (2013). The study found that successful communication of pricing policies as well as bendable pricing for various services offered play a great role in customer retention.

2.4.7 Trust

According to Farootan (2008), trust plays a big role in relationship marketing for it makes the customers build confidence on the bank and its products and services. The customer relationship management aims to satisfy the customer through trust that results to increased customer loyalty and retention. The bank service providers build trust to their customers by keeping to their promises. These promises should be honoured and fulfilled consistently. A study conducted by Alrubaiee & Al-Nazer, (2010) on the impact of relationship marketing orientation on customer loyalty in the banking sector in Jordan confirmed that customers trust in banking was a crucial aspect of relationship marketing. The study recommended that banks to increase mutual trust by showing hospitality, degree of honesty, transparency to be observed so as to build customer trust with the bank and bank service providers.

A similarly study, on the role of relationship marketing in customer orientation process in the banking industry with focus on loyalty with the objective of investigating the impact of relationship marketing on customer loyalty was conducted by Teleghani (2011). The study found out that there was a strong positive relationship between trust and customer retention. The study recommended that openness and honesty to be observed in order to retain customers.

2.5 Conceptual Framework

According to Miles and Huberman (1994) a conceptual framework or theoretical framework is defined as something that explains either graphically or in narrative form the main things to be studied, the key factors, constructs or variables and the presumed relationship among them. A conceptual framework for this study is made based on the work of Morgan, Hunt & Blog (1995) and Anderson and Narus (1990) with modification. Framework captures independent and dependent variables.

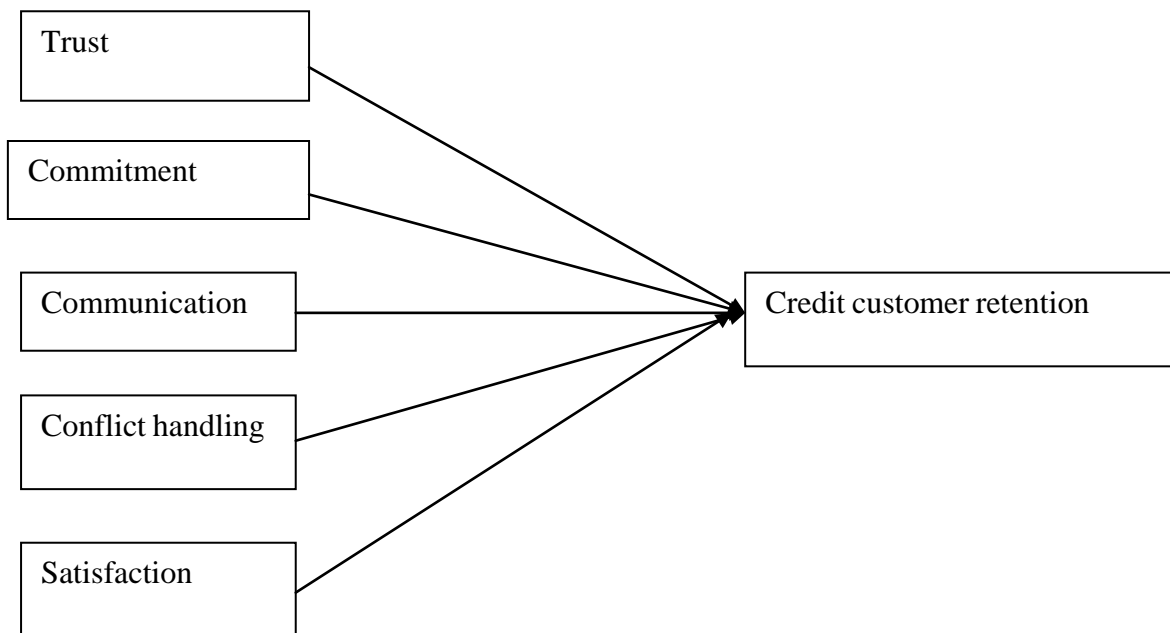


Figure 1: Conceptual framework

Source: Developed for the study based on Morgan, Hunt & Blog (1995) and Anderson and Narus (1990) with modification.

The conceptual framework model depicted above reveals that customer retention is affected by five components of relationship marketing, namely; trust, commitment, communication, conflict handling and satisfaction. In line with the above conceptual framework this study will test the following hypothesis.

Hypothesis 1: Commitment has a significant and positive influence on credit customer retention.

Hypothesis 2: Communication has a significant and positive impact on credit customer retention.

Hypothesis 3: Satisfaction has a significant and positive influence on credit customer retention.

Hypothesis 4: Trust has a significant and positive influence on credit customer retention.

Hypothesis 5: conflict handling has a significant and positive influence on credit customer retention.

Hypothesis 6: There is significant difference between public and private banks in terms of their CRM and customer retention practice.

CHAPTER THREE

RESEARCH METHODOLOGY

This chapter comprises of the following issues: description of the study area, research approach, research design, target population, sample frame, sampling technique, Sample size determination, data collection procedure, unit of analysis, data analysis, test of reliability and validity and ethical consideration.

3.1 Description of the Study Area

The banking industry in Ethiopia is governed by Central Bank of Ethiopia that issue regulations, directives and various rule. Modern banking in Ethiopia introduced in 1905. According to Abraha et al. (2005), an agreement was reached in between Emperor Minelik II and a representative of the British owned National Bank of Egypt to open a bank which leads to Bank of Abyssinia launched in Feb. 16, 1906 by the Emperor. This event marked the introduction of banking in the country. The Bank of Abyssinia was given more than 50 years pleasure and was engaged in issuing notes, collecting deposits and granting loans, but its clients were mostly foreign businessmen and wealthy Ethiopians (Mauri 2003).

In 1995 the banking sector was liberalized and exchange controls lifted. The banking industry of the Ethiopian financial sector plays a pivotal role in intermediation process between savers and investors. Banks offers products such as visa branded ATMs, internet and mobile banking, agency outlets, current accounts, savings account, credit etc.

Currently, there are 19 banks in Ethiopia of which sixteen are private banks and the rest three are government owned banks (NBE, 2015/16). However, currently one of the government banks, Construction and Business Bank (CBB), is dissolved and amalgamated with Commercial Bank of Ethiopia though securing official document that confirm the issue from NBE is not yet published.

At present most of the Commercial Banks in Ethiopia are following a customer centric approaches that position the customer at the centre of all banking activities. In connection to this, therefore, most of the commercial banks have redesigned their process in such a way that enable them implement a one point customer contact.

This study, therefore, is conducted in Addis Ababa, taking one public and two private commercial banks: Commercial Bank of Ethiopia, Wegagen Bank and Bank of Abyssinia. The primary purpose of this study is, assessing the effect of relationship marketing on credit customer retention in the Ethiopian banking sector. The survey conducted on credit customer only specifically credit customers at head office Addis Ababa city of the selected banks.

3.2 Research Approach

Research approach can be classified in to qualitative and quantitative. Qualitative analysis is the analysis of qualitative data such as text data form interview transcripts, unlike quantitative analysis which, is statistics driven and largely independent of the researcher. Quantitative research is the systematic and scientific investigation of quantitative properties and phenomena and their relationships. Kothari (2004) stated that the objective of quantitative research is to develop and employ mathematical models, theories and hypothesis pertaining to mutual phenomena.

In this study quantitative research approaches is employed. Furthermore, data are analyzed with the help of multiple regression models along with conducting correlation analysis.

3.3 Research Design

A research design is the arrangement of conditions and analysis of data in a manner aiming to combine relevance to the research (Kothari 2003). It is a conceptual structure within which research is conducted. It is a survey attempt to collect data from members of a population in order to determine the current status of population with respect to one or more variables (Mugenda and Mugenda 2003).

Therefore, the researcher has used explanatory study to explain the relationship or association between the variables of the study and to determine how relationship marketing influences customer retention in commercial banks in Ethiopia employing correlation and multiple regressions as well.

3.4 Sampling Design

3.4.1 Target Population

Target population refers to all members or a set of people, events or objects to which a researcher wishes to generalize the results of the study (Borg and Gall 1989). Similarly, Mugenda and Mugenda (1999) stated that target population is the population to which the researcher generalizes the results of a study. As per the data gathered from the Management Information System of the respective commercial banks, the target population for this study is 5,028 credit customers of the selected commercial banks i.e. credit customers of Commercial Bank of Ethiopia (public bank), Wegagen Bank and Bank of Abyssinia (private bank) in Ethiopia.

3.4.2 Sample Frame

A sampling frame is a list, directory or an index of cases from which a sample is selected (Mugenda and Mugenda 2003). The sampling frame comprised of list of all the registered bank credit customers situated in Addis Ababa at head office of the three selected banks namely Commercial Bank of Ethiopia (public bank), Wugagen Bank and Bank of Abyssinia (private bank) in Ethiopia.

3.4.3 Sampling Technique

In this study stratified sampling technique is used to select Commercial Banks. There were 19 commercial banks in Ethiopia but currently the total number of banks in Ethiopia reduced to 18 due to the reason that one of the government banks, Construction and Business Bank, is dissolved and merged with Commercial Bank of Ethiopia. The commercial banks in Ethiopia are stratified according to ownership as public and private Commercial Banks. Accordingly, the public banks include Commercial Bank of Ethiopia, Development Bank of Ethiopia and the x-Construction and Business Bank. Among these two remaining public commercial banks the researcher has purposively selected Commercial Bank of Ethiopia (CBE) due to the reason that the loan able fund that is to be provided for loan by Commercial Bank of Ethiopia (CBE) is obtained through mobilizing resources. On the contrary DBE is a policy bank that secure loan able fund through various means including grant from external organ other than mobilizing fund.

In addition, Commercial Bank of Ethiopia is the pioneer in the Ethiopian banking industry with more than thousand branches throughout the country (NBE, 2015/16). Among the remaining banks categorized under private commercial banks Wugagen Bank, Bank of Abyssinia, Dashen Bank, Zemen Bank, Oromia International Bank and NIB International Bank have implemented CRM in their process. However, except the two commercial banks, Wugagen Bank and Bank of Abyssinia, that have more than two years experience in implementing the relationship and credit appraisal wing in their process for check and balance purpose, the other banks elapsed less than a year. Hence, so as to get reliable information in turn reliable study result, Wugagen Bank and Bank of Abyssinia are selected purposively. Furthermore, these two banks are nearly similar in terms of branch network, capital employed, loan and advance including the number of credit customer. Detail of the selected Commercial Banks is depicted in the following table.

Table 3.1 Profile of Selected Commercial Banks

Banks/Description		Commercial Bank of Ethiopia		Abyssinia Bank		Wegagen Bank	
		2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
Branch Network		977	1150	136	176	119	161
Capital		10,716	13,558	1,594	1,838	2,062	2,431
Loans and Advances by Lenders	Disbursement	33,716	42,378	1,819	3,026	3,090	3,137
	Collection	22,474	28,611	2,436	2,287	3,287	4,888
Total Credit Customer in the country			5,978		4,072		2,775
Number of Credit Customers found in A.A			2,005		1820		1,203

The study further used systematic sampling method to select the sample respondents of the bank's credit customers of the three selected commercial banks. According to Mugenda and Mugenda (2003) and Saunders (2009), systematic sampling method involves selecting Kth subject for inclusion in the sample. In this research every nth term (where n will be determined

by any page number of a book that contains a minimum of four hundred pages randomly). The K^{th} subject that will be added on the n^{th} term will be computed by dividing the total population of the respective banks by their sample population) utilizing the list of credit customers that is collected in their Identification Numbered (ID) for confidentiality purpose, which only be recognized by the respective CRM, from the respective banks Management Information System so as to pick sample size of each commercial bank credit customer. This technique is acceptable and appropriate because it ensures reliable and representative coverage of all elements considered in the study (Zikmund, 2003).

3.4.4 Sample Size Determination

Sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which the researcher gains information about the population. The purpose of sampling is to secure a representative group which enables the researcher to gain information about a population. Sample size determination is influenced by a number of factors, including the purpose of the study, population size, the risk of selecting a "bad" sample, and the allowable sampling error (Israel, 1992). According to Mugenda and Mugenda, (2003), a sample is a smaller group obtained from the accessible population.

Therefore, sample size from Commercial Bank of Ethiopia (CBE), Wegagen Bank and Bank of Abyssinia respectively is computed from the total population of these commercial banks.

As stated, this research has used stratified and systematic sampling method to get the sample size: Commercial Bank of Ethiopia (CBE), Wegagen Bank and Bank of Abyssinia respectively. The banks are stratified according to ownership (Public sector and private sector) and systematic sampling method is employed to select the sample of credit customers from the selected three commercial banks.

As per the data from the Management Information System of the respective selected commercial banks currently there are a total of 5,818 credit customers in Addis Ababa being served by the three commercial banks.

In addition to the purpose of the study and the population size, five criteria will be needed to be specified to determine the appropriate sample size population variability (approximated p), the maximum allowed error (E), and confidence interval (Z), the probability of the population not to be occurred (q).

For populations that are large, the Cochran (1963) equation yields a representative sample for proportions. However, due to relatively finite number of credit customers in the commercial banks selected for this study, the sample size of the population is corrected using a formula for finite population correction. Hence, the sample for this study is determined through the equation developed by (Cochran, 1963) as well as employing correction formula for finite population as hereunder.

$$n_0 = \frac{Z^2 pq}{e^2}$$

Where n_0 the total number of sample required: -

- Z^2 is the abscissa of the normal curve that cuts off an area α at the tails. The critical table value of the confidence level ($z = 1.96$)
- $(1 - \alpha)$ equals the desired confidence level, e.g., 95%);
- e is the desired level of precision. the maximum allowed error i.e. ($e = 0.05$);
- p is the estimated proportion of an attribute that is present in the population, and q is $1-p$. The population variability ($p = 0.5$). the probability of the population not to be occurred ($q = 1 - p = 0.5$);
- The value for Z is found in statistical tables which contain the area under the normal curve. e.g. $Z = 1.96$ for 95 % level of confidence

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

$$n = (1.962 * 0.3 * 0.7) / 0.052 \text{ which is approximated } 384$$

The sample size determined herein above can be considered if the populations is found very large and infinity. However, with finite populations, correction for proportions is necessary and hence a correction formula for finite population is employed so as to arrive at the sample size for finite population as the population for this study is only 5818 in number which is finite. This is because a given sample size provides proportionately more information for a small population than for a large population. The sample size (n_0) can thus be adjusted using the corrected formulae.

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where

- n is the sample size;
- N is the population size;
- n_0 is calculated sample size for infinite population

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

$$n = \frac{384}{1 + \frac{(384 - 1)}{5028}} = 360$$

On the other hand, some research findings of relationship marketing in banking industry (Nareth, 2009) used large sample sizes ranging between 200 - 1000 respondents. Furthermore, those investigators suggested that using a large sample as much as possible. Since the large sample size have the probability of minimizing the population parameters and increases likelihood of the sample to be true representative of the population. This reduces chance of errors. (Gupta, et.al.2009).

Generally, in this study a sample size of 360 commercial bank credit customers situated in Addis Ababa are used.

Accordingly, the sample selection from each commercial bank is made by considering the proportion (%) or quota of the total credit customers.

Table 3.2 Total sample population selected

Sector	Name of the Commercial Banks	Population Size Bank Credit Customer	Percentage proportion	Sample size bank credit customer
Public	Commercial Bank of Ethiopia	2,005	$\frac{2005}{5028} \times 360 = 143$	143
Private	Wegagen Bank	1,203	$\frac{1203}{5028} \times 360 = 86$	86
	Bank of Abyssinia	1,820	$\frac{1820}{5028} \times 360 = 130$	130
Total		5,028		358

3.5 Data Collection instrument/tools

In a survey research the researcher selected a sample of respondents from a population and distributes a standardized questionnaire to respondents. As it is well known a surveys can be divided into four major types: personal interviews, telephone surveys, mail surveys and self-administered surveys. As stated by Aluinc et al. (1995) survey methods is important for two things. First, it is simple for administration; second it is also more sensitive for subgroup differences.

Hence, the study has implemented survey approach in collecting the data; specifically, through the use of closed-ended questionnaires. The suitability of using the survey strategy in this study is to help the researcher identify and explain statistically, the factors that explain relationship marketing on credit customer retention in the banking industry in Ethiopia.

Closed - ended questionnaires is administered to the Commercial Bank of Ethiopia, Wegagene Bank and Bank of Abyssinia credit customers who are situated in Addis Ababa. The data from the credit customers is gathered through their respective CRM so as to ease the interaction. The closed - ended questionnaire is developed by considering the relationship between customer relationship marketing and credit customer retention, and variables (dependent and independent). Closed - ended questionnaires covered knowledge areas like commitment, conflict handling, satisfaction, communication and trust in the banking industry.

As stated above this study will use the closed - ended questions because they are easier to analyze since questions will be accompanied by alternative answers which does not take much time of the selected banks credit customers. The closed ended items is measured by five point likert scale ranging from 1 = strongly disagree to 5 = strongly agree and others a five point likert scale ranging from 1 = very poor to 5 = very good which were prepared in English, and were translated to Amharic accordingly to increase the quality of the tools. The scale is useful in measuring the strength of respondents on commitment, conflict handling, satisfaction, communication and trust in the banking industry.

To sum, data for this study is gathered through self – administered close - ended questionnaires from credit customers of the selected commercial banks identified for this study i.e. credit customers of Commercial Bank of Ethiopia, Wegagen Bank and Bank of Abyssinia.

3.6 *Unit of Analysis*

The units of analysis for this study are one public bank (i.e. Commercial Bank of Ethiopia) and two private banks (i.e. Wegagen bank and Bank of Abyssinia). Credit customer are sample members who provided their opinion about CRM practices of these banks.

3.7 *Data Analysis method*

The analytical instrument for this study is descriptive statistics, correlation and multiple regression analysis. Descriptive statistics is used mainly to organize and summarize the demographic data of the respondent. And correlation analysis is used to show the relationship between components of relationship marketing and credit customer retention in selected

commercial banks in Ethiopia. On the other hand, multiple regression analysis is carried out to measure the impact of customer relationship marketing on credit customer retention in selected commercial banks i.e. Commercial Bank of Ethiopia, Wegagene Bank and Bank of Abyssinia. Furthermore, t-test or ANOVA is conducted to determine if there is a significant difference between public and private banks in terms of their CRM and credit customer retention. The Statistical Package for Social Scientists (SPSS) 20.0 version has been employed in analyzing data collected.

3.8 Test of Reliability and Validity

3.8.1 Reliability

The level of reliability of the instrument that is the consistency of the variables is checked with the Cronbach's alpha statistics. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the — underlying construct (Nunnally, 1978). Cronbach's Alpha's can only be measured for variables which have more than one measurement question. Nunnally (1978) has stated that 0.5 is a sufficient value, while 0.7 is a more reasonable Cronbach's alpha. The results were extracted as Table 3.2 and according to this theory the result is more than 0.7.

Table 3.3: Reliability Test Result

Variable	Item	Cronbach's alpha
Trust	11	0.822
Commitment	3	0.739
Conflict Handling	4	0.782
Customer Satisfaction	4	0.734
Communication	5	0.767
Retention	6	0.756
Overall	33	0.937

3.8.2 Validity

Validity is defined as how much any measuring instrument measures what it is intended to measure. Bryman and Bell (2003) also suggested that the important issue of measurement validity relates to whether measures of concepts really measure the concept. Validity refers to the issue of whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept. Several ways of establishing validity are: content validity; convergent validity concurrent; predictive validity; construct validity; and convergent validity (Bryman and Bell, 2003,). The researcher used standardized questionnaire, so, the instrument is already valid and tested.

3.9 Instrument design for data collection

The internal consistency of the instrument was tested via reliability analysis by different researchers in Ethiopian as well as developed countries starting from 1994 by Morgan and Hunt up to now. Therefore, all the items (instruments) incorporated in this research has been tested continuously for many years and they yielded greater Cronbach's alpha coefficient from the lower limits of 0.60 (Hair et al. 1995). Since each determinant item has been adopted, the researcher did not go further to take pilot study for checking the internal consistency of the instruments.

Thus, questionnaire items were adopted from different sources. Three communication items were adopted from Ndubisi (2007) and Palmatier et al. (2006), four conflict handling items from Morgan and Hunt (1994), seven trust items from Negi(2010), three commitment items from Morgan and Hunt (1994), four satisfaction items from Brugge et al. (2001) and Morgan and Hunt (1994), and four relationship quality items from Ndubisi (2007) and Morgan and Hunt (1994).

3.10 Ethical Considerations

This study maintained scientific objectivity throughout the study, recognizing the limitations of competence. The study in accordance with these taken steps to make sure that no respondent or any participant in this research work is harmed in any way. In conducting this research permission has been secured in advance and the aims and objectives of the study have cleared to the clients and the bank as well through introductory letters.

Every person involved in the study is entitled to the right of privacy and dignity of treatment, and no personal is harmed in the course of the research work. Information obtained is held in strict confidentiality. All assistance, collaboration of others and sources from which information secured is acknowledged.

3.11 *Data management and analysis*

3.11.1 *Survey data management and analysis*

Data was checked for consistency and completeness on daily basis then data was coded, checked, and entered to computer. Finally, it has been processed and analyzed by Statistical Package for Social Sciences (SPSS) version 15 for windows. To analysis the data, different kinds of statistical methods including descriptive statistics (frequency, percentage and average) and inferential statistics (correlation and multiple regressions) were used.

According to Malhotra (1996) using descriptive survey methods helps the researcher in picturing the existing situation and allows relevant information using appropriate data collecting instrument. Moreover, correlation and multiple regression were employed to identify and predicting the relation and contribution of these determinants on relationship quality of Ethiopian airlines. Before going to perform multiple regressions, the researcher first has done correlation matrixes. Correlation matrix has been done to identify the relationship of each variable among them and with dependant variables. Finally, the researcher employed multiple regressions to identify which determinants is higher explanatory for relationship quality of Ethiopian airlines.

Finally, the results of both descriptive as well as inferential results were presented by appropriate graphs and tables. Thus, the general form of the model for the multiple regressions can be specified as:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$$

The left-hand variable, Y, represents the dependent variable in the model, which is the firm's – customer relationship quality. X contains the set of explanatory variables in the estimation model, β_0 is the constant, β represents the coefficients and e is the error term.

Therefore, the model for the multiple regressions, built in line with the hypotheses of the study, is given as follows:

$$RM = \beta_0 + \beta_1(CM) + \beta_2(TR) + \beta_3(CH) + \beta_4(CO) + \beta_5(SA) + e \text{ -----(1)}$$

Where: RM= Relationship Marketing CH = Conflict handling SA = Satisfaction

CO =Communication CM = Commitment TR = Trust

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

This chapter deals with the presentation of data, analysis and interpretation. To collect the data and summarize findings, questionnaire was prepared and distributed to credit customers of commercial banks in Ethiopia, specifically about 143 questionnaire have been distributed to credit customers of Commercial Bank of Ethiopia (CBE) who reside in Addis Ababa, about 86 questionnaire have been distributed to credit customers of Bank of Abyssinia (BoA) who reside in Addis Ababa and about 130 questionnaire have been distributed to credit customers of Wegagen Bank (WB) who reside in Addis Ababa. Thus a total of 358 questionnaire was distributed to different credit customers of the above mentioned three banks located in Addis Ababa city, and a total of 337 (94%) was returned and used for this study, while 21 (6%) remained uncollected and according to Mugenda and Mugenda (2003), a return of 50% is acceptable. The findings of the study from the data collected were analyzed using statistical package for social sciences (SPSS), organized and presented in charts and tables.

4.1 Data Editing and Clearing

Each aspects of data used to measure and assess the variables are uniformly distributed; the following table summarizes the data editing and clearing.

Table 4.1: Background Information about Respondents

	Gender of respondents	Age of respondents	Education al background	Occupation of the respondent	Type of services	Period of Time become customer	Type of bank
N	337	337	337	337	337	337	337
	0	0	0	0	0	0	0
Mini	1	1	1	3	2	1	1
Maxi	2	4	5	3	5	5	2

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

4.2 Background Information about Respondents

This section that follow presents profile of respondents' like gender, age, educational background, occupation, type of service being used in the bank, year of relationship as credit customer and the type of the bank.

Table 4.2: Socio – economic characteristics of the bank credit customer

Gender	Male				Female					
	Frequency		%		Frequency		%			
	229		68		108		32			
Age	18 - 25		26 - 35		36 - 45		46 - 55		56 and above	
	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%
	10	3	96	28. 5	183	54. 3	48	14. 2		
Educational Background	High school and below		Certificate		Diploma		Degree		Masters & above	
	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%
	108	32	28	8.3	70	20. 8	51	15. 1	80	23. 7
Occupation	Student		Employee		Business person		Retired		Other	
	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%
					337	100				
Type of service in the bank	Saving account		Current account		Credit		Money Transfer		More than one	
	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%
			58	17.	279	82.				

				2		8			
How long have you been a credit customer	1 – 3 years		4 - 7 years		8 - 10 years		above 10 years		
	Frequenc y	%	Frequenc y	%	Frequenc y	%	Frequenc y	%	
	4	1.2	185	54.9	116	34.4	36	9.5	
Type of bank	Public bank		Private Bank						
	Frequenc y	%	Frequenc y	%					
	189	56.1	148	43.9					

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

Analyzing the data obtained from the questionnaire, table 4.1 reveals that, 68% of the respondents were male credit customers while 32% were female credit customer respondents. The study tried to represent of the credit customer respondents to be fairly balanced but the selected credit customers had more male than females by 36%. In terms of age, 3% of survey credit customer respondents were under the age of 18 – 25 years, 28.5 % of survey credit customer respondents were under the age of 26-35 years, 54.3% of the survey credit customer respondents were under the age of 36-45 and 14.2% of the survey credit customer respondents were under the age of 46-55. No credit customer respondents were found above the age of 56. Therefore the largest credit customer respondents were between the ages of 26-35 representing 54.3%. On the other hand, 1.2% of the credit customer respondents had 1-3 years of association with the three selected Commercial Banks in Ethiopia, 54.9% had a customer relationship with the three selected Commercial Banks in Ethiopia for 4-7 years, 34.4% of the credit customer respondent had a credit customer relationship the three selected Commercial Bank in Ethiopia for 8-10 years and 9.5% of the credit customer established a credit customer relationship with the three selected Commercial Bank above 10 years. This result indicates that majority of the customers were loyal to their banks since more than half of the credit customer respondents reported to have been stayed with their bank for more than 3 years. In regard to education level of the customers, majority of the credit customer respondents (32%) were high school and below, 8.3% of the credit customer respondents were rewarded certificate, 20.8% of the credit

customer had diploma, 15.1% had a first university degree and 23.7% awarded masters & above.

This result indicates that the bank credit customer's respondent had attained different levels of education. From the respondent profile, however, majority of the respondent were well educated and this can help the accuracy of the response since they can understand the intention of the survey and respond accordingly. Concerning the occupation of the credit customer respondents, the entire credit customer respondents were business customer. In addition to the credit customer respondents were asked to identify the type of banks they had relationship with and 56.1% of the credit customer respondent had responded that they are public bank user and 43.9% of the credit customer respondent were private bank user. Furthermore, the credit customer respondent were asked to identify the type of service being used and as to the service used the majority of the credit customer respondents were credit customer i.e. 82.8 and the remaining 17.2% of the credit customers respondents had used current account holder with the selected Commercial Banks in Ethiopia.

4.3 Analysis of Correlation

Correlation measures the strength of the linear relationship between two variables. Thus, Pearson's correlation is used to identify whether there are relationships between the variables and to describe the strength and the direction of the relationship between two variables (Mohammad, n.d). According to Berndt et. al (2005), the level of association as measured by Pearson's co-efficient falls between -1.0 and +1.0, which indicates the strength and direction of association between the two variables. The interpretation of the result is as follows; a correlation result between 0 to 1 implies positive relationship, 0 (zero) for no relationship, 1 for perfect positive relationship, -1 for perfect negative relationship and between -1 to 0 indicate the existence of negative relationship. So, the correlation analysis was done to analyze the relationship between Customer retention and trust, Reciprocity, bonding, empathy, and responsiveness. To examine the relationship among these variables, Pearson correlation coefficients were calculated. In this section of the study, the analysis and interpretations of the correlation results between dependent and independent variables are presented.

Table 4.3: Correlation Analysis result between Relationship Marketing and Customer Retention

RM components	Retention
Trust	0.664
Communication	0.604
Conflict	0.646
Commitment	0.690
Customer Satisfaction	0.530

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

As indicated in table 4.2 there is positive and strong relationship between trust and customer retention which indicates that as the level of trust of customers on the bank increase there is more chance that they will retain in the bank. This study finding corresponds with Soimo et al (2015) study which established that there was a positive relationship between trust and customer retention. The study finding concurs with Wanjiku (2013) study which established that firms operating in an intensely price based competitive environment should purpose to build trust among their customers.

Like that of trust communication and customer retention has positive and strong relationship indicating that enhancing communication will have positive effect on customer retention. This finding agrees with Wanjiku (2013) study which established that effective communication of pricing policies as well as flexible pricing for various services offered played a great role in customer retention. The study findings also agrees with Rootman et al (2011) study which revealed that communication was one of the key variables that had

Conflict handling has positive effect on customer retention indicating the more the banks strive to handle conflict the more they retain their customer. The finding is consistent with Morgan and Hunt (1994), effective conflict handling can have a dramatic impact on customer retention rates, redirect the spread of damaging word of mouth, and improve end result performance.

The above table indicates the more banks are committed to their customers the more their customer retain with them. As indicated in the table retention and commitment has positive and strong relationship. The finding is supported by Berry and Parasuraman (1991) who argue that ``relationships are built on the foundation of mutual commitment``. Without commitment there is no relationship, if it is to be cemented for a longer time.

Like every other components of customer relationship marketing customer satisfaction have positive effect on customer retention. The more the customers are satisfied with the bank the more they will retain there. The study finding is consistent with to Yu, Wu, Chiao & Tai (2005), banks resolved offered quality service in a conducive environment with high standard banking layout and amenities will satisfy customer which leads to customer retention.

The above correlation coefficient confirms that relationship marketing has direct positive and significant relationship with customer retention. Thus one can deduce that the five components of relationship marketing have strong relationship with customer retention. A relationship orientation implies that the focus of marketing is on retaining customers by maintaining and strengthening win-win relationships over time (Payne and Frow, 1997).

4.4 Normality Test

Before conducting the regression analysis it's important to conduct normality test. The variable in the multiple linear regressions must follow normal distribution and to check whether they do have that the normality test is conducted as follows.

Table: 4.4 Normality Test

		Trust	Commitmen t	Conflict	Satisfactio n	Communicati on	Retention
N	Valid	337	337	337	337	337	337
	Missing	0	0	0	0	0	0
Skewness		-1.060	-1.443	-1.441	-1.708	-1.753	-1.121
Kurtosis		1.299	1.870	1.788	1.319	1.804	1.048

As indicated above the skewness and kurtosis figure ranges between +1.87 and -1.75 which indicates that the data is normally distributed.

4.5 Multi Co linearity Test

The independent variables should not be overly correlated with one another. Ways to check are examining bivariate correlations and scatter plots between each of the independent variables through checking of the Co linearity statistics. As a rule of thumb the variable inflation factor should be 10 and tolerance should be above 0.2.

Table 4.5: Multi Collinearity Test

Model	Co linearity Statistics	
	Tolerance	VIF
Trust	.471	2.124
Commitment	.648	1.544
1 Conflict	.380	2.632
Satisfaction	.524	1.908
Communication	.335	2.985

a. Dependent Variable: Retention

4.6 Regression Analysis

Regression analysis is about predicting the future (the unknown) based on data collected from the past (the known). It analyzes one variable, the dependent variable, taking into consideration the effect on it by one or more factors, the independent variables (Arthur Griffith 2007).

4.6.1 Multiple Regression Analysis

To investigate the significant factors of customer relationship marketing that influence customer retention in Commercial Banks of Ethiopia, multiple regression model were computed.

Table 4.6: Regression result CRM Components and Customer Retention

Model	Un standardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.726	.165		4.409	.000
Trust	.320	.054	.297	5.969	.000
Commitment	.183	.030	.256	6.026	.000
Conflict	.106	.047	.123	2.230	.000
Satisfaction	.026	.042	.029	.610	.000
Communication	.196	.047	.244	4.135	.000

Dependent Variable: Customer Retention, based on questionnaire survey, 2017

In next step for indicate of customer retention explanation and prediction by five components of CRM , we used Multiple Regression method .In table 4.3 , According to Beta coefficient can be said that trust has maximum impact (0.297) and customer satisfaction has minimum impact (0.029) on customer retention variable. Then regression model can be written as follows in a significant at 95% confidence interval.

$$\hat{Y} = 0.726 + 0.320 X_1 + 0.183 X_2 + 0.106x_3 + 0.026 X_4 + 0.196 X_5$$

Interpretation of the model, as per the finding, trust has a positive impact on customer retention. This means that, as trust increases or decreases by 1%, customer retention increases or decreases at the time by 32% controlling for (x2, x3, x4 and x5). Similarly commitment influences positively customer retention. When commitment is raised or fall by 1%, the dependent variable customer retention raised or fall by 18.3% controlling for(x1, x2, x3 and x4). As conflict handling increased or decreased by 1% customer retention also increased or decreased by 10.6% controlling for (x1,x3,x4 and x5).with regard to customer satisfaction increased or decreased by 1% ,the dependent variable customer retention is increased or decreased by 2.6% controlling for(x1,x2,x4 and x5). Finally empathy increased or decreased through 1%, the dependent variable customer retention is increased or decreased by 19.6 %

controlling for(x1,x2, x3 and x5).As result trust and communication have strong impact on customer retention with regarding the bank.

4.1.1 Hypothesis Testing

Hypothesis testing is based on standardized coefficients beta and P-value to test whether the hypothesis are rejected or not.

Hypothesis 1: Trust has a significant and positive influence on credit customer retention.

Ho1: Trust will not have significant and positive effect on credit customer retention.

Ha2: Trust will have significant and positive effect on credit customer retention.

The result of linear regression as presented in table 4.3 illustrate there is a strong positive and significant relationship between Trust and credit customer retention with a beta value of 0.320, at 95% confidence level. From this the researcher conclude that the alternative hypothesis that Trust will have significant and positive effect on credit customer retention is supported by the data set and the null hypothesis is rejected or not supported by the data set.

(Morgan and Hunt, 1994) suggested that trust is therefore a major determinant of relationship commitment, and exists when there is confidence in a partner's reliability and integrity.

Hypothesis 2: Commitment has a significant and positive influence on credit customer retention.

Ho1: Commitment will not have significant and positive effect on credit customer retention.

Ha2: Commitment will have significant and positive effect on credit customer retention.

The result of linear regression as presented in table 4.3 illustrate there is a strong positive and significant relationship between commitment and credit customer retention with a beta value of 0.183, at 95% confidence level ($p < 0.01$). From this the researcher conclude that the alternative hypothesis that Commitment will have significant and positive effect on credit customer retention is supported by the data set and the null hypothesis is rejected or not supported by the data set.

Hypothesis 3: Conflict Handling has a significant and positive influence on credit customer retention.

Ho1: Conflict Handling will not have significant and positive effect on credit customer retention.

Ha2: Conflict Handling will have significant and positive effect on credit customer retention.

The result of linear regression as presented in table 4.3 illustrate there is a strong positive and significant relationship between commitment and credit customer retention with a beta value of 0.106, at 95% confidence level. From this the researcher conclude that the alternative hypothesis that Conflict Handling will have significant and positive effect on credit customer retention is supported by the data set and the null hypothesis is rejected or not supported by the data set.

Hypothesis 4: Communication Has a Significant And Positive Influence On Credit Customer Retention.

Ho1: Communication will not have significant and positive effect on credit customer retention.

Ha2: Communication will have significant and positive effect on credit customer retention.

The result of linear regression as presented in table 4.3 illustrate there is a strong positive and significant relationship between Communication and credit customer retention with a beta value of 0.196, at 95% confidence level. From this the researcher conclude that the alternative hypothesis that Communication will have significant and positive effect on credit customer retention is supported by the data set and the null hypothesis is rejected or not supported by the data set.

Hypothesis 5: Customer Satisfaction Has a Significant and Positive Influence on Credit Customer Retention

Ho1: Customer Satisfaction will not have significant and positive effect on credit customer retention.

Ha2: Customer Satisfaction will have significant and positive effect on credit customer retention.

The result of linear regression as presented in table 4.3 illustrate there is a positive and significant relationship between Customer Satisfaction and credit customer retention with a beta value of 0.026, at 95% confidence level . From this the researcher conclude that the alternative

hypothesis that Customer Satisfaction will have significant and positive effect on credit customer retention is supported by the data set and the null hypothesis is rejected or not supported by the data set.

4.1.2 Independent T test Analysis

The independent t-test evaluates the difference of two independent groups. Accordingly the hypothesis: there is a significant difference between public and private bank in terms of their CRM practices and customer retention in Ethiopia is evaluated by comparing their means of the two independent groups; public and private banks and it was evaluated using the Lavene’s test significance.

Table 4.7: Comparison between Public and private Bank in terms of their RM practice

Type of bank	N	Mean
Public Bank	189	3.9918
Private bank	148	4.2977

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

As indicted in table 4.6 relationship marketing is more practiced in private banks compared to public banks and there is significant difference.

Table: 4.8: Independent sample test analysis result for public and private banks in respect of CRM

		Levene's Test for Equality of Variances		t-test for Equality of Means
		F	Sig.	t-test equality of means
R M	Equal variances assumed	123.29	.000	3.12
	Equal variances not assumed			2.89

Table 4.9: Comparison between Public and private Bank in terms of their Customer Retention practice

Type of bank	N	Mean	Sign.
Public Bank	189	4.0661	
Private bank	148	4.3164	

As indicted in table 4.8 Customer retention is more practiced in private banks compared to public banks and there is no significant difference.

Table: 4.10: Independent sample test analysis result for public and private banks in respect of Customer Retention Practice

		Levene's Test for Equality of Variances		t-test for Equality of Means
		F	Sig.	t-test equality of means
CR	Equal variances assumed	121.47	.000	2.62
	Equal variances not assumed			2.09

From the above group statistics analysis result one can observe that the more customer relationship marketing practiced by banks the more they can retain their customer.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

This is a comparative study that is limited in scope and sample size, but it can contribute to further study on the impact relationship marketing on credit customer retention in the banking sector in Ethiopia context. Therefore, based on the analysis and interpretations made at the pervious chapter the following summaries, conclusions and recommendation are made.

5.1 Summary of Major Findings

The purpose of the study was to investigate the effect of relationship marketing on credit customer retention the case of Commercial Banks in Ethiopia. More specifically the study determines the extent to which relationship marketing (*trust, communication, conflict handling, commitment and customer satisfaction*) influences customer retention. The following are the major findings of the study:

- ✓ The demographic characteristics of respondents show that 68% of the respondents were male credit customers while the reaming 32% are female credit customer respondents.
- ✓ Among the respondents, 1.2% had 1-3 years, 54.9% 4-7 had years 34.4% had 8-10 years and 9.5% had above 10 years of the credit customer has banking relationship with the three selected Commercial Banks respectively.
- ✓ In regards to educational qualification of the respondents more than 20.8% of the credit customer had diploma, 15.1% had a first university degree and 23.7% awarded masters & above.
- ✓ 56.1% of the credit customer respondent had responded that they are public bank user and 43.9% of the credit customer respondents were private bank user.
- ✓ There is positive and strong relationship between trust, communication, Conflict handling, commitment, satisfaction and customer retention with Pearson Correlation of 0.664, 0.604, 0.646, 0.690, and 0.530 respectively.
- ✓ There is significance difference between public and private banks in terms of their CRM and customer retention practice.

Finally summary of the finding confirms that relationship marketing has direct positive and significant relationship with customer retention with correlation coefficient of 0.772 .

Regression Analysis Findings

- ✓ There is strong and positive relationship between Trust and credit customer retention with a beta value of 0.320, at 95% confidence level leading to acceptance of the alternative hypothesis that is Trust will have significant and positive effect on credit customer retention.
- ✓ It is also shown in the finding that there is a strong positive and significant relationship between commitment and credit customer retention with a beta value of 0.183, at 95% confidence level, confirming the acceptance of the alternative hypothesis that Commitment will have significant and positive effect on credit customer retention.
- ✓ The result produced that there is a strong positive and significant relationship between conflict handling and credit customer retention with a beta value of 0.10, at 95% confidence level leading to acceptance the alternative hypothesis that Conflict Handling will have significant and positive effect on credit customer retention.
- ✓ The relationship between Communication and credit customer retention discovered to be strong positive and significant with a beta value of 0.196, at 95% confidence level which confirm that the alternative hypothesis that is Communication will have significant and positive effect on credit customer retention.
- ✓ The result of linear regression as presented illustrate there is a positive and significant relationship between Customer Satisfaction and credit customer retention with a beta value of 0.026, at 95% confidence level, supporting the alternative hypothesis that Customer Satisfaction will have significant and positive effect on credit customer retention.
- ✓ There is significance difference between public and private banks in terms of their CRM and customer retention practice i.e. the alternative hypothesis that there is significance difference between public and private banks in terms of their CRM and customer retention practice is accepted.

Generally the findings of the study confirm that all the five variables of relationship marketing (trust, communication, conflict handling, commitment and customer satisfaction) has a strong positive and significant relationship with credit customer retention with different extent. Among the variable it was learnt that commitment is the most important variable and trust which is the second followed by conflict handling and communication and the least one is customer satisfaction.

5.2 Conclusions

Based on the finding of the study, there are a few key points that can be used to conclude this research paper. The major portion of the respondent have more than five years banking relation with the selected banks, which indicates they can provide valuable information.

The finding of the study suggests that all five variables of relationship marketing (trust, communication, Conflict handling, commitment, satisfaction and customer retention) have strong and significant relationship with credit customer retention. Mainly trust and commitment dimensions in the relationship marketing contribute to the customer retention.

The study concluded that trust is a determinant of customer retention in the banking industry, since there is strong and positive relationship between Trust and credit customer retention. The bank customers trusted the bank products/services, transactions handling, bank resolving their concerns and information confidentiality. Thus, the bank customers are retained for the bank due to trust. The commitment-trust theory of relationship marketing says that two fundamental factors trust and commitment must exist for a relationship to be successful. Relationship marketing involves forming bonds with customers by meeting their needs and honoring commitments. Results indicate that commitment dimension of customer relationship marketing is very important for banks credit customer retention.

In this regard the study concluded commitment has strong positive and significant relationship with credit customer retention, it represents exchange partners' desire to maintain valued relationship and thus their relational motivation toward partners. The study concluded that customer retention in the banking sector is determined by communication effectiveness between the bank customers and the bank employees. The study result revealed that there is a strong positive and significant relationship between communication and credit customer retention.

The bank employees informed the bank customers on the new products/ services, banks provided prompt information, bank resolved their problems and the bank utilized ICT in transmitting information to customers. Credit customers at the selected banks are satisfied with communication practice at the banks hence customer retention.

Conflict is inevitable since customers have different need, wants and way of doing business, thus, it is up to the employees of the bank to handle such conflict systematically to retain their

customer. The study concluded that there is a strong positive and significant relationship between Conflict Handling and credit customer retention. Effective conflict handling can have a dramatic impact on customer retention rates, redirect the spread of damaging word of mouth, and improve end result performance. It is also learnt that Effective resolution of customer problems and relationship marketing are linked closely in terms of their mutual interest in customer satisfaction, trust, and commitment.

The result of this study showed a positive and significant effect of satisfaction on credit customer retention; albeit the extent of influence is lower than the other variables of relationship marketing. If the banks manage to provide quality services which are reliable and prompt, banks resolved their concerns and were offered services in conducive environment with high standard banking layout and amenities, then customer will be satisfied and have great chance of revisiting the bank.

In general, it is possible to conclude that there is a positive relationship between credit customers' relationship marketing and their retention with commercial banks in Ethiopia, which is supported by many theoretical and empirical literatures.

5.3 Recommendations

This study attempts to examine the effect of customer relationship marketing on customer retention of selected Commercial Banks in Ethiopia. On the basis of the findings and conclusions reached in this study, the following recommendations are forwarded on each variable of relationship marketing in particular and relation marketing in general.

On Trust, Even though there is strong positive and strong relationship between trust and credit customer retention, the researcher forward the following, recommendations on trust:

1. Improvement of trust levels between the bank customers and bank employees in order to retain their customers.
2. The banks to increase mutual trust by showing hospitality, degree of honesty, transparency so as to build customer trust with the bank and bank employees.

3. The openness and honesty between bank customers, bank employees and bank in order to retain their customers.

On communication, the study also proved that there is positive and significant relationship between communication and credit customer retention, the following recommendations are forwarded for further improvement on this variable.

1. The banks should upgrade their technology so as to serve their customers by use of latest editions of technology.
2. The banks should be responsive to complaints, provide timely and prompt information to their customers.

On commitment, the commitment-trust theory of relationship marketing says that two fundamental factors trust and commitment must exist for a relationship to be successful. Therefore, the banks shall strive:

1. In forming bonds with customers by meeting their needs and honoring commitments.
2. Understanding the customer need and want ahead of time so you can meet the expectations of your customer which lead you to customer satisfaction.
3. Building trust through shared values.
4. Creating cooperative behaviors that allow both parties to fulfill their needs.

On Conflict handling, Conflict is inevitable since customers have different need, wants and way of doing business, thus, it is up to the employees of the bank to handle such conflict systematically to retain their customer. The study had the following recommendations

1. Be sure to allow the client to fully express her feelings and thoughts (it can be written or oral), it might be enough to just know that their concerns have been voiced, and they have been heard.
2. Use conflict handling techniques that will lead to win-win situation.

On customer satisfaction, satisfaction is an antecedent to customer retention and that a satisfied customer with services provided with the bank will likely remain to be a loyal customer to the bank.

To do so the following recommendation shall be considered.

1. Studies have suggested that reliability is the most important dimension in determining a quality banking service, thus, the banks should Ensure that promise are kept in terms of service delivery at all time.
2. Having well qualified and experienced staff is vital in order to deliver quality service. Thus, the banks should make the process by considering not only the technical qualification of the employees but also his/her soft skills like personality and attitude in interacting with customers. Training is considered to be essential for improving quality. Therefore, the banks should develop training programs to improve the Staff' skill, friendliness and courtesy.
3. Also effective *teamwork* tends to develop capabilities for delivering a high level of service quality, since working as a mutually reinforcing team creates an environment where customer satisfaction can be increased and employee motivation sustained.
4. Having well facilitated working environment in terms of furniture, Information technology and office layout.

Finally, it is highly recommended that commercial banks in Ethiopia need to improve their practice of Relationship Marketing in order to retain customers in all levels era of trust, commitment, communication, conflict handling and satisfaction.

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Appendix One: Questionnaire – English Version
Addis Ababa University – School of Commerce – Marketing Management
Questionnaire to the credit customers of Commercial Banks in Ethiopia

Dear Respondent,

This questionnaire is prepared by post graduate program student of Addis Ababa University – School of Commerce to conduct study on ‘The effect of relationship marketing on credit customer retention: the case of commercial banks in Ethiopia’ as partial fulfilment for the – Masters of Marketing Management (MA) degree. This questionnaire is, therefore, designed to collect firsthand information/data on the topic under caption. Since the information required is for academic purposes the secrecy of the respondent is guaranteed.

Hence, please lend me few minutes of your time to fill out the questionnaire as genuinely and completely as possible and no need to write your name on the questionnaire.

I remain grateful to you for your kind cooperation.

April 2017
Addis Ababa

Part I. Demographic Information

Please complete the section by ticking ✓ in the box provided.

1. Gender: Male Female
2. Age: 18 - 25 26 - 35 36 - 45
 46 - 55 56 and above
3. Educational Background
 High school and below Certificate
 Diploma Degree
 Masters & above
4. Occupation: Student Employee Business person Retired
 Other
5. What type of services are you using in the bank? (you can choose more than one)
 Saving account Current account Credit
 Money Transfer
6. For how long have you been a credit customer of this bank?
 1 - 3 years 4 - 7 years 8 - 10 years Above 10 years
7. Type of bank Public bank Private Bank

Section B: Customer Relation Marketing Dimension

8. Kindly indicate the extent to which you agree with the following circling the number in the box. You are required to assess the following on the scale of strongly disagree to strongly agree. The weight of the scales are as follows: 5 = Strongly Agree, 4 = Agree, 3 = Neutral, 2 = Disagree, 1 = Strongly disagree).

S.N	Tools/Items	Level of Agreement				
		1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Trust						
T1	The bank is very concerned with security for my transaction	1	2	3	4	5
T2	The bank's promises are reliable	1	2	3	4	5
T3	Given my past business relationship, the bank is trustworthy	1	2	3	4	5
T4	The bank fulfills its obligation to its customers	1	2	3	4	5
T5	I have confidence in the bank's service	1	2	3	4	5
T6	The bank has the ability to meet its promise	1	2	3	4	5
T7	I have trust on bank products/ services offered to me	1	2	3	4	5
T8	I have Trust on the way the bank handles my concerns	1	2	3	4	5
T9	I trust the bank on my loan information	1	2	3	4	5
T10	I have trust on the way the bank handles information confidentiality	1	2	3	4	5
T11	I have trust on the bank in transaction handling	1	2	3	4	5
Commitment						
C1	The bank makes adjustments to suit my needs.	1	2	3	4	5
C2	The bank is flexible in serving my needs related to services.	1	2	3	4	5
C3	The bank offers personalized services to meet my needs.	1	2	3	4	5
Conflict handling						
CH1	Employees of the bank are very active to respond for the manifestation of customer problem.	1	2	3	4	5
CH2	Employees of the bank provide fast response for the customer question.	1	2	3	4	5
CH3	Employees of the bank have the habit of discussing with customer when problem arises.	1	2	3	4	5
CH4	Employees of the bank are advocating the proactive of methods of problem solving.	1	2	3	4	5

S.N	Tools/Items	Level of Agreement				
		1		3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
Customer satisfaction						
CS1	I am satisfied with my past experience with the bank.	1	2	3	4	5
CS2	I have been satisfied since I became the customers of this Bank.	1	2	3	4	5
CS3	The bank offers value for the money I pay.	1	2	3	4	5
CS4	I feel satisfied with this bank	1	2	3	4	5
Communication						
CO1	The bank informs me on new products/ services	1	2	3	4	5
CO2	The bank offers me prompt information	1	2	3	4	5
CO3	The bank effectively resolves my complaints	1	2	3	4	5
CO4	The bank utilizes Information communication technology in transmitting information to me	1	2	3	4	5
CO5	The bank offers me toll free helpline services	1	2	3	4	5

Section C: Customer Retention

Customer Retention						
S.N	Tools/Items	Level of Agreement				
		1	2	3	4	5
		Strongly Disagree	Disagree	Neutral	Agree	Strongly agree
CR1	I am confident of giving positive word of mouth testimonies to others about this bank.	1	2	3	4	5
CR2	I don't have an intention of leaving this bank in the future.	1	2	3	4	5
CR3	As compared to other banks my loyalty is with this bank.	1	2	3	4	5
CR4	I find it difficult to switch to other banks because of what I get from this bank.	1	2	3	4	5
CR5	I intend using other products and services of the bank.	1	2	3	4	5
CR6	This is my first choice.	1	2	3	4	5

Thanks a lot

አዲስ አበባ ዩኒቨርሲቲ - ንግድ ሥራ ትምህርት ቤት - የገበያ ሥራ አመራር

በንግድ ባንክ ደንበኞች የሚሞላ መጠይቅ

ይህ መጠይቅ የተዘጋጀው በገበያ ሥራ አመራር የድህረ ምረቃ ፕሮግራም ማሟያ እንዲሆን “The Effect of Relationship Marketing on Credit customer Retention: the case of Commercial Banks in Ethiopia” ማለትም “በኢትዮጵያ ንግድ ባንኮች የባንክ ደንበኛ ገበያ አስተዳደር ደንበኞችን ይዞ በማቆየት ላይ ያለው አስተዋፅኦ” በሚል ርዕስ ለማዘጋጀው የመመረቂያ ጽሁፍ ነው። በመጠይቁ የሚገኘው መረጃ ለጥናቱና ለትምህርታዊ ዓላማ ብቻ የሚወልድ ሲሆን የመረጃው ሚስጥራዊነት በከፍተኛ ጥንቃቄ የሚያዝ መሆኑንና በእርስዎ ፈቃደኝነት ብቻ የሚሞላ መሆኑን በአክብሮት እገልጻለሁ። የእርስዎን ማንነት /ስምዎን/ መግለፅ አስፈላጊ አይደለም። ወርቃማ ጊዜዎን ሰውተው መጠይቁን ለመሙላት ፈቃደኛ በመሆንዎ አመሰግናለሁ።

ሚያዚያ 2009
አዲስ አበባ

ክፍል አንድ - አጠቃላይ መረጃ

በጥያቄዎቹ ፊት ለፊት በተቀመጡ ሳጥኖችፊት ✓ ምልክት ያድርጉ

1. ያታ: ወንድ ሴት
2. ዕድሜ: 18 – 25 26 – 35
 36 – 45 46 – 55 ከ 56 በላይ
3. የትምህርት ደረጃ:

<input type="checkbox"/> ሁለተኛ ደረጃና ከዛ በታች	<input type="checkbox"/> ሰርተፊኬት	<input type="checkbox"/> ዲፕሎማ
<input type="checkbox"/> ዲግሪ	<input type="checkbox"/> ማስተርስ ዲግሪና ከዛ በላይ	
4. ሥራ: ተማሪ ሠራተኛ ነጋዴ ጠረተኛ
 ሌላ
5. በባንኩ የሚጠቀሙት አገልግሎት/ከአንድ በላይ ማመልከት ይችላሉ

<input type="checkbox"/> የተቀማጭ ሂሳብ	<input type="checkbox"/> ተንቀሳቃሽ ሂሳብ	<input type="checkbox"/> የብድር አገልግሎት
<input type="checkbox"/> የሃዋላ አገልግሎት		
6. በኢትዮጵያ በሚገኙ ንግድ ባንኮች በአንዱ ደንበኛ ከሆኑ ምን ያህል ጊዜ ሆኖዎታል?

<input type="checkbox"/> ከ1 – 3 ዓመት	<input type="checkbox"/> ከ4 – 7 ዓመት	<input type="checkbox"/> ከ8 – 10 ዓመት	<input type="checkbox"/> ከ10 ዓመት በላይ
-------------------------------------	-------------------------------------	--------------------------------------	--------------------------------------
7. የሚገለገሉበት መባንክ ዓይነት የሕዝብ ባንክ የግል ባንክ

ክፍል ሁለት - የደንበኛ ግንኙነትን አስተዳደር መለኪያ በተመለከተ

እያንዳንዱ ጥያቄ አምስት ምርጫዎች ያሉት ሲሆን አማራጮቹም፡ - 5 - በጣም እስማማለሁ 4 - እስማማለሁ 3 - አስተያየት የለኝም 2 - አልስማማም 1 - በጣም አልስማማም የሚሉትን ይወክላሉ። ከአምስቱ ምርጫዎች እርስዎ የሚስማሙበትን በመክበብ ይምረጡ።

ተ. ቁ	ጥያቄዎች	አማራጮች				
		በጣም አልስማማም	አልስማማም	አስተያየት የለኝም	እስማማለሁ	በጣም እስማማለሁ
ታማኝነት (Trust)						
ታ1	ባንኩ በኔ ሂሳብና የመረጃ ልወደጥ (Transaction) ላይ ጥንቃቄ ያደርጋል።	1	2	3	4	5
ታ2	ባንኩ ቃል ለሚገባቸዉ ነገሮች ታማኝ ነዉ።	1	2	3	4	5
ታ3	በቆየሁባቸዉ ጊዜያት ባንኩ ፍፁም እምነት የሚጣልበት (Trustworthy) ሆኖ አግኝቼቀለሁ።	1	2	3	4	5
ታ4	ባንኩ ለደንበኞቹ ማድረግ ያለበትን ግዴታዎች በአግባቡ ይወጣል።	1	2	3	4	5
ታ5	በባንኩ አገልግሎ ላይ ሙሉ እምነት አለኝ።	1	2	3	4	5
ታ6	ባንኩ ቃሉን በመጠበቅ ረገድ ብቃት አለዉ	1	2	3	4	5
ታ7	ባንኩ በሚያቀርብልኝ ምርትና አገልግሎት እምነት አለኝ።	1	2	3	4	5

ታ8	ባንኩ የኔገን ጉዳይ ጉዳይ በሚይዝበት መንገድ ላይ እምነት አለኝ።	1	2	3	4	5
ታ9	ባንኩ መረጃዬን በሚይዝበት መንገድ እምነት አለኝ።	1	2	3	4	5
ታ10	ባንኩ መረጃዎቼን በሚሰጥኛል የሚያዘበኝ ሁኔታ ላይ እምነት አለኝ።	1	2	3	4	5
ታ11	ባንኩ ልወጧትን በሚያስተናገድበት ሁኔታ ላይ እምነት አለኝ።	1	2	3	4	5
ቁርጠኝነት (Commitment)						
ቁ1	ባንኩ የኔገን ፍላጎቶች ለማርካት በየጊዜው የአገልግሎት ማሻሻያዎቼን ያደርጋል።	1	2	3	4	5
ቁ2	ባንኩ የደንበኞቼን ፍላጎት ለማርካት ግለሰቦችን ማዕከል ያደረጉ አገልግሎቶቻችን ይሰጣል።	1	2	3	4	5
ቁ3	የባንኩ አገልግሎቶች እንደ አስፈላጊነቱ የሚለዋወጡ ናቸው።	1	2	3	4	5
ቅሬታ አፈታት (conflict handling)						
ቅ1	የባንኩ ሰራተኞች የደንበኛነት ችግር ለመመለስ/ለመፍታት ጎብኝተው ናቸው።	1	2	3	4	5
ቅ2	የባንኩ ሰራተኞች ለደንበኞች ጥያቄ ፈጣን ምላሽ ይሰጣሉ።	1	2	3	4	5
ቅ3	የባንኩ ሰራተኞች የደንበኞች ችግር በተፈጠረ ወቅት ከደንበኞች ጋር የመወያየት ልምድ አላቸው።	1	2	3	4	5
ቅ4	የባንኩ ሰራተኞች ሰላማዊ የሆነ ችግር አፈታት ዘዴን/ምንገድን የሰበካሉ/ያስተምራሉ።	1	2	3	4	5
የደንበኞች እርካታ (customer Satisfaction)						
ደአ1	ቀድሞ ከባንኩ ጋር በነበረኝ ግንኙነት እረክቻለሁ።	1	2	3	4	5
ደአ2	የባንኩ ደንበኛ ከሆንኩበት ጊዜ ጀምሮ እረክቻለሁ።	1	2	3	4	5
ደአ3	ባንኩ ለክፍያዬ ተገቢ ወጋ ያለው አገልግሎት ያቀርባል።	1	2	3	4	5
ደአ4	ከባንኩ ጋር ባለኝ ግንኙነት እርካታ ይሰማኛል።	1	2	3	4	5
ግንኙነትና መግባባት (Communication)						
ግመ1	ባንኩ አዳዲስ ምርቶችና አገልግሎቶቹን በተመለከተ በቂ መረጃ ይሰጠኛል።	1	2	3	4	5
ግመ2	ባንኩ መረጃዎቼን ፈጥኖ ያሳውቀኛል።	1	2	3	4	5
ግመ3	ባንኩ ለቅሬታዎቼ ተገቢ ወጋ ምላሽ ይሰጣል።					
ግመ4	ባንኩ በሰልክ፣ በኢሜል እና በአካል መገናኛ ዘዴዎችን ከአኔ ጋር ለመግባባት ይጠቀምባቸዋል።	1	2	3	4	5
ግመ5	ባንኩ ለመረጃ ልወጧት ነጻ የሰልክ መሥመርቶችን ያቀርብኛል።	1	2	3	4	5

ክፍል ሶስት - ደንበኛን ማቆየት

ተ. ቁ	ጥያቄዎች	አማራጮች				
		በጣም አልሰማማም	አልሰማማም	አስተያየት የለኝም	እስማማለሁ	በጣም እስማማለሁ
ደንበኛን ማቆየት (Customer Retention)						
ደማ1	የኔን ምክር ለሚሰጡ ሁሉ ሁሉም ስለ ባንኩ መልካም ነገር እናገራለሁ።	1	2	3	4	5
ደማ2	ለወደፊት ወደ ሌላ ባንክ የመቀየር ፍላጎት (ሃሳብ) የለኝም።	1	2	3	4	5
ደማ3	ከሌሎች ባንኮች ጋር ሲነጻጸር ታማኝነቴ ለዚህ ባንክ ነው	1	2	3	4	5
ደማ4	ከባንኩ እያገኘው ካለው መልካም አገልግሎት የተነሳ ደንበኝነቴን ወደ ሌላ ባንክ ለመቀየር በጣም ይከብደኛል።	1	2	3	4	5
ደማ5	የባንኩን ሌሎች አገልግሎቶች የመጠቀም ዕቅድ አለኝ።	1	2	3	4	5
ደማ6	ይህ ባንክ የኔ ተቀዳሚ ምርጫዬ ነው።	1	2	3	4	5

በድጋሚ ምስጋናዬን አቀርባለሁ