The Effect of Customer Relationship Management on Customer Loyalty: The Case of Selected Commercial Banks in Ethiopia

A Thesis Submitted to Addis Ababa University, Department of Management in Fulfillment of the Requirements for Master of Science in International Business

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Declaration

I, the undersigned, declare that this thesis is my original work, prepared under the supervision of Yohannes Workaferahu (Ph.D). The researcher furthermore confirms that the thesis has not been submitted in part or in whole to any other higher learning institution for the aim of receiving any degree.

Thomas Tadese Meja

Signature ______________________

Date __________________________

Certificate

This is to certify that Thomas Tadesse's thesis, The Effect of Customer Relationship Management on Customer Loyalty in the Case of Selected Banks in Ethiopia, prepared in partial fulfillment of the requirements for the degree of master in International business (MIB), complies with the university's regulations and meets the accepted standards in terms of origin.

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ACRONYMS

AIB_________________________________ Addis International Bank

BIB_________________________________ Berhan International Bank

CL__________________________________ Customer Loyalty

CRM________________________________ Customer Relationship Management

NBE_________________________________ National Bank of Ethiopia

SPSS_________________________________ Statically Package for Social Sciences

ABSTRACT

*The main purpose of the study was investigating the effect of customer relationship management on customer loyalty in the case of selected commercial banks in Ethiopia. To conduct this study, explanatory research method was employed which is appropriate to identify and evaluate the relationship between customer relationship management and customer loyalty. Both quantitative and qualitative research approaches were used. To collect data, the utilization of a questionnaire and interviews were made. Systematic random sampling was employed. Specifically, a random sampling technique was employed for those directly involved in the study and treated through questionnaire whereas purposing sampling techniques was employed for those involved in the interview sessions. The participants were purposely selected from 10 commercial branches. A total of 768 sample respondents were selected and involved in the study, of which 780 were completed and returned the questionnaire just in time while the remaining 12 (1,53%) of the respondents did not returned back the questionnaire for various reasons and mainly due to the fear to prevent Covid 19 (Corona virus). The collected data were analyzed by descriptive statistics such as frequency count, percentage; mean, standard deviation, ANOVA, correlation and regression coefficients respectively. Data were analyzed using the "Statistical Package for the Social Sciences" (SPSS) version 20 software was used. The results of the study show that, organization structure, communication, trust, customer focus, knowledge management and technology has a great effect on customer loyalty. From this, communication, trust and technology have relatively higher effect on customer loyalty. From the inferential analysis the magnitude of correlation between independent variables and the dependent variable for organization structure(R=.151**), technology(R=.770**) trust(R=.135**), Communication (R=.274**) customer focus(R=.284**) knowledge management(R=.414**).This shows that, all variables has positive correlation with customer loyalty but technology usage has a strong correlation with customer loyalty. The result of the study indicated that, the managers should work on their customer relationship management because the study revealed that CRM is a solution in banking sector and helps the bank managers and customers to better understand each other needs. On the basis of findings, the study recommends that, the bank managers should train their employees intensely on how to communicate with old customers in general and old customers in particular because the study revealed the existence of the gap in dealing with elder customers in administrating there account.*

Key Words: *Organizational Structure, Communication, Trust, Customer Focus, Knowledge Management, Technology base and Customer Loyalty*

CHAPTER ONE

1.1 Introduction

In this introductory chapter, background of the study, background of the industry, statement of the problem, research questions of the study, objectives of the study scope, significance, limitation, definition of terms and organization of the study are discussed.

1.2 Background of the Study

Customer relationship management (CRM) is the combination of practices, strategies and technologies that companies use to manage and analyze customer interactions and data throughout the customer lifecycle. The goal is to improve customer service relationships and assist in customer retention and drive sales growth. CRM systems compile customer data across different channels, or points of contact, between the customer and the company, which could include the company's website, telephone, live chat, direct mail, marketing materials and social networks. CRM systems can also give customer-facing staff member’s detailed information on customers' personal information, purchase history, buying preferences and concerns (Doherty, 2012)

Modern management science philosophy considers customer satisfaction as a baseline standard of performance and possible standard of excellence for any business organization. Especially, banks due to similar services compete together to achieve customer satisfaction. They try to create easy for their customers. In today’s business many companies are required to build long-term profitable relationship with customers to achieve customer loyalty. Bowen and Chen (2001) argue that having a satisfied customer is not sufficient, because customer satisfaction needs to have direct impact to customer loyalty.CRM gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then loyal to supporters of the firm’s goods and services, and finally to advocates who not only buy its products but recommend them to others (Smith, 2003).

Banks play an important and active role in the financial and economic development of a country. Banking system greatly influences the growth of a country in various sectors of the economy. It is crucial for banks to better understand changing customer needs. Banking industry has realized the significance of customer-centered philosophies and is turning to quality management approaches to help managing their businesses. CRM in banking industry entirely different from other sectors, because banking industry purely related to financial services, which needs to create the trust among the people, that results in customer loyalty. It is an industry that has a huge opportunity to engage people in experiences that build lasting and mutually rewarding relationships (Doherty, 2012)

In this competitive world order, banks strive to attain a competitive edge with their competitors. A bank can gain competitive advantage by becoming a low cost player, achieving operational efficiency by cultivating customer loyalty. The world is becoming chaotic and affects all aspects of life. One of these is customers who become more severe in their needs, expectations, desires, and preferences. Organizations must consistently realize this issue by communicating and building effective relationships with them for better-enhancing services quality. CRM is root of any service sector for facing global competition and gaining goodwill. In services sector, importance of CRM cannot forget because strong relationship with customer provides capacity for capturing more market share.

Place of banking sector in economy is the back bone of human body, so importance of CRM in banking sector in context of economy is more curious nature. Customer's satisfaction is result of service quality provided by bank. So far, several business sectors have benefited from the deployment of CRM. However, pertaining to its nature the service sector, particularly the financial and telecommunication sub-sector, deemed to benefit a lot from the implementation of the CRM as a business strategy. Banking is one of the service industries characterized by high customer contact with individually customized service solutions where customer satisfaction has been an increasing focus of research (Molina et al., 2007). The implementation of CRM is widespread (Peppard, 2000) and more advanced (Ryals and Payne, 2001) in the financial services industry than in other industries. The customers are smarter, more informed, and have an access to many channels and choices which they take little time to exercise. Customer can easily defect to competitors who promise better offerings at lower prices (Bhardwaj, 2007).

The environment today is characterized by hyper competitive that affect every life aspect. In the era of Knowledge Economy, globalization and development of information and telecommunication technologies imposed on organizations to focus on customers who have become more aware of his needs, desires, preferences, and priorities (Ngambi & Ndifor, 2015). Customer relationships are important for the organizations' competitive advantage sustainability, and it has increasingly studied in marketing field. Depending on new technologies, business corporations use different tools and techniques to interact with prospector customers and clients in order to attract, satisfy, and retain them. Furthermore, employees should be more knowledgeable, courteous, customer-focused, and service-oriented (Mohsan et al., 2011, Long et al., 2013).

Customer role has been increased over the producer and/or the buyer roles and the single product is no longer the only choice of customer, this push top management to place more attention on customer as they are the cornerstone of all its marketing activities (Dominici & Guzzo, 2010). Consequently, strengthening the relationship with customers is mandatory; therefore, Customer Relationship Management (CRM) emerged as strategic tool for coping with competitiveness. The customer-life-cycle (starting from attracting, through developing and strengthening, and finally retention customers) needs to be fully and deeply understood and go further beyond their expectations especially their needs and desires to develop products, addition to be considered as cash cow in order to spend on entering new markets (Tekin, 2013).

Many scholars and service marketers have explored consumers‟ cognitive and affective responses to the perception of service attributes in order to benefit by providing what consumers need in an effective and efficient manner (Ravichandran et al., 2010). Payne and Frow (2005) gave a definition as CRM is a strategic approach that is concerned with creating improved shareholder value through development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders. CRM provides enhanced opportunities to use data and information to both understand customers and co-create value with them. Companies are more conscious to manage customer relationships in the long term.

1.3 Problem Statement

Many studies have viewed customer relationship management as an organization wide process of treating different customers differently to increase value for both customer and organizations and factors that influence facility access have been conducted in some developing countries. These include nationwide studies in Pakistan (Knox et al. (2007), Ryals and Knox (2007). (Boulding et al., 2005).Macintosh (2009),Jain et al. (2007), Nigeria ,Kenya (Gururajan & Fink, 2010, Benjamin, 2014, Booheneed, 2007 (Munandar, Oktaviani & Angraini, 2020; Sota, Chaudhry & Srivastava, 2020; Das, Mishra & Mohanty, 2020; Gupta, 2019; Dewnarain, Ramkissoon & Mavondo, 2019) studied customer relationship management from the perspective of customer loyalty, retention and satisfaction without including all dimension of CRM.

Banks have realized that managing customer relationship is an essential factor for their success as CRM is one of the best strategies that can help them build long lasting relationships with their customers and increase their profits through efficient management system and application of customer focused strategies(Nyarku,2013).However for the success of these efforts besides the organization commitment on implementing CRM, bank must win the competition through creating loyal customers and to become more profitable these banks must be customer centric and apply full dimensions of CRM in their business activities.

In Ethiopia, the emergence of new banks in the banking industry makes competition intense. However, as far as researcher’s knowledge concerned, in the banking industry, there appears to be limited effort to engage to CRM practices for securing long-term growth and profitability. Few studies were performed without including all CRM dimensions. As PerSara (2017) explanation for any given service sector, the growth and survival of companies is highly dependent on how loyal their customers are. She also asserted customer loyalty has been identified as a tool competitive tool for many companies; here application of CRM practices comes as a solution. However, only a few empirical analyses focused on the customers’ relationship management of Ethiopian banks. Though few studies were conducted on customer’s relationship management of Ethiopia banks, they only consider the views of retail customers; they were not exploring the overall CRM practice in private banks

In a highly dynamic and competitive banking industry, Ethiopian banking system is rigid due to unclear policy and rules, this also create unclear market system but there also a few opportunities due to liberalization of government policy. To exercise market competition, CRM can be one strategy. From preliminary review though were no any empirical study on CRM at Addis International Bank and Berhan International Bank, they are struggling to increase their customers via in street preaching and different advertisement techniques, therefore this study wants to explore CRM dimensions (organizational structure, communication, trust, key customer focus, customer knowledge and technology base) and its effect on the loyalty of customers in this two private banks.

1.4. Research Question

1. Does organizational structure affect customer loyalty in AIB and BIB S.C?

1. Does communication influence customer loyalty in AIB and BIB S.C?

2. Does trust influence customer loyalty in AIB and BIB S.C?

3. Is key customer base affect customer loyalty in AIB and BIB S.C?

4. Does management affect customer loyalty in AIB and BIB S.C?

5. Is technology usage affect customer loyalty in AIB and BIB S.C?

1.5. Hypothesis

To provide answers to the research questions the following hypotheses is formulated:

H1: Organizational structure has positive and significant influence on customer loyalty.

H2: Communication has positive and significant influence on customer loyalty.

H3: Trust has positive and significant influence on customer loyalty.

H4: Key customer focus has positive and significant influence on customer loyalty.

H4: Customer knowledge base has positive and significant influence on customer loyalty

H5: knowledge management has positive and significant influence on customer loyalty

H6: Technology base t has positive and significant influence on customer loyalty

1.6 Object of the Study

The main objective of the study was to determine the effect of CRM on customer loyalty in AIB and BIB S.C.

1.6. 1 Specific of the Study

The specific objective of the study was:

I. To identify customer relationship management dimensions practiced in AIB and BIB Bank?

II. To examine the effect of Key customer focus, Customer knowledge management, organization, technology-based CRM, Communication and Trust on customer loyalty.

III. To determine the extent gap between customer relationship management and perception towards customer loyalty in each of the six dimensions.

1.7 Scope of the Study

There are a number of government commercial bank and private operating in the Ethiopia banking industry. However, due to time and cost constraints, the scope of this study is limited to the roles of customer relationship management on customer loyalty with particular reference to AIB and BIB Bank S.C.

It is also limited in sample size of number of respondents and also branches of the bank those are found in Addis Ababa. This is due to limited accessible information regarding other private Banks with the given time period.

1.8 Significance of the Study

This study investigates the roles of customer relationship management on customer loyalty in AIB and BIB Bank S.C. and its impact on customer loyalty. It identifies the strengths and weaknesses of the bank with regard to customer relationship management on customer loyalty. The significance of the study is to give sufficient information on the roles of customer relationship management on customer loyalty in AIB and BIB Bank S.C.

The bank is currently providing and helping to know the areas which need improvement the plan towards customer’s loyalty by customer satisfaction and enjoy quality service. It also allows policy maker, the stake holders to have knowledge on where the bank stands in the eyes of its customer. Moreover, management bodies and employees are one of the stakeholders. It will help them to evaluate their customer loyalty through the eyes of the customer retention

1.9 Operational Definition

Communication: Communication, especially timely communication, means helping to resolve the disputes and aligning the conceptions and expectations in order to enhance mutual trust in a relationship (Sin et al. 2002).

Customers' Loyalty: Refers to customers' commitment to repeat past purchases of a preferred service over time, even if other more convenient or suitable alternatives exist (Mullan & Gilmore, 2003).

Customer: Operationally customer refers to organizations individuals and businesses that patronize bank products and services (Sin et al. 2002

Customer Relation Management (CRM): can be defined as the establishment and maintenance of long-term relationships between an organization and its customers (Torres & Kline, 2006).

Customer Satisfaction: is the degree to which business's product or service performance matches up to the expectation of the customer (Roberts, 2009).

Trust: as existing when one party has confidence in an exchange partner's reliability and integrity (Morgan , 1994).

1.10. Organization of Thesis

The research paper is organized in to five chapters. The first chapter covers the introductory part, which including the background of the study and followed by a brief statement of the problem. It also includes the objectives, research question and significance of the study, limitation of the study, as well as the scope. The second chapter will focus on exploring various literatures on the problem under study to provide definitions to the various concepts as well as explain the theoretical perspectives and conceptual framework.

The third chapter presents the methodology of the study. It covers research design, data type and source, sampling method and size, data collection procedures method of data collection reliability, validity and analysis of the study. The fourth chapter portrays data presentation, analysis and interpretation on the data obtained while addressing the research questions and hypotheses. The final chapter provides the summary of major findings, conclusions and recommendations. Finally, references and appendices are attached.

CHAPTER TWO

2. LITERATURE REVIEW

2.1 Introduction

This part of the paper tries to cover the relevant literatures resulted from various scholars on the topic that customer relationship management and customer loyalty. Covering theoretical, empirical and conceptual models & issues associated with the issue such as; definitions, terms, perspectives, and empirical studies, variables of CRM namely (organization, communication. trust, key customer focus, knowledge management and technology base) and their impact on customer's loyalty in the case of AIB and BIB S.C

2.2.1 Theoretical Concept

Much literature is available about CRM. Every scholar is define role of CRM in banking sector in own way. In few article, book, magazine and thesis is mention about changing nature of CRM in banking sector. Nature of CRM in banking sector is changing as per global demand of services. After globalization, banking sector is facing throat cut competition; so for facing global level competition, form of CRM is changing day by day. Dynamic nature of CRM is providing to banks more griping market share. In digital globalization edge, CRM is now E-CRM and it is much helpful for making good relationship. In previously, banks are not attentiveness for retaining customer because few banks available in banking sector and customer was depend on bank but after globalization banking sector became competitive. Entry of private sector banks in economy has providing power for retention India's money for remit to abroad countries.

Ying-Yueh (Janice) SU (2009) mentioned that customer relationship management (CRM) has gained much attention from both the academies and the practitioners. In recent years however, several factors have contributed to the rapid development and evolution of CRM. These include the growing de-intermediation process in many industries due to the advent of sophisticated computer and telecommunication technologies that allow producers to directly interact with end-customers. For example, in many industries such as airlines, banks, insurance, computer program software, or household appliances and even consumables, the de-intermediation process is fast changing the nature of marketing and consequently making relationship marketing more popular.

According to Chen and Popovich, (2003) The United States software vendors took up relationship marketing to market CRM. Systems Databases and direct marketing tools give them the means to individualize their marketing efforts. As a result, producers do not need those functions formerly performed by the middlemen. Even consumers are willing to undertake some of the responsibilities of direct ordering, personal merchandising, and product use related services with little help from the producers. In the recent years, several factors have contributed to the rapid development and evolution of CRM. The rapid evolution of CRM technologies in organization has been created strong relationships and enhances customer value to improve motivation and the instruments (Day, 2003). Developed nations recent success of on-line banking, on-line Air ticket sales, direct selling of goods, automobiles and insurance, etc., on the Internet all attest to the growing consumer interest in maintaining direct relationship with marketers.

2.2.2 Definition of Customer Relationship Management (CRM)

Different definitions of customer relationship management are provided by the researchers. Some consider it as strategy, some consider as technology, some other consider it as information system. Sin et al. (2005) have defined CRM as a comprehensive strategy and process that enables an organization to identify, acquire, retain and nurture profitable customers by building and maintaining long-term relationships with them The literature regarding relationship marketing and CRM is vast and is discussed extensively elsewhere (e.g. Das et al., 2009; Ngai, 2005; Palmatier, 2008). Influencing elements to form CRM as marketing practices in firm have been examined from different theoretical viewpoint and have received significant attention. Literature for CRM has developed in parallel with the relationship marketing literature (Plakoyiannaki & Saren, 2006; Shrivastava & Kale, 2003).

Peppers and Rogers (2004) stated that Customer relationship management (CRM) has been called an inevitable relentless movement because it represents the way customers want to be served and offers a more effective and efficient way of conducting business. Shani and Chalasani (1992) have defined relationship marketing as an integrated effort to identify, maintain and build a strong network with individual customers and continuous strengthening of relationship for mutual benefits of both sides. CRM is an enterprise wide approach to understanding and influencing customer behavior through meaningful communication to improve customer acquisition, customer retention, customer loyalty, and customer profitability. CRM plays a critical role for customers being loyal to their service provider. Bhaskar (2004) has analyzed that when good service is provided to a customer, then a loyal customer will work as an ambassador and help in the organization's growth. Vavra (1992) considers CRM as a technique of retaining customers by using various marketing tactics thus leading to bonding with customer even after sale.

Sin et al (2005) states that CRM is a comprehensive strategy and process that enables an organization to identify, acquires, retain and nurture profitable customers. Additionally, CRM is a core organizational process that focuses on establishing, maintaining and enhancing long term associations with customers as advocated by relationship marketing (Srivastava et al., 1999). The comprehensive approach of CRM is to maximize the relationship with all customers. Beside the technological advances, CRM also covers the activities of acquisition management and regain management at the initiation stage, maintenance stage and termination management with the purpose to maximize the value of relationship portfolio (Chen & Popovich, 2003; Dutu & Halmajan, 2011). Hence, it is clear that CRM is not just a technology, but is a new way of doing business, therefore Reynolds (2002) point out that the comprehensive definition of CRM might be the business strategy, process, culture and technology that enables organization to optimize revenue and increase value through understanding and satisfying the individual customer's needs.

According to Zakaria (2014) Customer relationship management (CRM) is a philosophy and a strategy to manage a company's interactions with customers, clients, and sales prospects which can achieve financial institutions goal such as customer satisfaction, customer loyalty and profit.

It involves using technology to organize, automate, and synchronize business processes. Chen and Popovich (2007) indicate that CRM has evolved from advances in information technology and organizational changes in customer centric process. Thus the attention in managing a successful CRM implementation requires an integrated and balanced approach to technology, process and people (Chen & Popovich, 2003). Coltman (2007) also addresses the Concept and argues that CRM must be viewed as more than a tool but part of a deeply embedded strategic disposition that enables business to outperform its rivals in competitive advantage.

Andrade (2003) believes CRM is based on the ability to facilitate communication and decision making to provide consistent, high quality and cost effective service to all stake holders. From individualized service perspective, CRM is a concept that enables an organization to tailor specific products or services to each individual customer. In the most advanced scenario CRM may be used to create a personalized, one-to-one experience that will give individual customer a sense of being cared for, thus opening up new marketing opportunities based on preferences and history of the customer (Wilson, et al., 2002).

Lamber (2010) defined Customer Relationship Management as one of the strategies to manage customers as it focuses on understanding customers as individuals instead of as part of a group. Dyche (2002) defines CRM as the infrastructure that enables the delineation of an increase in customer value, and the correct means by which to motivate valuable customers to remain loyal indeed, to buy again. CRM is a set of business process and overall policies designed to capture, retain and provide service to customers (Scott, 2001), or a coherent and complete set of process and technologies for managing relationships with current potential customer and associates of the company, using the marketing, sales and services departments, regardless of channel communication (Injazz and Karen, 2004). According to Swift (2001), CRM is a process designed to collect data related to customers to grasp features of customers and to apply those qualities in specific marketing activities. Consider the following summary from Peelen (2005) supplemented by other sources as mentioned.

CRM is: A comprehensive development process, Customer differentiation, data warehousing and mining, the core business strategy, integrated collaboration, empowering the customer (Newell, 2003), a total company reorientation (Buttle, 2005), customization in products or services (sharp, 2003), building mutual value (Peele, 2005; Target base, 2001), building customer equity (Gupta and Lehman, 2005; Shaw, 2001).

2.3 Dimension of Customer Relationship Management (CRM) and Customer Loyalty

2.3.1 CRM Organization

For a better CRM implementation and total quality assurance of those strategies, there is a need to employ total participation from all levels of the organization. The organizational structure is supposed to be redesigned to include proper and effective lines of communication (Liu, 2007). Mechinda and Patterson (2011) and Dutu and Halmajan (2011) stated that for service employees to display customer-oriented behavior, organizations must develop a climate for service in the work which includes providing staff with modern tools and technology, customer satisfaction tracking and complaint management systems, inspiring service leadership, and an appropriate reward system.

In implementing CRM many changes are required in the way that firms are organized (Ryals and Knox, 2001), business processes are conducted (Hoffman and Kashmeri, 2000) and the qualified employees that are involved in delivering value to the target customers. The researchers also argue that CRM cannot be successful even if the organizations enjoy the most advanced technology and adapt a customer - oriented approach, unless the project.

2.3.1.1 CRM Org External

Emphasizing the importance of organizational context and customer expectation and perception in the implementation of CRM in the banking context, Steel et al. (2013) confirm that contextual reasons like industry norms, organizational structure, and customer perception and expectation have a tremendous impact on managing the customer relationship. From the industry context, the findings show that being exposed to other CRM projects, previous CRM implementation, and CRM practice offer room for comparison and review. However, findings from this study emphasize the role of customer expectation as a trigger to the adoption of customer-centric strategies in many of the companies investigated. Due to competition, companies feel the need to integrate important customer information into their relationship marketing efforts. This may bring vital information to firms that enable customized CRM activities for important customers.

Further studies reiterate the need for customer characteristic, behavior and relational benefit it's in relationship management efforts of the bank (Galitsky & de la Rosa, 2011; Hoffmann & Birnbrich, 2012; Nath & Mukherjee, 2012). Sigala, Dimitriadis, and Stevens (2008) suggest that in developing a firm-customer relationship strategy, banks should merge customer expectation such as social needs, special treatment, and confidence with organizational factors to measure the overall contribution of the customer strategy to customer relational quality.

They also cited measurement of customer relationship quality in customer management by collecting customer data via traditional methods of market surveys, in addition to data collected vis-à-vis customer interaction with the company using company contact points. As customer and firm continue to interact through firm contact points, the customer explores and experiences relationship satisfaction in such a way that relationship quality is improved. Where such relationship quality is weak beyond customer expectation, the relationship may cease to yield results, which may affect the firm's relationship marketing effort.

The provision of exceptional customer experience and exceptional customer service is based on the ability of banks to get customer information not necessary from technology-enabled customer-facing channels but also from face-to-face interaction and market information also. To achieve this aim, Cambra-Fierro et al. (2016) and Yang (2012) propose that banks should combine their human resources. For Cambra-Fierro et al. (2016), technological resources alone hardly offer such a service capability that banks need to retain the customer in the retail-banking context. Thus, banks should incorporate an ability to provide interpersonal services into bank's CRM strategy. Cambra-Fierro et al. (2016) believe that in the banking sector, relationship maintenance requires people-related organizational factors to complement technology.

They highlighted that people's ability to interact with customers in a mutual way, their technical know-how and relationship management ability to enhance satisfaction and customer loyalty remain important in customer retention and the creation of competitive advantage. Usefulness of technology is highlighted by Cambra-Fierro et al. (2016), in congruence with Reinartz et al. (2004), however, they (Cambra-Fierro et al., 2016) downplayed the impact of technology in relationship management; in addition, its role in the banking sector requires market knowledge generation capabilities that will generate market knowledge rather than customer knowledge alone.

2.3.2.2 CRM Org Internal

Consequently, Eid (2007), Jan and Abdullah (2014) and Yang (2012) also highlight the significance of accurate information on banking relationships. Eid (2007) observed that the effectiveness of relationship marketing programs is determined by how banks utilize technological tools, such as the Internet, sales force automation, call centers, CRM software, and other technology-enabled contact points to provide accurate and reliable information to customers. They view customer relationships as the implementation of technological tools that generate customer information for relationship management purposes. Jan and Abdullah (2014) believe the success of this approach is dependent on the effective delivery of accurate information to customers. Accuracy and reliability are strengthened where information delivered to the customer through customer-bank interaction is accurate. Also, Nguyen, Lee-Wingate, et al. (2014) argued that fair treatment, confidentiality, and trust in banking operations through the use of such technology success factors mediates customer satisfaction and customer retention.

Studies that evaluate the use of CRM activities based on customer interaction with banks via customer touch points conclude that technology-enabled channels (e.g., emails, blogs, the Internet) can exert influence on customer retention (Askool& Nakata, 2010; Sivaraks et al.,2011b; Stone, 2009). By contrast, Kim et al. (2012) believe the frequency of CRM activities with technology-enabled contact points determine the effectiveness of such relationship marketing. The frequency of emails to a customer can be a nuisance sometimes.

Kim et al. (2012) describe CRM implementation at the customer-facing level as the frequency of interaction between bank and customers. Thus, the bank acquires stores, and uses information for relationship management purposes. These views consider email, mailings, and other electronic channels of communication with customers to be important. Banks use the deliver marketing offers and then track responses to marketing stimuli, thereby generating customer knowledge for relationship initiation and management. However, Kim et al. (2012) caution that frequency of such contact is the main challenge of CRM implementation. They argue that when the frequency of CRM activities via customer contact points proves a nuisance to the customer that can affect the relationship between bank and customer. Hence, the use of this approach to build a long lasting relationship is limited.

Yang (2012), Kim et al. (2010) and Vella and Caruana (2012) are of the view that in the retail banking context, CRM is a strategy that deploys the use of technology to generate customer information that will enable banks to initiate and manage a relationship with customers. However, other organizational factors have a significant role in the management of important customers. Whilst Steel et al. (2013), Nath and Mukherjee (2012), Sigala et al. (2008) and recently Singh and Saini (2016) have evaluated the link between internal organizational factors and customer characteristics in relationship management in the banking context, few studies describe how relationship management implementation occurs in countries with weak 'system trust' - a trust that arises from regulatory agencies' and legal framework's ability to enforce financial rules(Dalziel et al., 2011) affect customer bank interaction, given the fact that technology-enabled channels form important customer service delivery in the banking system. Few studies also exist that examine how external variables that promote identity relations and affect trust formation may influence CRM implementation in the retail banking sector in Nigeria (Kumar et al., 2013).

Decades of consumer research show increased acceptance of relationship management in the banking sector; however, scholars are presented with little guidance on how relationship management occurs in an environment where face-to-face interaction, despite its cost, dominates social as well as business interaction (Barnes et al., 2015; Kumar et al., 2013). Likewise, Samaha et al. (2014) confirm that relationship management that focuses on internal organizational factors may yield a different result in an environment where context – the surroundings of the phenomena that help illuminate phenomena - exert influence on customer bank interaction. As such, how relationship management implementation occurs in such environments will guide primary data collection of the present study.

2.3.3 Communication

Communication is defined as 'all formal and informal exchanges that make meaningful and timely information exchange between buyer and seller' (Ranjbarian & Barari, 2009). Also communication is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between bank employees and customers (Sin et al, 2002).Communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-purchasing, purchasing, and post purchasing stages.

Communication in relationship marketing means, keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's task in the early stages to build awareness, develop customer's preference, convince interested customers and encourage them to make the purchase decision. Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between employees and its customers, a better relationship will result and customers will be more loyal (Ndubisi, 2007).

Bidirectional communication leads to a strong relationship satisfying both parties, which in turn leads to increased loyalty and purchase of deposit products. Communication is a vital component in business relationships establishment (Andersen, 2001). Communication is important in marketing relationships; it plays a central role in providing an understanding of the exchange partner's intentions and capabilities, thus forming ground work for building trust among exchange partners. In this study Communication is measured with factors such as timely and reliable information, providing information on new services and promises and accuracy in information.

2.3.4 Trust

In the service industry, an important part of selling is to be able to convince customers and gain their trust. Banking is not an exception. Trust is an important dimension that banks can use to develop long-lasting relationship and make their customers loyal. There is a diverse definition of trust. Trust involves believing that the actions of the exchange partner are in our favor and best interest (Anderson & Narus, 1990). Trust has been defined as "A willingness to rely on an exchange partner in whom one has confidence .Trust is the level of dependence of the customer on his partner" (Moorman et al., 1993). Trust is an important component in establishing and maintaining successful inters organizational systems" (Meier, 1995).

Therefore, within the context of banking, the direct implication of trust in a banking relationship is that customers can trust banks to deliver on their promises; trust them to safeguard their funds; trust them to provide services that satisfy their needs; trust banks' employees to listen to and satisfactorily solve their complaints; and trust banks that they can keep their account and transaction information confidential. There is a litany of theoretical and empirical evidences in the extant literature that prove that the existence of trust strengthens a relationship in businesses.

Trust can be built by exchanging information, handling foreseen problems and conflicts, and flexibly adjusting products to the customers 'demands. A relationship built on trust produces certain benefits, including savings on relationship termination cost, relationship benefit, effective communication, shared values and useful construct for the likelihood of customer loyalty and increasing future purchase frequency of customers. In this study trust variable is measured by factors such as bank security in transactions, bank service quality, reliability promises of bank, staff behavior towards clients, safeguard their funds, and their account and transaction information.

2.3.4 Key Customer Focus

Key customers are customers who are more important for organization strategically and who have a greater profitability (Ryals and Knox, 2001).It can be said that organizations that apply CRM are customer- driven in a sense that all their decisions must take into consideration customers' interest and welfare. In doing so, the companies should promise superior value to their customers and try to deliver the desired satisfaction more effectively and efficiently than their competitors. This involves an attempt to design its offer in a personalized way to its key Customers. Key elements of this dimension consist of customer-centric marketing, key customer lifetime value identification, personalization and interactive co-creation marketing.

Customer orientation refers to the employee's predisposition to meet the customers' needs. It has a positive impact on employees' performance and customers' satisfaction. Moreover, customer-oriented behaviors can maintain a good relationship between the service provider and the customers; leading to improvement in the organization's performance (Brown et al., 2002).The essence of customer orientation is to increase long-term satisfaction and to create customer loyalty (Jain &Singh, 2002; Schmid & Weber, 1998).Jain et al. (2007) have suggested customer's technology orientation as an important part of dimensions of measuring effectiveness of customer relationship management.

Technology has been recognized as an essential tool for leveraging competitive advantage by ensuring customer interaction. Technology in case of banking can entail a variety of options for instance Automatic teller machine (ATM), internet banking as well as mobile banking (Kolodinsky et al., 2004).Through technology like mobile banking, consumers can electronically transact through mobile phones technology (Riquelme et al. 2010). with the advancement of technology, consumers are increasingly taking the benefits of efficiencies it offers. Several factors are considered to affect the adoption of technology like age, gender, computer skills, readiness of the technology and social influence (Kleijnen et al., 2004).

With the emergence of online banking, an increased amount of attention has been shed on the consumers' perspective of the adoption of technology (Tan, M. and Teo, T.S., 2000). Banks still fail to make a majority of the customers to adopt these technology based services over issues like security concerns as well as uncertainty (Kuisma et al., 2007; littler and Melanthiou, 2006). Especially risks like security and privacy have drawn a lot of attention, where probable loss can occur owing to transgression of security by hacker or fraud. Moreover, other forms of online crime has emerged such as phishing where a miscreant tries to steal away valuable information from the customers such as his user name, password or in some cases more sensitive information like credit card details(Lee,M.C;2009). According to Kuisma et al., (2007) in many cases, consumers are disinclined to adopt technologies like-banking for financial loss which may occur due to transaction error. Kuisma et al., (2007) has also added that more often many customers are apprehensive of malfunctions of websites of online banking.

2.3.5 CRM Knowledge Management

According to Salomon et al, (2005) in today's competitive world, knowledge is well thought- out as one of the competitive factors in global economy. It is compulsory to think and consider for a business firms in order to attract customer as another important factor in order to come in today's dynamic market successfully. Despite of this customer knowledge management can be defined as the system of attaining, allocating, and increasing the customer knowledge among employees for making profit to the organization and customers. With the intention of improving the organizational productivity and value, assure from delivering required products and services to the customers and acquire their satisfaction, it is compulsory to manage the organization's knowledge about customers. Accordingly, it can be decided that knowledge management is an integrative part of CRM.

Studies that associate CRM with knowledge management are abundant in the literature and the focus of this literature is on CRM as purely technological tools that generate customer knowledge for the company. In a contribution to the mainstream literature on relationship marketing, Winner (2001) conceptualized CRM as a multifaceted area that requires the use of databases and one-to-one marketing approaches for its implementation. Concerning relationship development and management, he advocates the use of information systems to create a customer database, where transactional data and customer demographic data are stored and used for marketing decisions and analysis of customer data to generate customer knowledge, and hence one-to-one marketing to important clients.

Concerning customer databases, Winer (2001) and Stein and Smith (2009) indicate that the essential role of the customer database is to store important customer data. This data includes purchase history, product usage and ownership, product prices and delivery system, and responses to marketing efforts of the bank. For Bailey, Baines, Wilson, and Clark (2009), this principal information held by the firm forms important customer knowledge when analyzed. It can depict lifestyle patterns of customers and influence the firm's effort regarding relationship initiation and management. According to Soltani and Navimipour (2016), CRM is concerned with customer knowledge generation while customer knowledge management is concerned with gathering and management of the interaction between a firm and its customers.

In their conclusion, Garrido-Moreno et al. (2014) believe customer knowledge management is facilitated by effective CRM technology implementation that generates customer data and stores those data for assessing customer needs and customization of a product. Thus, for effective customer knowledge management, CRM system implementation needs to be supported by a strong commitment from top management, and training of front line staff and back office to ensure effective technical skills for the gathering and distribution of customer data internally. Meanwhile, CRM systems, supported by people, through their experience and technical capability, acquire process and generate customer knowledge for relationship marketing implementation purposes.

2.3.6 Technology Base

CRM processes at the customer-facing level include activities performed by frontline and customer-facing staff and customer-facing units during customer relationship initiation, relationship management and churn management (Mumuni & O'Reilly, 2014). It also include show organizations collate customer information at different customer contact points for relationship activities (Rababah, Mohd, & Ibrahim, 2010; Reinartz et al., 2004). Reinartz et al (2004) promoted this view in their seminal paper on customer relationship management. Their view is based on a suggestion by Dwyer et al. (1987) that managing customer relationships follows a distinct pattern or stages and in every stage, the company performs processes that ensure the success of customer relationship marketing to achieve marketing concepts.

In their study, Dwyer et al. (1987) highlighted processes of relationship management relationship initiation process, relationship maintenance, and customer churn management. At every stage of the relationship, processes that ensure successful implementation of the customer relationship are conducted between the company and customer or group of customers. According to Mumuni and O'Reilly (2014), relationship management processes at the customer -facing level can be outlined as obtaining customers, identification of profitable customers and developing the best options to manage them through certain processes that give the firm a competitive advantage at the relationship initiation stage and maintenance stage, and in deploying effective management of relationship termination.

2.4 Customer Loyalty

Customer loyalty is more prevalent in service customers than customers of tangible products (Snyder, 1986). In service sector reliability plays a major role for building and maintaining loyalty (Dick and Basu, 1994). Intense competition in financial market is pushing the retail banks to focus more on customers and to apply relationship marketing and perceiving customer loyalty as one of the most important task (Ivanauskiene & Auruskeviciene, 2009).

Customer loyalty considered as backbone for firms as it is way for sustaining and increasing sales. As well as it plays important role for increasing profits, as it is obvious from previous researches the cost of obtaining new customers is much higher than to serve current customers (Mudassir H. 2015). C.loveloke and L. wright argue that Customer satisfaction is not an end in itself. Instead, it's the means to achieving key business goals. According to Ball *et al*. (2004) in banking sector customers are encouraged to be loyal by providing ranges of services (Rajaobelina & Bergeron, 2009). Customer loyalty is an important factor to gain competitive advantage in overly competitive and dynamic environment (Leninkumar, 2017). Customer loyalty is considered as the intention of the buyers to make purchase repeatedly to make continuous relationship with the organization. For companies customer loyalty means if customers prefer the products of the same organization instead of customers. Customer loyalty is when customers are ready to stay maximum time with the organization.

According to warden (2007) customers become loyal when they are provided with some loyalty programs that increase their lifetime commitment. Customer loyalty is customer repeating purchase intention to some specific products or services in the future (Jones, Earl & Sasser, 1995). Loyalty is used to describe the willingness of a customer to continue patronizing a firm's goods and services over a long period of time and on a repeated and preferably exclusive basis, and voluntarily recommending the firm's products to friends and associates (Lovelock, 1996). Loyalty in GSM market is concerned with the length of time and the frequency with which customers stay and remain on a network. The longer the time a customer remains on and the more frequently a customer patronizes a GSM network, the more that customer becomes loyal (Adeleke & Aminu, 2012). It is better to look after the existing customer before acquiring new customers (Walsh, Groth & Wiedmann, 2005).

Developing and increasing loyalty is a crucial factor in companies' growth, performance and long-term success.(Liu et al., 2011) found there are an array of factors leading to including trust, customer satisfaction and shared value. Customer loyalty has been considered as an important issue for service providers. In case of consumer behavior, post purchase behavior has got much importance such customer loyalty (Varnali and Toker, 2009). Customer loyalty is a commitment made by the customers with their preferred brands despite getting the influence of switching offers through situational and marketing efforts made by the competitors (Deng at el., 2010). For

Hong & Cho (2011) Customer loyalty is the result of consumers ‘psychological attachment to the product that influences their attitudinal advocacy for the brand. Customer loyalty helps to retain customers that subsequently assist in increasing profits (Mgiba, 2016). Walsh et al. (2005) emphasized on looking after the existing customer before acquiring new customers. Gee et al. (2008) stated a loyal customer will act as a word-of-mouth marketing agent for a company. Singh and Sirdeshmukh (2000) defined the customer loyalty as “the market place currency of the twenty-first century.” Oliver (1999) explained customer loyalty as a deeply held commitment to re-buy a preferred product or service again

2.4.1 Effect of Service Quality on Banks’ Customer Loyalty

Quality is consistently delivering products and services that fully meet consumer needs and expectations (Vavra, 1995). It is conformance to requirements (Crosby, 1996). Service quality is the customer is the customer’s overall impression of the relative inferiority/superiority of an organization and its service offerings (Bitner, Booms & Tetreault, 1990). Customers prefer organizations that deliver quality service (Brown, 1992; Zeithaml, Berry & Parasuraman, 1996). Service quality results in repeated sales and increased market share, which leads to customer loyalty (Buzzell & Gale, 1987). Service quality in banks and other service-oriented firms is determined by some factors (Parusaraman, Zeithamal & Berry, 1985; 1988).

2.5 Benefit of CRM

Early CRM researchers had hypothesized that CRM`s benefits varied by industry as the processes and technologies associated with CRM were tailored to specific industry structures (Rust, Lemon, Zeithaml, 2001). However, findings in a recent cross cultural, multi-industry study of CRM done by Reinartz et al. (2004) support the notion that desired CRM benefits do not vary greatly across industries or countries, as had earlier been thought. This later finding lends support to the idea that core benefits associated with CRM initiatives exist across contexts. The identified seven core benefits were:

- Improved ability to target profitable customers;
- Integrated offerings across channels;
- Improved sales force efficiency and effectiveness;

- ❖ Individualized marketing messages;
- ❖ Customized products and services;
- ❖ Improved customer service efficiency and effectiveness and
- ❖ Improved pricing.

Though other studies have not presented the benefits of CRM in such a way, most importantly the results coincided with the core benefits identified by Reinartz and his friends in 2004. CRM enables an organization to gain better information on customers' values, behaviors, needs and preferences and helps it gain a competitive edge over its competitors. It makes it possible to identify customers' potentials, uncover the profiles of key customers, anticipate their needs, predict their behavior, win back lost customers, create personalized marketing plans for each segment, develop new products and services, design communication tools and distribution channels, or identify new market opportunities based on customers' preferences and history (Tokman, Davis, and Lemon, 2007;Thomas, Blattberg, and Fox, 2004;Peppers, Rogers, and Dorf, 1999;Day, 2000).

2.7 Customer Relationship Management in the Banking Industry

In The Banking Industry Enterprises product benefits of form, time, place and property that will satisfy the customers' demands through goods and service. Forming and marketing of the goods and services that satisfy the customer demands is the basis of producing benefit (Altitas, 2000). Whether the customer is satisfied or not depends on whether the he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied. If what is offered is above the expectations, the customer is highly satisfied and pleased for example, if the real performance of a product or service in a bank is below the expectations, the result is dissatisfaction, but if it equal or higher, customers satisfaction is achieved. (Kocoglu, Duygu, 2012; Gubuz, 2008) In recent years, in such fields as banking, where a strong competition, customer satisfaction has gained a good deal of importance, it may be very easy to let another bank capture a displeased customer. To raise the customer satisfaction to the highest level and retain customers, the banks are to attach importance to customer relationship management (CRM).

The advantages provided to the banks by customer relationship management are as followings: (Duygu, 2012; Alagoz, 2003)

- Picking out the real customers in a bank in the long run and helping to make the relationships effective,
- Making the way of bank management customer-based,
- Bringing, with technology, in the foreground the human relationships based on gathering and using information by institutionalizing the personal sale concepts,
- Reshaping the selling and marketing campaigns of the bank,
- A successful customer relationship management system, providing a permanent advantage of competition,
- Increasing the total productivity of the bank.

Whether the banks gain benefit from the customer relationship management and become successful depends on whether they follow technologic development closely and make investments to this end. Also, their ability to determine right strategies for the purposes that they want to attain in customer relationship management is important factors that enhance the success chance of banks. There are four important stages of following customer relationship management strategy in the banks. The first step is the stage of ‘’planning, targeting’. It is necessary to make a documented strategy stating how customer relationships are wanted to be directed. The second step ‘’design’’, allows preparing the prime designs supporting the bank strategy. A lot of banks ignore this step, but it is important for coordination and thus success. The third step is ‘’building’’. At this stage, projects for changing are started. The fourth step is “running and developing the programs”. When the first projects for start to give fruits, it should not be thought that the work is over .it is necessary to place the change in the enterprise, to develop the activity and make the strategy more certain (Sendogdu, 2006). Accurately-directed customer relationship management will be realized thanks to these steps (Duygu, 2012)

2.8 Empirical Study

Several studies on relationship management were conducted in many developing countries, describing how relationship management occurs and factors that shape the excellent relationship between the firm and the customer. These studies are spread over several regions dominated by emerging countries, especially in South-East Asia.

Keramati et al. (2010) in a study of Iran Telecommunication analyzed CRM implementation from process-oriented perspectives and a resource-based view. They suggested that for CRM to effectively yield results, CRM process capabilities needed to be created with CRM resources. They provided some evidence showing that for organizations to succeed with CRM initiatives there is a need for a link between CRM resources of technology, human interaction, organizational structure, organizational culture, and CRM process capabilities. They emphasize that the CRM programmer's success is more dependent on how effectively these resources and CRM processes interrelate. They believe organizational resources are antecedent to CRM success.

Filip and Anghel (2009) conducted a research in the Bucharest Academy of Economic Studies on customer loyalty and its determinants in the Romanian banking industry. The study considered a quantitative approach with a sample of 1010 respondents, and addressed that customer loyalty and its determinants in the banking service environment is one of the most important indicators used to evaluate the quality of services offered by an organization. Therefore, gaining customer loyalty becomes a key objective for banking organizations which decide to adopt a relationship marketing perspective, a loyal.

In the developing countries case, Boateng (2014) examined the effect of customer relationship management (CRM) dimensions on some selected banks‟ performance in Accra, Ghana. Factors used were based on the dimensions of CRM and how each of them affects the performance and retention of customers to the selected banks. Through a random sampling technique, a sample of nine banks (private, public and international banks) was considered for data collection and as a quantitative study; close and opened questions in the form of questionnaires were used as the main instrument for gathering data.

From the finding of the research a positive relationship was established among most of the dimensions with some having effect on the performance of the selected banks. In the same scenario, among the four dimensions considered, (Customer orientation, Knowledge management, Technology Based CRM and CRM organization), customer orientation was identified as the dimension with the highest association with banks‟ performance and customer loyalty.

Rouholamini and Venkatesh (2011) conducted their CRM studies on the Iranian banking sector. There is a wide acceptance of CRM practice in the Iranian banking sector, they conclude. Banks use it as the primary medium of corporate communication and marketing management process. They noticed that an operation of CRM is not favorable in the Iran banking industry because it involves the use of heavy information and communication technology, with little focus on interaction between customer and the bank. They urged that employees should be motivated to be at the center of CRM practice and learn the art and craft of CRM to enhance the attraction of customers. Banks should train managers on how to articulate customer experience and deliver it at the branch level.

Valmohammadi and Beladpas (2014) in another study on Iran's banking sector encourage implementation of organizational structure that supports customer-centric processes and CRM practice that support customer-bank interaction. They describe relationship initiation and maintenance as important processes of relationship management. These processes are geared towards increasing bank market share and business performance, which eventually leads to increased customer loyalty. According to Mumuni and O'Reilly (2014), an organizational structure that supports CRM related activities and employee rewards systems effectively contribute to CRM performance at both the relationship initiation stage and the retention stage of relationship management.

In Ethiopian context Gebeyehu jalu 2014 conducted a research to investigate effects of Customer Relationship Management on profit and Market Performance. A descriptive research design was used to investigate the influence of CRM (key customer focus, customer knowledge management, CRM organization and technology based CRM) on profit and market performance in banking industry with reference to Wegagen bank, Dashen bank and Commercial Bank of Ethiopia (CBE).

Sara A (2017) Because of immense competition in today's business market, organizations are struggling to apply different marketing strategies and programs to gain more market share and acquire more customers on one hand, and to make them satisfied and loyal to their company, on the other hand. The aim of this study was to investigate the effect of customer relationship management components on customer loyalty. the study indicated that there is significant effect of trust, communication, competence and conflict handling on predicting customers' loyalty. Of these relationships, conflict handling emerged as the strongest factor which influences customers' loyalty while commitment remained statistically insignificant and negligible influence on customers' loyalty.

Mesfin Tenkir (2017) investigates the effect of customer relationship management on customer loyalty: the case of current account customers of three commercial banks in Ethiopia. A theoretical framework was used as a guideline to test the relationships between relationship marketing dimensions (trust, commitment, empathy, and conflict handling) and customer loyalty. The findings show that relationship marketing dimensions have effect on customer loyalty. All the independent variables are positively and directly related to customer loyalty in banking industry. The relationship between relationship marketing and customer loyalty is significant. Therefore, to retain and develop loyal customers, the banks should be trustworthy and show commitment, providing individualized attention to customers and must resolve conflicts in a manner that will eliminate unimportant loss and inconvenience to their customers

Ashagere Ayalew(2017) elaborates banking industry in Ethiopia has stiff competition thus banks need to consider various strategic options and programs in order to survive and thrive. One of strategy is Customer Relationship Marketing (CRM).This study was aimed to examine the effect of customer relationship marketing dimensions (trust, commitment, conflict handling, and communication) on customer loyalty of commercial banks in Ethiopia. The result revealed that three relationship marketing dimensions: trust, communication and conflict handling have positive and significant effect on customer loyalty. Whereas commitment has negative and but insignificance effect on customer loyalty. The relationship between relationship marketing and customer loyalty was found partially significant. Banks should focus on CRM so that they are expected to attracting new customers and more on retaining the existed ones with regard to relationship marketing to increase customer loyalty.

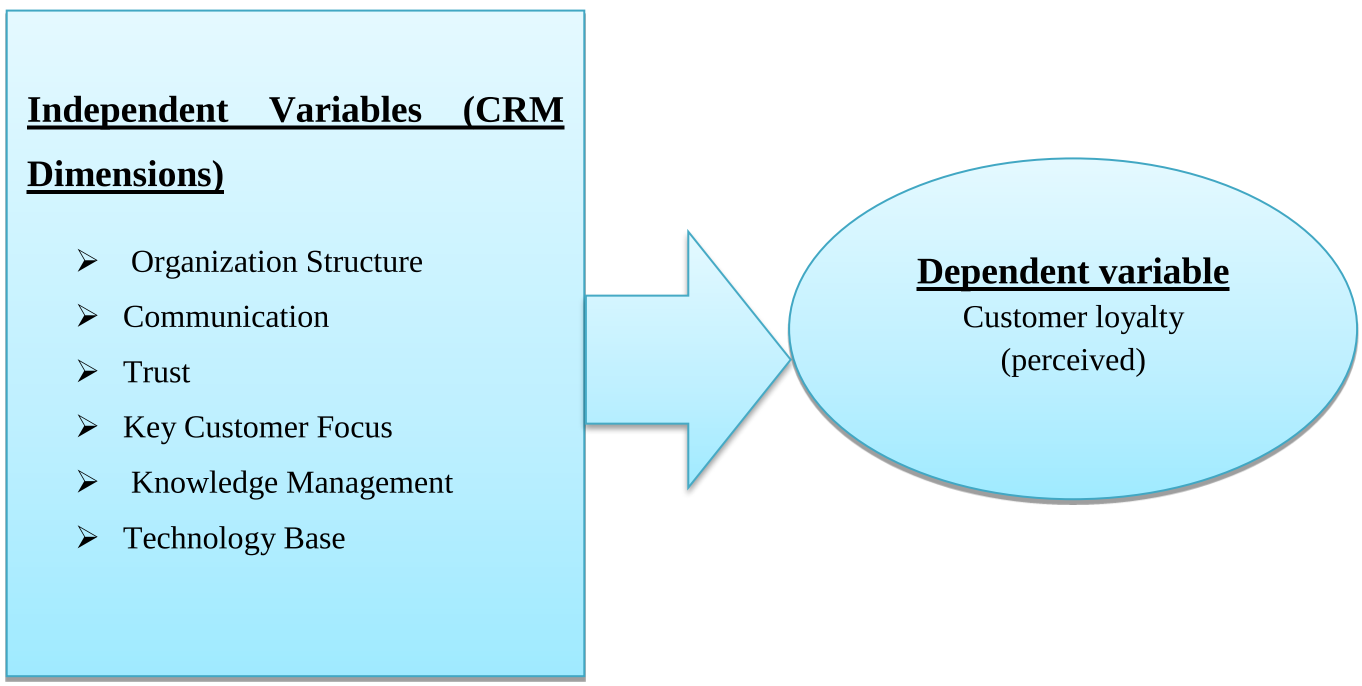
Adissa Aga (2016) The banking sector is one of the dynamic businesses in which the effects of the customer relationship management shall be identified. In Ethiopia, There were 16 different private commercial banks. This study has the focus to show the roles of customer relationship management, in case of some private commercial banks found in Ethiopia. Since commercial banks are developing & increasing in their numbers here in Ethiopia the competition is going to be tough and it needs additional ways to attract new customers & also able to retain the existing customers too. This study investigated the impact of customer relationship management (CRM) on perceived bank performance. The objective of this study is to determine the relationship between the variables measuring customer relationship management (bonding, trust, commitment, communication and satisfaction) and bank performance. Based on the findings, it is recommended that there is a need for organizations especially banks to have a good relationship with their customers that can sustain competitive advantage. It is also recommended that organizations should take cognizant of their organizational structure to attract and retain qualified employees that can contribute positively. Since the country is having only the Ethiopian banking this made the competition not that much until today. But the situation happening encourage the banking sectors to develop new strategy like Customer relationship management.

A study Yared Deneke(2017) elaborates about banking is one of the service sectors where competition is stiff to attract new or retain the existing customers among commercial banks. Customer relationship management is one of the strategies whereby banks are using to be competitive in financial sector. Customer relationship management helps banks to retain customers as the practice of CRM pays attention to the need of individual customers and eventually contributes a lot to customer satisfaction and loyalty. The statistical result showed that Customer relationship management which is represented by four behavioral components has a positive and significant influence on customer loyalty. The researcher suggested that Dashen bank and CBE have to pay attention to CRM Organization dimension as it has highest influence on customer loyalty.

2.9 Conceptual Frame Work

Based on the theoretical and empirical reviews the following conceptual framework is developed. The dependent variable is customer loyalty while independent variables are organization structure, communication, trust, key customer focus, knowledge management, and technology base. The basic relationship between independent and dependent variables is the existence of cause and effect but we don't know the magnitude and the direction. The ultimate purpose of articulating the framework is to identify the magnitude and the direction of the relation.

Figure 2.1: Conceptual Framework



Source: Modified for the Study, 2021

CHAPTER THREE

3. RESEARCH METHODOLOGY

3.1 Introduction

This section explores the methodology and research design uses in data collection and their justifications. It covers research approach, research design, area of study, population, sample size and selection methods, data collection tools and methods, data management, data processing, method of data analysis, level of significant, reliability analysis and ethical consideration is presented

3.2 Research Approach

The study has used qualitative and quantitative approach. The qualitative approach enabled respondents to be intensively engaged in responding to the questions geared towards the objectives of the study and through interview questions presented to concerned management. According to Kumar (2005) Qualitative analysis is multi-method in focus, involving an interpretive, naturalistic approach to its subject matter. Quantitative research approach is also used to analyze data measurements that can be quantified in the form of numbers using SPSS version 20.

3.3 Research Design

Research design is a systematic plan prepared for conducting and directing research study. It gives clear framework for the methods and techniques of collecting and analyzing data in the process of conducting research. The aim of this study is to examine the level of understanding and practice of customer relationship management having on customer's loyalty in AIB and BIB International Bank S.C at Addis Ababa Branches. The study follows explanatory type of research design. According to Kothari (2004) research design is a plan or strategy used to get the expected study results. As a result the researcher chooses the above research design to attain the primary aim of this study which is to examine the effect of customer relationship between management on customer loyalty in AIB and BIB International Bank S.C at head quarter and selected branch.

Explanatory research is used to examine the effect of customer relationship between management on customer loyalty in AIB and BIB International Bank S.C at the head quarter and selected branch. Studies that establish causal relationship is termed as explanatory study and this paper seeks to identify the causal relationship between customer's relation management and customer loyalty. Explanatory research design is applied to define the character of customers in relation to satisfaction. From data collected using distributed questionnaire and interview presented.

3.4. Population and Sampling Techniques

3.4.1 Study Population

A study population refers to the group one want to generalize to and the group from which a sample is taken for in a study. In this study, the population from which a sample is drawn consisted of in AIB and BIB International Bank S.C.

3.4.2 Sample Size

In addition to the purpose of the study and population size, three criteria usually will need to be specified to determine the appropriate sample size for large population: population standard deviation (approximated by *S*), magnitude of acceptable error (*E*), and confidence level (*Z*). (Cochran, 1999). Due to large number of customers in branches of in AIB and BIB International Bank S.C of Ethiopia in Addis Ababa, sample size for populations that are large will be determined through the equation developed by Cochran (1999). Sample size in this study is determined using a single population proportion formula under varying assumptions as follows:

$$n=\frac{z2*P\ (1-P)}{e2}$$

Where,

N is the sample size,

Z is the standard normal deviate set at 1.96 (for 95% confidence level),

e is the desired degree of accuracy (taken as 0.05) and p is the estimate of the proportion of our target population satisfied with banking service (50% is taken.

$$n = \frac{1.96^2(0.5(1-0.5)}{0.05^2} \quad 384\text{participants}$$

When we multiply by two because of applying to two banks we get 768 as total sample size.

The above sample sizes were distributed for two banks using quota sampling as sampling techniques. The following branches were selected purposely by the researcher because the following branches are large and representative to other branches. The reason why I applied quota sampling is it found suitable as per the discussion with bank mangers of each branch.

Regarding the sampling techniques and type quota sampling is selected. The main reason why researchers choose quota samples is that it allows the researchers to sample a subgroup that is of great interest to the study. If a study aims to investigate a trait or a characteristic of a certain subgroup, this type of sampling is the ideal technique in this case the two different banks and two different customers internal and external were the sub group of the study.

Table 3.1: Sample Size Determination and Sampling Techniques

No	Name of banks	Allocated sample size		Sampling techniques
	Addis International Bank	Employee	Customers	
1	Addis International Bank, Megenagna	15	50	Quota sampling
2	Addis International Bank SC Arat Kilo	15	50	Quota sampling
3	Addis International Bank Lamberet Br	15	50	Quota sampling
4	Addis International Bank, Mexico Br	15	50	Quota sampling
5	Addis International Bank S.Co Head Of.	25	99	Quota sampling
	Total	85	299	
	Berhan International Bank			
1	Berhan International Bank Imperial	15	50	Quota sampling
2	Berhan International Bank S.C Hayahulet Branch	15	50	Quota sampling

3	BerhanInternational Bank Lideta	15	50	Quota sampling
4	Berhan International Bank S.C Kebena	15	50	Quota sampling
5	berhan bank GerjiMebrat Hail Branch	25	99	Quota sampling
	Total	85	299	

Source: Survey Result, 2021

3.5 Data Collection Methods

The researcher collects data from primary sources. Both quantitative and qualitative data sources are used to link the knowledge and practice of customer relationship management on customer's loyalty in AIB and BIB International Bank S.C In the research process, the researcher collects quantitative data using two standardized questionnaires to get information from customers and employee's respondents. The questionnaires are consisting of items to measure the characteristics of the independent and dependent variables. Closed-ended questions are also used to collect data from branch manager's respondents. To enrich, support and triangulate the findings of quantitative data, qualitative data is collected using semi-structured interview from selected leaders in AIB and BIB International Bank S.C

3.5.1 Primary Data Collection

Primary data are those that are collected a fresh and for the first time and thus happen to be original in Character (Kothari, 2004). The primary data collection enabled the researcher to obtain firsthand information. Primary data are obtained from respondents at in AIB and BIB International Bank S.C. Computing head offices and its branches located in Addis Ababa. Using the questionnaires and interview manuals, the researcher obtained data from the respondents.

3.5.2 Questionnaire

Questionnaires are used because of their ability to reduce any bias and the collection of authentic data important for data analysis. The researcher uses both closed ended and open-ended questionnaires aimed at testing the role of customer relationship management on customer loyalty in AIB and BIB International Bank S.C .These questionnaires are distributed to sampled head office staff, branch staff, Head of Departments, Branch Managers, Deputy Managing Director and Managing Director and customers. The nature of the questions varied from one group to another group depending on the nature of customer and managers responsibilities and duties.

3.5.3 Interview

Structured questions and open ended statements are used by the researcher trying to interview junior staff, senior staff, Branch managers, Head of units, Head of departments and top management and customers. Due to sensitivity of this study responds on interview are interviewed independently each employee and customers they are assured absolute confidentiality on their views in order to get impartial results.

3.5.4 Secondary Data Collection

The secondary data are those which have already been collected by someone else and might have been passed through statistical analysis (Kothari, 2004). Secondary data collection enabled the researcher to get secondary data which is used as the source of information for this research. Data is obtained from in AIB and BIB International Bank S.C head office and its branches and units. Secondary data is obtained from heads of various departments, Branch managers and Head of units.

3.5.5 Procedure

In order to carry out the research, the researcher employed questionnaire as research instrument to collect primary data from in AIB and BIB International Bank S.C customer's users of the bank who are the primary concern for the subject matter. Structured questionnaire is distributed to sample respondents containing different parts and types of questions in which the first section intends to obtain general information, the second part intends to obtain additional information and the last part of the questionnaire containing 5 scale Likert measurement tool i.e. 1-strongly disagree 2-disagree 3-neutral 4-agree and 5-strongly agree (Likert, 1932) classified under customer loyalty dimensions mentioned in specific objective of the study intends to obtain additional information regarding customer loyalty and management bodies. The researcher preferred Likert scale to allow degree of option for respondent and to obtain quantitative data from the result

3.6 Reliability and Validity Test

Test reliability refers to the degree to which a test is consistent and stable in measuring what it is intended to measure. Most simply put, a test is reliable if it is consistent within itself and across time while Test validity refers to the degree to which the test actually measures what it claims to measure. Test validity is also the extent to which inferences, conclusions, and decisions made on the basis of test scores are appropriate and meaningful (Kothari, 2004).

In this paper the researcher tests the reliability of the data be distributing 54 sample or pilot questioners in the selected branches. The reliability test is displaced in Cronbach's Alpha and depicted as follows which all variables are good. As rule of thumb reliability ranges from 0.7 up to 0.94 is acceptable at the different rang.

Table 3.2: Reliability Statistics

	Variables	Cronbach's Alpha
1	Organizational structure	0.933
2	Trust	0.891
3	Customer focus	0.834
4	Technology	0.912
5	Communication	0..783
6	Knowledge management	0.772

Source: survey result, 2021

Regarding the validity the researcher tries to improve the quality of the questioner by getting the help of the advisor and other experts in the area. More specifically the questioner is adopted from different well known articles and modified as per the objectives of the study. Furthermore the content as well as the grammar of the questioner was improved by different language experts and advisers comment. This whole thing is done to improve the validity of data collection instrument.

3.7 Methods of Data Analysis

Before the quantitative data analysis; data classification, coding, data entry and transformation were done respectively. Once the responses are collected, each item was coded on Microsoft Excel and each questionnaire was assigned with a three digit identification number. Then, the data are entered and transformed from a raw form to a more usable form for statistical analysis. To assist the transformation process, the scores are inspected visually for completeness on MS Excel sheet. Then after, all the data are exported in to Statistical Package for the Social Science (SPSS) Version 20.

3.8 Model Specification

To examine the effect of customer relationship management on customer loyalty the following ordinal regression model is developed. Variables are carefully selected in review of literature. OLS regression techniques are employed to analyze relationships among two or more variables and estimates the β's in the equation.

Specified ordinal regression model equation is specified as follows

F(x) = BO+B1nxn+ei

cl =bo+b1t+b2km+b3tr+b4cf+b5os+b6com+ei

Where: Cl is stands for customer loyalty, t= technology, km= knowledge management, tr= trust, cf= customer focus, os =organizational structure, com= communication

Ei=error term or the un controlled variable

Bo= is the constant other betas are coefficients of variables

3.9 Ethical Considerations

In this study ethical consideration were give due attention. Among the significant issues that will considered includes consent, confidentiality and data protection. People who are participating in the research will be given an ample time to response to the questions pose on them to avoid errors and inaccuracies in their answers. The respondents are given an abandonment regarding the confidentiality of their identity and the information that they are not wishes to disclose.

CHAPTER FOUR

4. RESULTS AND DISCUSSION

4.1 Introduction

In this part the collected data by the collection tools were analyzed. Therefore this chapter presents and analyses the data collected from the participants. Out of 768 distributed questioners 700 were collected. The findings about the effect of customer relationship management on customer loyalty in the case of selected banks in Ethiopia, the relevant statistical analysis were made to answer the research questions were presented and analyzed. In this chapter, demography of respondent, descriptive statistics, data tests and inferential analyses were conducted.

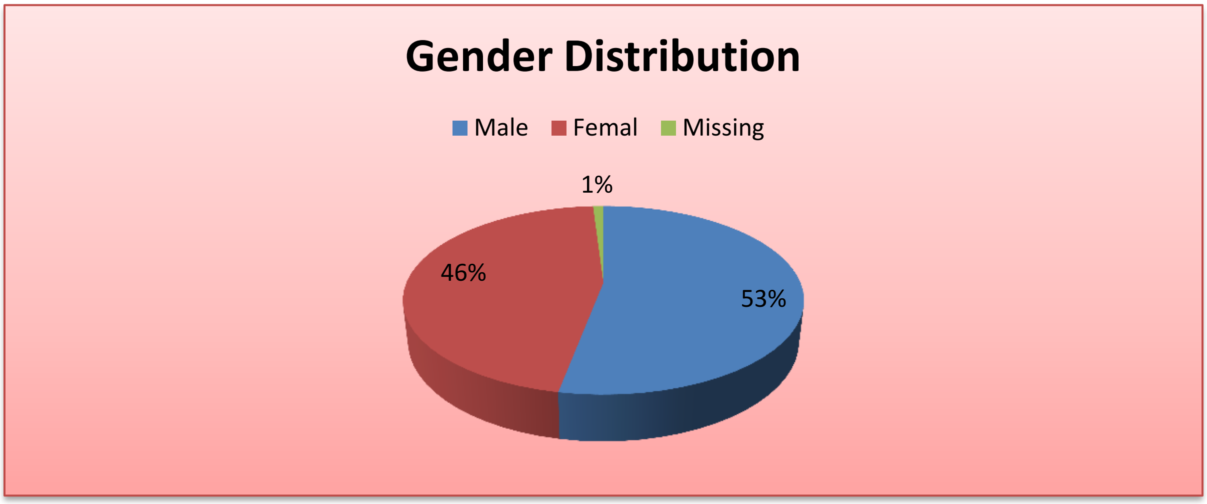
4.2 Demographic Characteristics

The demographic feature which assed in this study are the following. Thus are gender, age, educational qualification and how long the customer ship in the bank. Each characteristic were explained one by one here under.

4.2.1 Gender

The study involved gender distribution of respondents in order to answer the questionnaires provided as shown on the following figure. The following figure portrays that respondents of male and female answered the questionnaires distributed. Out of 700 respondents 53% were male while 46 % were females where as 1% are missing. This indicates that majority of the study participants were male in the study period. This implies that the male population of the bank has the chance to be represented in every matter. The following chart shows the gender distribution.

Figure 4.1: Gender Distribution



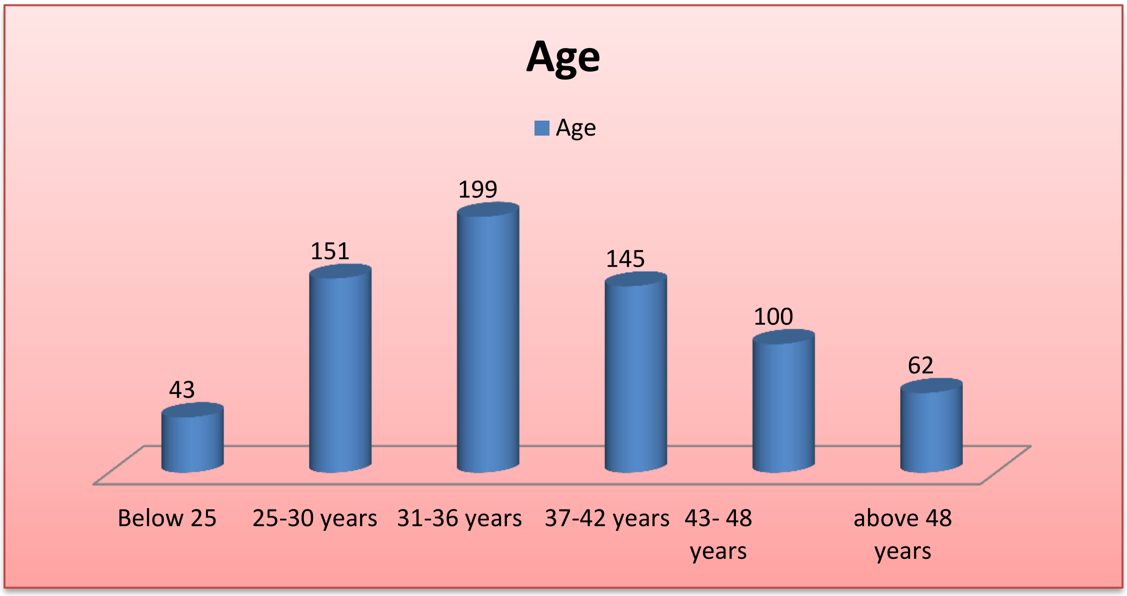
Source: Survey Result, 2021

4.2.2 Age Composition of Respondents

In this study, age of the respondents was considered as demographic factor of the study. The study explains the effect of customer relationship management on customer loyalty in the case of selected banks in Ethiopia.

When we look at the age group of respondents, the numbers of customers below 25 become 43 customers or 6% percent. From 23 up to 30 become 151 or 21 percent, from 31 up to 36 become 199 or 28 percent, from 37 up to 42 becomes 145 or 20 percent, from 42 up to 48 becomes 100 and above 48 become 62 or 8.8 percent. As the above table indicted that participants were distributed in the whole age group. And generally dominant age groups were 25 up to 42 which are youngsters. The following graph showed the age distribution of respondents.

Figure 4.2: Age Distribution of Respondents

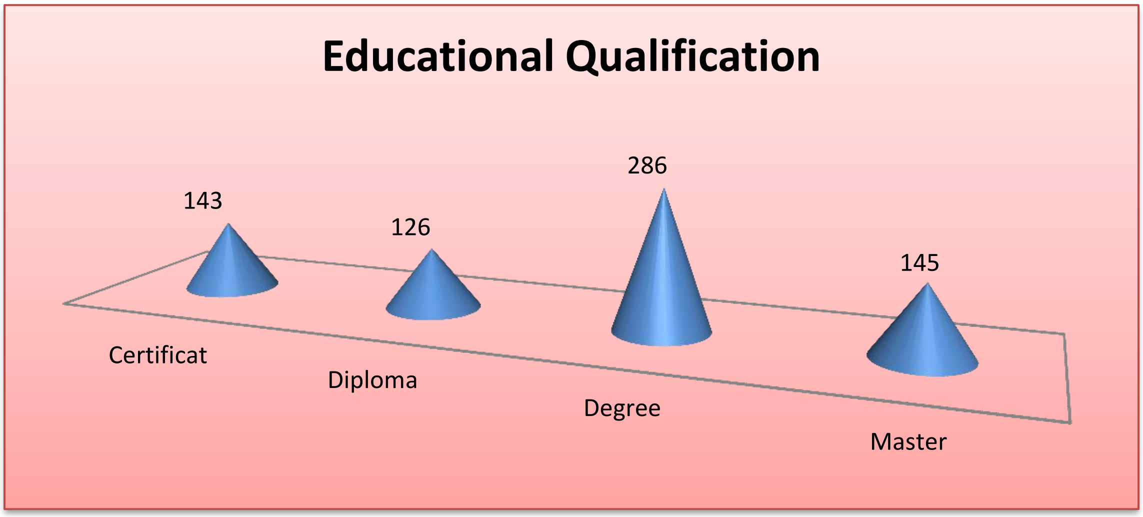


Source: Survey Result, 2021

4.2.3 Education Level of Participants

Looking at level of educational qualification, participants are distributed from certificate up to master and above level. The following figure depicts the distribution. In the figure certificate levels are 143 while diploma holders are become126, the first degree holders become 286 and masters above holders are become145 participants. The following figure shows graphically .As the figure indicted participants were from low level of education up high level. This has its own importance in representing the data validity.

Figure 4.3: Education Levels of Respondents



Source: Survey Result, 2020

4.2.4 Duration of Bank Usage or Client Ship

Regarding the usage of the bank or customer ship of the participants most or 74.8 percent of respondents were a customer of bank at least for ten years and the remaining 25.2 percent were customer of the bank for above ten years. As the following table showed that 29.4% were a customer of bank below five years but the remaining have bank service awareness for the last five up to ten or above years.

Table 4.1: Bank Usage or Clint Ship

How long have you been using Bank?					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Below 5 years	206	29.4	29.4	29.4
	5 to 10 years	318	45.4	45.4	74.8
	Above 10 years	176	25.2	25.2	100.0
	Total	700	100.0	100.0	

Source: Survey Result, 202

4.3 The Current Practice of Customer Relationship Management in Banks

In today's a competitive business world where banks were competes for clients, customer relationship management is seen as a key differentiator and taken as a key component of banking procedure. Organizations are progressively interested in attracting and holding existing clients whereas focusing on non-customers; measuring client fulfillment gives a sign of how effective the organization is at giving items and/or administrations to the market place.

In this study, the researcher explores the effect of customer relationship management on customer loyalty in Addis international bank and Birhan international bank as a case study by taking organization structure, communication, trust, key customer focus, knowledge management, and technology base as dimension or explaining variable of customer relationship management

4.3.1 Organization Structure

Basically the main advantages of organizational structure are professionalism and proficiency. In this case, organization structure is taken as a variable to associate with customer loyalty in the selected banks. The following table showed the level of agreement weather organizational structure impacts there level of loyalty.

Table 4.2: Organizational Structure

No	Organization	Valid	Mean	Std. Deviation
1	The bank has good organizational structure	700	3.794	.70394
2	The bank has good organizational image	700	4.017	.75816
3	The bank has good cross-functional teams	700	3.535	.87576
4	The bank has coordination of customer focus	700	3.887	.93729
5	The bank has Properly designed around customer	700	3.481	.99409
6	The bank has Flexible organizational structure & arrangement	700	3.611	.89211
	Grand Mean		3.720	.86023

Source: Survey Result, 2021

The grand mean of organizational structure is 3.7 which mean that organizational structure has a contribution for customer's loyalty. In other words, both banks Addis and Berhan international bank have good organizational structure, good organizational image, good cross-functional teams, and coordination of customer focus. As a reason both banks has properly designed around customer and Flexible organizational structure & arrangement.

In the open ended questions most respondents revealed that both banks were have rigid or vertical structure, due to this individual creativity and originality may be muted, Workers are less willing to assume duties that are not formally a part of their original assignment and difficult to adjust to meet changing needs. Furthermore participants revealed that employees were produce anxiety by being pressed too heavily for routine and conformity which has adverse effect on customer's loyalty. In addition to this participants revealed that Inter-personal communication is slowed or stopped across branch officers and managers or head office manages. Generally there are strict adherences to formal lines of communication.

On the contrary in the interview the interviewed revealed the practice of organization structure in both banks.

In our bank (both Berhan and Addis international bank), the activities of the branches, employees and branch managers and the groups are clearly rational, stable and predictable. Due to the sensitivity of the sector an orderly hierarchy in which people are related in a meaningful sequence will result high performance of the bank in general and customers loyalty in particular. Individual responsibility is known clearly and the authorities to act were defined. Employees were selected on the basis of ability to perform expected tasks.

Simplification and specialization of job assignment is forwarded for each branch and employees as well. Directional and operational goals and procedures were determined at head office level and branches are clearly devoted to their achievement. Available resources were utilized in the most effective way at each branch and branch managers were responsible for this. Employees were treated democratically in other word patronage and favoritism is reduced. Workers will benefit from planned superior subordinate- relationships in which each work receives essential support and direction. At the end the ultimate goal of such organizational arrangement is to *enhance our business in general and customer's loyalty in particular, because customers are blood line of our business and there should retained and makes them loyal to the bank.*

In the above case the open ended question and the interview seems contrary, but from this the study articulates the organizational structure has a great role in affecting customer's loyalty. If it management well it has positive effect in customer loyalty if not the affects adversely but in both banks organizations structure is rigged and adversely affects the customer loyalist because the mean score is 3.7 with its standard deviation.

A study done by Tahmeem Siddiqi (2018) Owing to stringent competition, financial industry like banks has exceedingly been focusing on keeping the possession of loyal customers through multifarious factors of customer relationship management (CRM), which has been defined as a set of tactics to manage the interaction between company and its current as well as potential customers. The factors of CRM are numerous, out of which three dimensions of customer relationship management namely technology adoption, trust and complaint handling have entirely been concentrated in this study, on creating loyal customers. The study unfolds the significant relationship of all of the three independent variables on the dependent variable, customer loyalty. The implication of the research contributes to the existing theory of CRM by signifying its particular contribution on creating loyalty of customers. Moreover, practitioners can execute the implications of the study to improve their managerial strategies to retain more loyal customer base.

4.3.2 Communication

Worthwhile communication in banking fortifies the relationship between client, providers, partners, supervisor, client, workers and board of chiefs. In today's competitive environment, banker's encounter challenges of effective communication because fruitful communication among customers, employee's behavior and organizational needs. Indeed this results better business performance at large and customers loyalty in particular. The following table showed that practice of communication in Addis and Berhan international bank.

Table 4.3: The Mean and Standard Deviation of Communication

1	Communication	Valid	Mean	St.dev

1	The employees of the bank understand specific needs of the customer	700	4.0357	.71975
2	The bank clearly communicates about each bank's policy to their customers (about customers' right, responsibility, and other related issues)	700	3.9971	1.12330
3	Information provided are accurate	700	3.3700	.86843
4	The bank clearly communicates to the customer about how and where to complain in case of a problem	700	3.4829	.87796
	Grand mean		3.721	.89736

Source: Survey Result, 2021

The grand mean of communication is 3.7 which mean that the communication level among employees and customers has a great impact on the loyalty of customers. More specifically, the employees of the bank understand specific needs of the customer, the bank clearly communicates about each bank's policy to their customers (about customers' right, responsibility, and other related issues and Information provided were accurate. Generally the bank clearly communicates to the customer about how and where to complain in case of a problem.

In the open ended question participants revealed the following regarding the communication practice of their bank. They revealed that Banks must train their customer service representatives to have patience with the clients' questions in any time. Often times, elderly customers and people using banking services for the very first time get worried since they find it hard to understand the bank's processes. They might get restless easily and repeat their questions multiple times. Hence, it is important for the bank to train its representatives about being tolerant. In addition to patience, expertise in the verbal(s) is another area of importance for customer service representatives. This might help them overcome any language barriers and communicate easily with clients from multilingual backgrounds. On the contrary to this, there are few Communication problems such as poor planning, Vague performance standard, poorly designed organizational structure .Having in mind this Berhan and Addis international bank were working strongly on enhancing the employees communication capacity because it have an adverse effect on the banks service quality and in general and customers loyalty in particular.

In the interview, the bank mangers revealed that:

Communication is the most precious thing for every aspect of life. Mostly we think that communication only has advantages such as communication solves a lot of problems and thereby it ensures the smooth running of an enterprise and minimizes cost and cost and conflict among the employees and also ensures maximizing production for effective planning and coordination of different activities in an organization. When there is an effective system of communication, employees will have the opportunity to present their ideas, suggestions, and complaints to the superior who ultimately helps to build up as well as boost up their morale. And lastly Democratic management is possible only when there is an effective communication system.

4.3.3 The Mean of Trust

As scholars remarked that the main means between customers and bank is trust. Central to the relationship between the bank and the client is believed in one another. Customer believes there bank to do the proper thing, day in and day out. In this study trust is one variable that investigated in relationship to customer loyalty.

Table 4.4: The mean of Trust

	Trust	Valid	Mean	St.dev
1	I have trust in the banks service	700	4.0714	1.26153
2	The banks words and promise are reliable	700	4.4071	.82950
3	The bank is consistent in providing quality service	700	4.0357	.74514
4	Employees of the banks shows respect to the customer	700	4.7971	.95417
5	The banks fulfill its obligations to customers	700	4.0014	.69435
	Grand mean		4.2626	.49694

Source: Survey Result, 2021

The mean score of trust is 4.2 with standard deviation .496. This means that the level of trust by customers towards the bank is a determinate factor in affecting customer loyalty. Most participants agreed that as they have trust in the service that they got from the bank because the found the words of the bank reliable. In addition to this employees were showed high respect to the customer and banks were fulfilled its obligation to customers.

In the open ended participants revealed that most customers were trust the Bank because the bank continuously manages during disability or whatever any problem. For the bank creating a revocable trust ensures that customer's property remains available to be used for customer's benefit, even the customer become physically or mentally incapable of managing his or her own affairs. In short the assets of the customer remain in control or a revocable trust gives the customer full use of his/her own assets while they are alive and then passes this authority onto a successor trustee after death. The successor trustee then distributes the assets to the named beneficiaries

In the interview the interviewed point outs the following issues in relation to their bank and customer relationship management.

In our bank, we strongly work on actives that can improve customers trust in the bank because we believe that a strong trust can provides asset protection and limits liability in relation to the business. Trusts separate the control of an asset from the owner of the asset and so may be useful for protecting the income or assets of a young person or a family unit. Trusts are very flexible for tax purposes.

A study done by Rizwan Ullah Khan (2020) investigates the impact of customer relationship management (CRM) and company reputation on customer loyalty with customer satisfaction mediating the relation among small and medium-sized enterprises. Customer satisfaction is essential for company reputation and loyalty because a company's reputation largely depends on customer satisfaction in turbulent markets. Therefore, the current study is conducted in the Pakistani context to examine the customer believes regarding the company reputation. Due to uncertainty in the Pakistani market, no company can go smoothly in this turbulent market. To achieve the main objective of the study, data were collected from registered firms operationalized in Islamabad and Rawalpindi and verified by the Small and Medium-sized Enterprises Development Authority (SMEDA). The findings suggest that customer relationship management and company reputation have a positive and significant impact on customer loyalty. Additionally, customer satisfaction partially mediates the relation among customer relationship management, company reputation and customer loyalty. Hence, this study offers some suggestions to policymakers and practitioners. They should build deep trust among the company's staff, which will become a good source of company reputation. In addition, different steps such as advertising, public relations and marketing campaigns are significant in changing customer's behaviors.

4.3.4 Customer Focus

The present retail banking climate is about cash. Banks need to set aside cash; clients need to set aside cash, and lost in all that is the human component. Zeroing in on the shopper enables banks to change that. Right now, banks are worried about holding and developing their client bases. As portable and online innovation improves, clients are effectively supplanting a large number of the administrations once offered at physical branches with their cell phones and tablets.

This study investigates the practice of customer focus in Addis and Berhan international bank in relation to customer relationship management and customer's loyalty. The following table showed the result.

Table 4.5: Customer Focus

No	**Customer focus**	**Mean**	**St.dev**
1	The bank has a deep understanding of customer needs	4.1129	.59814
2	The bank understand how competitors meet their customer needs	4.3529	.84224
3	The bank regularly solicit customer feedback to improve products/services and monitor how well competitors are doing on the same metrics	3.6486	.84368
4	The bank provides customized services to key customer	4.0000	.69538
5	Treat customer with special care	4.0929	.91010
6	The bank customer strategy has been designed to focus on customer needs and deliver product/service beyond customer expectations	3.9043	.04175
	Grand mean	4.0186	.65521

Source: Survey Result 2021

The mean score of customer focus in two banks is come 4. 01 with standard deviation of .655, this high mean has indicated that banks were operating there function by giving high consideration to customer interest.

In the open ended participants revealed that employees or customer service representatives who work for banks tried to answer customer questions about basic banking services, such as account balances and interest rates and fees. Employees also help customers protect their accounts by reviewing suspicious activity, reversing transactions and reissuing compromised debit and credit cards.

In addition to the above in the interview the interviewee point outs the practice of banks activity and its role in customer loyalty.

We as competent bank in the industry we strongly work on Promoting Financial Literacy through Customer Education, we tried to become a trusted Advisor their Business. Further ore we empower employees to be advisors. As we all know Customer service professionals understand the importance of trust in banking that is why we are train to empower our employees. Building trust means showing the customer that they are being heard. But customer service employees encounter problems when they can’t resolve a problem due to company procedures and regulations. In addition to this at the branch level branch managers were empowered to give advisee to solve problems on the spot, making decisions that resolve issues without having to get a manager’s permission first. Combine technology with a personal touch. Keeping customers engaged functions as a powerful marketing tool. Happy customers are far more likely to tell others about their experience. In banking, an empathetic customer relationship is especially important. People must be able to trust those in charge of their finances.

Though the interviewee point outs the above mentioned practice, there are also contrary ideas which sated in the open ended question. In a summarized form in both banks there is long wait times and response times, poor attention to detail, employee with lack of experience and knowledge and nonprofessional and impersonal interactions. Banks which are guilty of these bad customer service traits often face negative consequences many of which are difficult to overcome and can lead to the company's failure.

A study done by Arnil Lacej (2015) examines the influence of Customer Relationship Management on customer satisfaction and customer loyalty in the Albanian Tourism Industry. Despite the fact that CRM positive influence on customer satisfaction is widely accepted as a rule of thumb, very little research has been done to further investigate on such a theory. Hence, the study tries to find out if an effective Customer Relationship Management strategy indeed influences customer satisfaction and loyalty. The empirical research attempts to unveil the relationship between Customer Relationship Management Effectiveness, customer satisfaction and customer loyalty by analyzing five CRM attributes, namely; Organizational commitment, Customer experience, Process-driven approach, Reliability and Technology Orientation. Results show that not all CRM features influence or equally influence customer satisfaction and loyalty. Furthermore, it proves that customer satisfaction is indeed a strong mediator of customer loyalty. Based on the results of the study, only organizational commitment, customer experience, process-driven approach and reliability influence customer satisfaction while only reliability positively influences customer loyalty. The hypotheses are tested using information collected from customers through structural equation model approach. The empirical results of this study have academic and managerial implications since they add to the existing body of knowledge and at the same time help CRM managers in the decision making process.

4.3.5 Knowledge Management

Knowledge management helps the bank management to perpetually update its customers' information and knowledge. It plays a crucial role within the getting ready periodic reports on the state of the market. The implementation of such management helps the bank's management specialize in structure resources throughout competition with alternative banks.

The following diagram showed mean and standard deviation of knowledge management in both banks.

Table 4.6: Mean and Standard Deviation of Knowledge Management

No	Knowledge Management	Mean	St.Dev
1	The bank has Good management practice	3.6471	.84393
2	The bank has well-trained and motivated employee	3.6471	.84393
3	The bank manages all customer need	3.6471	.84393
4	The bank employees has detail knowledge of every procedure	4.0000	.71964
5	Employees have the ability to handle customers	4.1300	.79445
6	Employees can work well with others employees	4.0000	.94331

	Grand mean	3.8452	.83153

Source: Survey Result, 2021

The mean score of knowledge management is 3.8. This high mean indicted that there a practice of knowledge management in both banks. More specifically, the bank has good knowledge management practice and well-trained and motivated employee. This helps to manages all customer need, even employees has detail knowledge of every procedure. In addition to this, employees have the ability to handle customers and employees can work well with others employees.

In the interview, the interview revealed that

the practice of knowledge management in both banks were improved banks agility, better and faster decision making, quicker problem-solving, increased rate of innovation, supports employee growth and development, helps to share of specialist expertise and better communication and improved business processes but in the open ended participants revealed Knowledge management has lots of drawbacks in the bank. They point out the issues of dependency on few knowledge contributors, creation of confusion among managers and employees, and the mishandling of valuable company information by assuming as not knowledge. Furthermore they point out as it may cause failure to use company knowledge properly can lead to a great loss of time, resources and even organizational failure.

A Study done by Zuzana Papulová (2007) remarked Changes in corporate environment should be reflected into the business management but their intensity and variability are hard to predict. Nowadays, we have entered "Knowledge Economy" where value of human resources and knowledge in the organizations have become more important than the traditional sources of economic power such capital, land and labor. Knowledge management is the discipline of capturing knowledge-based competencies and storing them for the benefit of the organization as a whole. Knowledge management is a systematic organized attempt to use knowledge in business within an organization to transform its ability to store and use it. It is valuable a tool how to improve individual performance of employees and performance of the whole organization. Increasing the value of human resources through knowledge management is a key to success in the challenging environment. The notion of knowledge management might seem old ground, but in transition economies like Slovakia it is still hot topic.

4.3.6 Technology

As we all know Banking is experiencing a technological churn right now due to rising competition from fin-tech startups and increasing concern for cyber-security. The current systems that they use are the product of years of continued innovation to meet immediate customer requirements. But this has resulted in solid systems being used for the transaction, savings, investment and loan accounts. This is not suited for the digital age when the competition for banks. Here under the technological practices of two banks were explored.

Table 4.7: The Mean and Standard Deviation of Technology

	Technology based	Mean	St.dev
1	The bank gives attention and prompts service using online media	4.0943	1.05755
2	The bank encourages online banking without physical contacts for customer convenience	4.0757	.60398
3	The bank has Comprehensive data base	3.9286	.99672
4	The Provides ATM in many places	3.9657	.87990
5	The bank employees were provide technical support to customers	3.7429	.84213
6	The banks service is based on computer aided design	4.0943	.98470
	Grand mean	3.9836	0.89416

Source: survey result, 2021

The mean score of technology usage in the bank is come up with3.9 with standard deviation .89. This indicated that the participants agreed that both banks gives attention and prompts service using online media and both banks encourages online banking without physical contacts for customer convenience. To cope up with the dynamic world both banks has comprehensive data base. Furthermore both banks were Provides ATM in many places and bank employees were provide technical support to customers.

In the open ended participants revealed that the usage of technology were created a convenience to customers. One of the biggest advantages of technology is that it allows customers to handle transactions and monitor their bank statements anytime, anywhere and anyplace. They can access their account on their computer or smart phone. In addition to this there are fewer bank visits and fast transactions. When their conduct their banking online, their transactions are processed almost instantly. They can make purchases or make payments with a debit card instead of a check, and the transactions shows up on their account almost immediately. This gives more control of timing for transactions, and a better, more accurate view of current account balance. This has positive effect on their loyalty to the bank.

In the interview the interviewee point out the following issue in Addis and Berhan international bank.

In our bank as well as the usage of technology has been essential in ensuring convenience in the financial institutions. It can be attributed to the ease of online transactions which ensures client conduct transactions and monitor their accounts. Technology has also reduced bank visits as clients can deposit, withdraw or transfer funds regardless of their location. Technology has ensured that businesses can link their accounting software to the finance institution to get timely and precise financial statements. This has a positive effect on the customer satisfaction to the loyalty of the bank.

A study done by Rana Saifullah Hassan (2015) n a highly competitive market, companies need to maintain positive relationship with their customer. A good CRM (customer relationship management) program that helps company in satisfying the customer, the research study would explore different methods and techniques for establishing effective CRM to satisfy the customers. His study shows that customer relationship management has significant effect on the customer satisfaction and both variables have positive relation. Company makes its CRM as strong and reliable the customer will be more satisfied and retain with the company. The study concluded that CRM is playing a major role in increasing the market share, it enhances productivity, superior employee's morale in the mean while it improves the in depth customer knowledge and also higher customer satisfaction to improved customer loyalty company will also have the clear information that what are their customers, what are their needs, and what will make them more satisfied

4.4 Inferential Analysis

Inferential analysis is type of analysis that used a random sample of data taken from a population to make inferences about the population. Inferential statistics are valuable when examination of each member of an entire population is not convenient or possible (Kothari, 2004).

4.4.1 Diagnostics of Assumptions in Regression

Before conducting a regression analysis, the basic assumptions concerning the original data must be made. This is a mandatory prerequisite in explaining the relationships between dependent and explanatory variables. Five major assumptions have to be checked and proved to be met reasonably well. In this study these important least square assumptions were checked and explained as below.

4.4.2 Testing the Skewness and Kurtosis of the Data

Skewness is a measure of symmetry, or more precisely, the lack of symmetry. A distribution, or data set, is symmetric if it looks the same to the left and right of the center point. Kurtosis is a measure of whether the data are heavy-tailed or light-tailed relative to a normal distribution. That is, data sets with high kurtosis tend to have heavy tails, or outliers. Data sets with low kurtosis tend to have light tails, or lack of outliers. A uniform distribution would be the extreme case (Kothari, 2004)

Table 4.8: Skewness and Kurtosis

Descriptive Statistics							
	N	**Mini**	**Maxi**	**Skewness**		**Kurtosis**	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Organization Structure	700	2.83	5.00	-.293	.092	-.240	.185
Trust	700	3.00	4.20	.154	.092	.861	.185
Customer Focus	700	3.17	5.00	.635	.092	-.875	.185
Knowledge Management	700	3.00	4.67	.060	.092	-1.156	.185

Technology	700	2.33	4.50	-1.804	.092	1.703	.185
Communication	700	2.50	5.00	.037	.092	-.855	.185
Valid N (listwise)	700						

Source: Researcher Survey, 2021

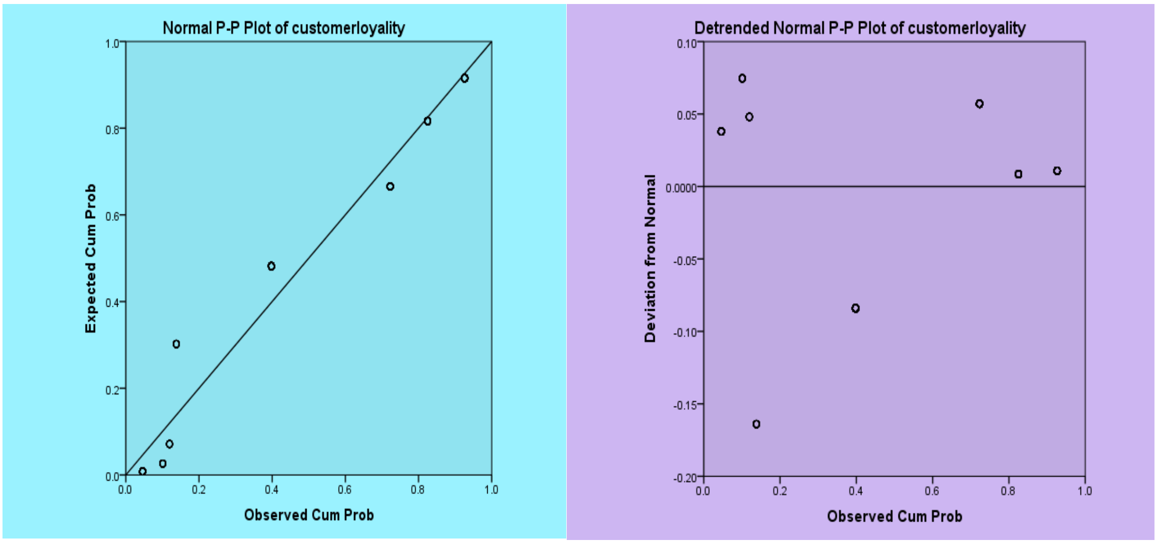
The values within the range of +1.96 and -1.96 are the said to be acceptable. Beyond these limits can be called skewed data (Hair, 2010) and Bryne (2010) argued that data is considered to be normal if Skewness is between - 2 to +2 and Kurtosis is between - 7 to +7. From rule of the thumb the researcher's data is normally distributed.

4.4.3 Normality Test

Normality test is a statistical process used to determine if a sample or any group of data fits a standard normal distribution. A normality test can be performed mathematically or graphically. Normality tests are used to determine if a data set is well-modeled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. The tests are a form of model selection, and can be interpreted several ways, depending on one's interpretations of probability:

Multiple regressions assume that variables have normal distributions (Darlington, 1968). This implies that errors are normally distributed, and that a plot of the values of the residuals will approximate a normal curve (Keith, 2006). This assumption can be tested by looking at the P-P plot for the model together with above histogram of the standardized residuals. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed.

Figure 4.4: Normality Test



Source: Researcher Survey, 2021

In the above figure data distribution looks normal and in the P-P plots also the dots are reasonably closer to the normal line. The combination of both inspections support that the residuals are normally distributed.

4.4.4 Multicollinearity Test

Multicollinearity means a state of very high inter-correlation or inter-associations among the independent variables. It is therefore a type of disturbance in the data, and if present in the data the statistical inferences made about the data may not be reliable.

Multicollinearity generally occurs when there are high correlations between two or more predictor variables. In other words, one predictor variable can be used to predict the other. This creates redundant information (Kothari, 2004). Strong relationship between explanatory variables is a problem of multicollinearity and not acceptable for ordinary list square regression analyses.

Table 4.9: Multicollinearity Test

Coefficients[a]	
Model	**Collinearity Statistics**

		Tolerance	VIF
1	Technology	.880	1.136
	Knowledge Management	.544	1.837
	Customer Focus	.765	1.307
	Trust	.855	1.170
	Organization Structure	.512	1.953
A. Dependent Variable: Customer Loyalty			

Source: Researcher Survey, 2021

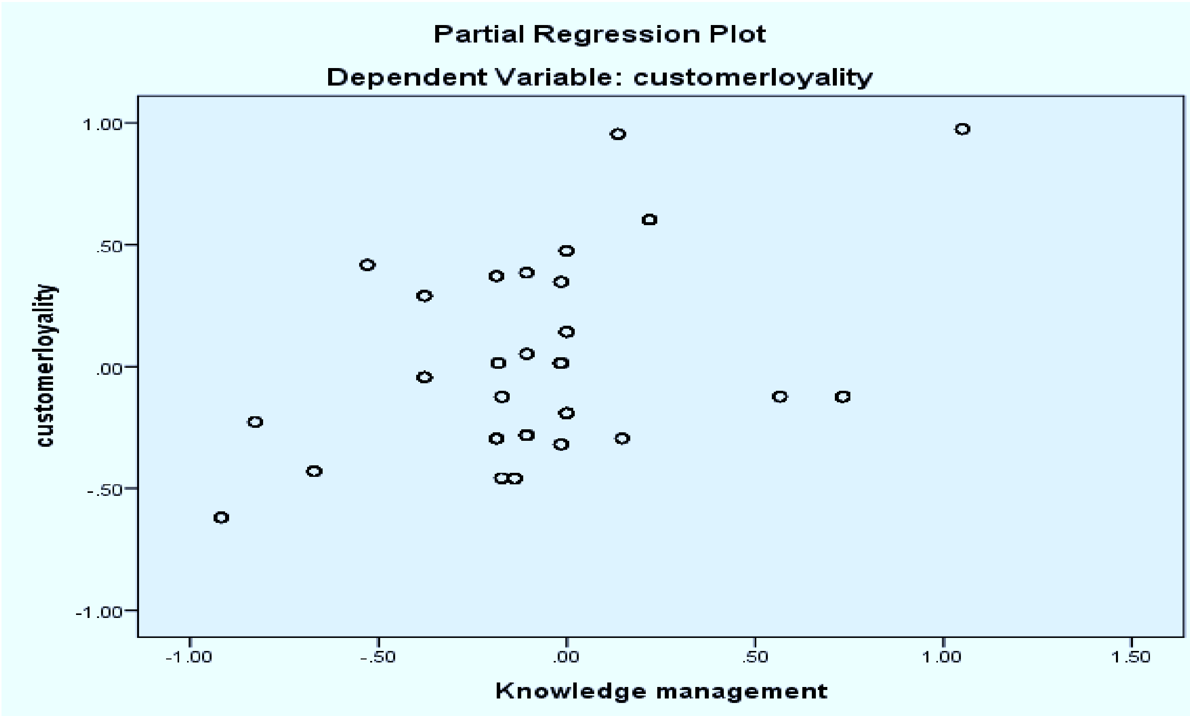
Variance-inflation factor (VIF) has also been checked and values are found smaller, which supports that multicollinearity is not a problem. In this study all VIF were less than 10 got acceptances as per (Hair, 2010). Moreover, tolerance statistics in regression analysis helps to detect co-linearity problem. Tolerance value runs from 0 to 1 and values closer to 1 indicates no multicollinearity problem (Keith, 2006). In this study all the tolerances are above 0.8 and, therefore, the amount of variation in that construct is not explained by other predictors. All the two tests indicated that there is no multicollinearity problem.

4.4.5 Homoscedasticity Test

Homoscedasticity means that the variance around the regression line is the same for all values of the predictor variable (X). The plot shows a violation of this assumption. For the lower values on the X-axis, the points are all very near the regression line. For the higher values on the X-axis, there is much more variability around the regression line.

This assumption requires even distribution of residual terms or homogeneity of error terms throughout the data. Homoscedasticity can be checked by visual examination of a plot of the standardized residuals by the regression standardized predicted value (Osborn & Waters, 2002). If the error terms are distributed randomly with no certain pattern then the problem is not detrimental for analyses. The following Figures below shows that the standardized residuals in this research are distributed evenly indicating heteroscedasticity are not a serious problem for this data.

Figure 4.5: Data Distribution of Dependent Variable



Source: Researcher Survey, 2021

4.4.6 Autocorrelation Test

Autocorrelation is a mathematical representation of the degree of similarity between a given time series and a lagged version of itself over successive time intervals. It is the same as calculating the correlation between two different time series, except autocorrelation uses the same time series twice: once in its original form and once lagged one or more time periods (Kothari, 2004).

Autocorrelation or independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently (Stevens, 2009). Durbin-Watson statistic can be used to test the assumption that our residuals are independent (or uncorrelated). This statistic can vary from 0 to 4. For this assumption to be met, the DW value needs to be close to 2. Values below 1 and above 3 are problematic and causes for concern.

Table 4.10: Autocorrelation Test

Model Summary[b]	
Model	**Durbin-Watson**

1	2.038[a]
A. Predictors: (Constant), Organization Structure, Technology, Trust, Customer Focus , Knowledge Management	
B. Dependent Variable: Customer Loyalty	

Source: Survey Result, 2021

4.5 Correlation Analysis

Correlation analysis was applied to test the "interdependency" of the variables. In this section, the direction and degree of the strength of the relationship among the variables were determined. The Pearson's Product Movement Correlation Coefficient was computed to determine the relationships between organization structure, technology, trust, customer focus, knowledge management and customer loyalty.

Correlation analysis is useful way of exploiting relation (association) among variables. The value of the coefficient (r) ranges from -1 up to +1. The value of coefficient of correlation (r) indicates both the strength and direction of the relationship. If r = -1 there is perfectly negative correlation between the variable. If r = 0 there is no relationship between the variable and if r = +1 there is perfectly positive relationship between the variables. For values of r between + and 0 or between 0 and -1, different scholars have proposed different interpretation with slight difference.

For this study decision rule given by Bartz (1999) was used to describe the strength of association among the variables as follows.

Table 4.11: Correlation Coefficient

Measure of Association	Descriptive Adjectives
>0.00 to 0.20; <-0.00 to -0.20	Very weak or very low
>0.20 to 0.40; <-0.20 to -0.40	Weak or low
>0.40 to 0.60; <-0.40 to -0.60	Moderate

>0.60 to 0.80; <-0.60 to -0.80	Strong or High
>0.80 to 1.0; <-0.80 to -1.0	Very high or Very Strong

Source: Bartz (1999)

Table 4.12: Correlation Result

Correlations								
		Organization structure	Trust	Communication	Customer focus	Knowledge management	technology	Customer loyalty
Organization structure	Pearson Correlation	1	.267**	.615**	.438**	.613**	-.190**	.151**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	700	700	700	700	700	700	700
trust	Pearson Correlation	.267**	1	.311**	.302**	.323**	.019	.135**
	Sig. (2-tailed)	.000		.000	.000	.000	.609	.000
	N	700	700	700	700	700	700	700
Communication	Pearson Correlation	.615**	.311**	1	.799**	.545**	-.136**	.274**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	700	700	700	700	700	700	700
Customer focus	Pearson Correlation	.438**	.302**	.799**	1	.360**	-.044	.284**
	Sig. (2-tailed)	.000	.000	.000		.000	.245	.000
	N	700	700	700	700	700	700	700
Knowledge management	Pearson Correlation	.613**	.323**	.545**	.360**	1	.112**	.414**
	Sig. (2-tailed)	.000	.000	.000	.000		.003	.000
	N	700	700	700	700	700	700	700
Technology	Pearson Correlation	-.190**	.019	-.136**	-.044	.112**	1	.770**
	Sig. (2-tailed)	.000	.609	.000	.245	.003		.000
	N	700	700	700	700	700	700	700

Customer loyalty	Pearson Correlation	.151**	.135**	.274**	.284**	.414**	.770**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	700	700	700	700	700	700	700
**. Correlation is significant at the 0.01 level (2-tailed).								

Source: Researcher Survey, 2021

The above table showed the correlation between dependent variable customer loyalty and independent variables, organization structure, technology, trust, communication, customer focus, knowledge management. As clearly indicated, all independent variables have positive correlate with the dependent variable, customer loyalty with significant level of 0.01. The magnitude of correlation between independent variables and the dependent variable for organization structure(R=.151**), technology(R=.770**) trust(R=.135**), Communication (R=.274**) customer focus(R=.284**) knowledge management(R=.414**).This shows the all variables has positive correlation with customer loyalty but technology usage has a strong correlation with customer loyalty.

A research finding by Sara A(2017) asserted Because of immense competition in today's business market, organizations are struggling to apply different marketing strategies and programs to gain more market share and acquire more customers on one hand, and to make them satisfied and loyal to their company. Findings of this study revealed that there is a significant and strong correlation between relationship marketing and customer loyalty. Moreover, the study indicated that there is significant effect of trust, communication, competence and conflict handling on predicting customers' loyalty. Of these relationships, conflict handling emerged as the strongest factor which influences customers' loyalty while commitment remained statistically insignificant and negligible influence on customers' loyalty.

4.6 Regression Analysis Results

In this section the researcher used multiple regression analysis to absorb the relationship between the dependent variable and independent variables. Further, regression analysis helps the researcher to understand how typical value of the dependent variable changes when any one of the independent variable is varied, while other independent variables are held fixed.

Table 4.13: Model Summery

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873[a]	.762	.760	.34481
a. Predictors: (Constant), Communication, technology, trust, Knowledge management , Organization structure, Customer focus				
b. Dependent Variable: customer loyalty				

Source: Researcher Survey, 2021

The regression model considers customer loyalty as dependent variable and communication, technology, trust, knowledge management, organization structure, customer focus as independent variables. The linear combination of those factors is significantly related to customer loyalty (adjusted R^2=.760). This means that, 76 percent of the variance in the dependent variable; customer loyalty can be explained by the independent variables, communication, technology, trust, knowledge management, organization structure, customer focus as Although, the remaining 24 percent of the change is explained by other factors which are not included in this study model, both the R-squared and the Adjusted R-squared values in this study are found to be sufficient enough to infer that the fitted regression line is very close to all of the data points taken together (has more explanatory power). R-Squared greater than 20% is still large enough for reliable conclusions for such data (Kothari, 2004)

Table 4.14: ANOVAa

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	264.118	6	44.020	370.251	.000[b]
	Residual	82.392	693	.119		
	Total	346.510	699			
a. Dependent Variable: customer loyalty						

b. Predictors: (Constant), Communication, technology, trust, Knowledge management , Organization structure, Customer focus

Source: Researcher Survey, 2021

The ANOVA (Analysis of Variance) table provides the result of test of significance for R and R^2. Accordingly, it shows the F value of 370 is significant at 0.01 (P value that a correspondent to F statistic is significant). Thus, which states the independent variables, Communication, technology, trust, Knowledge management, Organization structure, Customer focus significantly explain the variance in customer loyalty in both selected bank.

Table 4.15: Regression Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.297	.150		8.629	.000
	Technology	.820	.021	.793	39.513	.000
	Knowledge Management	.219	.035	.166	6.293	.000
	Customer Focus	.099	.037	.086	2.698	.007
	Trust	.029	.613	.361	1.788	.004
	Organization Structure	.062	.036	.046	1.716	.087
	Communication	.192	.035	.206	5.532	.000
a. Dependent Variable: customer loyalty						

Source: Researcher Survey, 2021

Under Beta coefficient table, standardized Beta coefficient and unstandardized beta coefficient values are used to predict the relative importance of each independent variable and to formulate the linear regression equation respectively.

Based on the standardized beta coefficient values, it can be shown that technology, knowledge management, customer focus, trust, organization structure and communication found to be significant predictors of customer loyalty in Addis and Berhan international bank Addis Ababa region.

The linear multiple regression formula for the dependent variable, customer loyalty and independent variables technology, knowledge management, customer focus, trust, organization structure and communication took the form of:

Cl = β 0 + β1 t + β2 km+ β3cf+ β4 os+β5c+β6tr ε ……..1

Cl= .1.297+.793t+.166km+...086cf+.046os+ .206c+ 036trε …2

The implication of the above formula can be stated as, setting all other predictor variables to zero,

- For every unit increase in the value of technology in selected banks the value of customer loyalty will increase by 79.3%.
- For every unit increase in the value of knowledge management in selected banks the value of customer loyalty will increase by 16.6%.
- For every unit increase in the value of customer focus in selected banks the value of customer loyalty will increase by 8.6%.
- For every unit increase in the value of organizational structure in selected banks the value of customer loyalty will increase by 4.6%.
- For every unit increase in the value of communication in selected banks the value of customer loyalty will increase by 20.6%.
- For every unit increase in the value of trust in selected banks the value of customer loyalty will increase by 3.6%.

4.7 Hypothesis Testing

H1: organizational structure has positive and significant influence on customer loyalty.

There is no positive and significant relationship between organizational structure and customer loyalty. $P < 0.05$ and the Value of Beta value .046 which shows that only 4.6 % variance in customer loyalty is determined duo to organizational structure. Thus organizational structure has no positive and significant relation with customer loyalty. Therefore H1 is rejected.

H2: communication has positive and significant influence on customer loyalty

There is positive and significant relationship between communication and customer loyalty. $P < 0.05$ and the Value of Beta value .206 which shows that only 20.6 % variance in customer loyalty is determined duo to communication. Thus communication has positive and significant relation with customer loyalty. Therefore H2 is accepted

H3: trust has positive and significant influence on customer loyalty.

There is no positive and significant relationship between trust and customer loyalty. $P < 0.05$ and the Value of Beta value .036 which shows that only 3.6 % variance in customer loyalty is determined duo to trust. Thus trust has no positive and significant relation with customer loyalty. Therefore H3 is rejected

H4: customer focus has positive and significant influence on customer loyalty.

There is no positive and significant relationship between customer focus and customer loyalty. $P < 0.05$ and the Value of Beta value .086 which shows that only 8.6 % variance in customer loyalty is determined duo to customer focus. Thus customer focus has no positive and significant relation with customer loyalty. Therefore H4 is rejected

H5: knowledge management has positive and significant influence on customer loyalty

There is positive and significant relationship between knowledge management and customer loyalty. $P < 0.05$ and the Value of Beta value .166 which shows that 16.6 % variance in customer loyalty is determined duo to trust. Thus knowledge management has positive and significant relation with customer loyalty. Therefore H5 is accepted

H6: technology base t has positive and significant influence on customer loyalty

There is positive and significant relationship between technology and customer loyalty. $P < 0.05$ and the Value of Beta value.793 which shows that only79.3 % variance in customer loyalty is determined duo to technology. Thus technology has positive and significant relation with customer loyalty. Therefore H6 is supported

Summary of Hypothesis

No	Hypothesis	Remark
1	H1: organizational structure has positive and significant influence on customer loyalty.	Rejected
2	H2: communication has positive and significant influence on customer loyalty	Accepted
3	H3: trust has positive and significant influence on customer loyalty.	Rejected
4	H4: customer focus has positive and significant influence on customer loyalty.	Rejected
5	H5: knowledge management has positive and significant influence on customer loyalty	Accepted
6	H6: technology base t has positive and significant influence on customer loyalty	Accepted

CHAPTER FIVE

5. SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Summary of Findings

This thesis aimed to investigate the effect of customer relationship management on customer loyalty in the case of selected banks in Ethiopia. The study collected a data based on the questionnaire and interview. The questionnaire was distributed to 768 respondents of which 700 responses were collected. It implies that the response rate was 94%. For the data analysis the statistical software version 20.0 was used and demography characteristics of respondents were analyzed. Descriptive statistics includes frequencies, percentages, means, and standard deviations and from inferential analysis the diagnosis of data test including correlation, regression and hypothesis testing were conducted.

Regarding demographic characteristics of respondent's gender, age, educational level and experience or how long that they have been customer of the bank were discussed. Out of 700 respondents 53% were male while 46 % were females where as 1% are missing. Regarding the age group of respondents, the numbers of customers below 25 become 43 customers or 6% percent. From 23 up to 30 become 151 or 21 percent, from 31 up to 36 become 199 or 28 percent, from 37 up to 42 becomes 145 or 20 percent, from 42 up to 48 becomes 100 and above 48 become 62 or 8.8 percent while in case of education level certificate levels are 143 while diploma holders are become126, the first degree holders become 286 and masters above holders are become145 participants. Lastly regarding the usage of the bank or customer ship of the participants most or 74.8 percent of respondents were a customer of bank at least for ten years and the remaining 25.2 percent were customer of the bank for above ten years. As the following table showed that 29.4% were a customer of bank below five years but the remaining have bank service awareness for the last five up to ten or above years.

The result of the central tendency showed that, the mean of organizational structure is 3.7 which mean that organizational structure has a contribution for customer's loyalty but there is also rigid or vertical structure, due to this individual creativity and originality is muted, workers are less willing to assume duties that are not formally a part of their original assignment and difficult to adjust to meet changing needs. Regarding communication, it mean is 3.7 which implied that, the employees of the bank understand specific needs of the customer, the bank clearly communicates about customers' right, responsibility, and other related issues and information provided were accurate. Banks must train their customer service representatives to have patience with the clients' questions in any time. Often times, elderly customers and people using banking services for the very first time get worried since they find it hard to understand the bank's processes.

The mean score of trust is 4.2 with standard deviation .496. This means most customers were trust the Bank because the bank continuously manages during disability or whatever any problem, even the customer becomes physically or mentally incapable of managing his or her own affairs, the customer remains in control while they are alive and then passes this authority onto a successor. The mean score of customer focus in two banks is come 4. 01 with standard deviation of .655, this high mean has indicated that employees or customer service representatives who work for banks tried to answer customer questions about basic banking services, such as account balances and interest rates and fees.

Employees also help customers protect their accounts by reviewing suspicious activity, reversing transactions and reissuing compromised debit and credit cards. The mean score of knowledge management is 3.8 these highs mean indicted that there are practice of knowledge management in both banks but there are also the issues of dependency on few knowledge contributors, creation of confusion among managers and employees, and the mishandling of valuable company information by assuming as not knowledge. Regarding technology, the mean score of technology usage in the bank is come up with3.9 with standard deviation .89. Both banks gives attention and prompts service using online media and both banks encourages online banking without physical contacts for customer convenience technology.

In case of correlation all independent variables have positive correlate with the dependent variable, customer loyalty with significant level of 0.01. The magnitude of correlation between independent variables and the dependent variable for organization structure(R=.151**), technology(R=.770**) trust(R=.135**), Communication (R=.274**) customer focus(R=.284**) knowledge management(R=.414**).This shows the all variables has positive correlation with customer loyalty but technology usage has a strong correlation with customer loyalty.

Regarding the regression analysis, the linear combination of those factors is significantly related to customer loyalty (adjusted R^2=.760). This means that, 76 percent of the variance in the dependent variable; customer loyalty can be explained by the independent variables, communication, technology, trust, knowledge management, organization structure, customer focus. Lastly three hypotheses were rejected and the remaining three hypotheses were accepted.

5.2 Conclusion

The following conclusions were made based on the findings of the study and the evidences allow us to conclude that, assessing the effect of customer relationship management on customer loyalty in the case of selected commercial Banks in Ethiopia were analyzed and concluded as follows.

Most customers were trust the Bank because the bank continuously manages during disability or whatever any problem, even the customer becomes physically or mentally incapable of managing his or her own affairs, the customer remains in control while they are alive and then passes this authority onto a successor. Besides, employees of the sample banks understand specific needs of the customer, the bank clearly communicates about customers' right, responsibility, and other related issues and information provided were accurate. Customer relationship management has a critical role in the organizations performance in general and customer's loyalty in particular.

More importantly customer relationship management has a due impact on the loyalty of customers because it manages the interaction between customers and banks in our case. The management or the development of trust, the usage of technology and the ability to manage knowledge and the capacity to communicate with diversified customer's interest is crucial for the bank. Furthermore customer's relationship management was given in increasing the customer retentions and satisfaction level. Therefore the bank should give due attention for its customers relationship management as long as they want be competitors in the market.

5.3 Recommendations

The findings of this study are believed to have some recommendations for practice. The implication might show areas of intervention to improve customer relationship management on customer loyalty. As we think of understanding the effectiveness of customer relationship management on customer loyalty in the case of selected commercial Banks in Ethiopia, the following recommendations are made on the basis of the research findings and the conclusion.

I. Commercial bank managers should work on their technology used and improve it because it is most determinant variables with customer loyalty as the regression analysis showed.

II. Commercial bank managers should train their employees intensely on how to communicate with old customers in general and old customers in particular because the study revealed the existence of the gap in dealing with elder customers in administrating there account.

III. Commercial banks should enhance their customer focus strategy via different means such as technology and other competing strategies in the financial sector.

IV. Commercial banks should empower its employee. Customer service employees are frontline. As such, they need to have the right resources to provide exceptional customer or member service, inefficient and disorganized knowledge base solutions result in confusion for your frontline staff. Bank employees can’t find the information they need which impacts their confidence and the confidence of customers.

V. As a matter of fact, one of the top reasons why banking customers switch to another financial institution is because they feel they get the “runaround” from poorly trained bank., In order to change this, banks mangers need to ensure that every employee has access to accurate, up-to-date and consistent information, immediate answers to their questions (without having to lean on other employees), an easy way to search for information.

VI. Commercial bank managers should work on their customer relationship management because the study revealed that it is a solution in banking and helps the bank managers and customers and better understand their needs in order to provide the right solutions, quickly.

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APPENDIXES A

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Dear Respondents!

The main objective of this questionnaire is to gather your opinion regarding the effect of customer relationship management on customer loyalty in the case of selected bank in Ethiopia. The data and opinion gathered will be used for partial fulfillment of the requirement for master's degree in international business at Addis Ababa University, college of Business And Economics, Department of Management. Your faithful and quick response will make the research fruitful. The information you provide will be kept confidential. Thank you in advance for your collaboration. If you have problems in completing this form, please do not hesitate to contact in the following address.

Thomas Tadesse

Mobi= 251(+) 91-29-73-379

Email=thomas.tadese@yahoo.com

Part I: General Information of Respondents

Please Note the following instruction!!

- ✓ No Need of Writing Your Name
- ✓ Circle your answer

1) Gender: A. Male B. Female

2) Age: A. Below 25 years B.25-30 years C.31-36 years

D.37-42 years E.43- 48 years F. above 48 years

3) Educational Qualification:

A. Certificate B. Diploma

C. First Degree D. Second Degree and above

4) How long your customer ship in the bank

A. under 3 years B.3-6 years

C.7-10 years D. over 10 years

PART II: Specific Questions about Customer Relationship Management on Customer Loyalty selected banks

Please Note!!

- ✓ Questions are designed to ask your level of agreement on the raised point. You expect to choose from the given alternatives where the acronyms are explained below.
  - SDA =strongly disagree
  - DA = disagree
  - M= Modest
  - A = Agree
  - SA = Strongly Agree

	Description of items	**SDA**	**DA**	**M**	**A**	**SA**
	Organization					
1	The bank has good organizational structure					
2	The bank has good organizational image					
3	The bank has good cross-functional teams					
4	The bank has coordination of customer focus					
5	The bank has Properly designed around customer					
6	The bank has Flexible organizational structure & arrangement					
	Trust					
1	I have trust in the banks service					
2	The banks words and promise are reliable					
3	The bank is consistent in providing quality service					
4	Employees of the banks shows respect to the customer					
5	The banks fulfill its obligations to customers					

	Communication					
1	The employees of the bank understand specific needs of the customer					
2	The bank clearly communicates about each bank's policy to their customers (about customers' right, responsibility, and other related issues)					
3	Information provided are accurate					
4	The bank clearly communicates to the customer about how and where to complain in case of a problem					
	Customer focus					
1	The bank has a deep understanding of customer needs					
2	The bank understand how competitors meet their customer needs					
3	The bank regularly solicit customer feedback to improve products/services and monitor how well competitors are doing on the same metrics					
4	The bank provides customized services to key customer					
5	Treat customer with special care					
6	The bank customer strategy has been designed to focus on customer needs and deliver product/service beyond customer expectations					
	Knowledge management					
1	The bank has Good management practice					
2	The bank has well-trained and motivated employee					
3	The bank manages all customer need					
4	The bank employees has detail knowledge of every procedure					
5	Employees have the ability to handle customers					
6	Employees can work well with others employees					
	Technology based					
1	The bank gives attention and prompts service using online media					
2	The bank encourages online banking without physical contacts for customer convenience					
3	The bank has Comprehensive data base					
4	The Provides ATM in many places					
5	The bank employees were provide technical support to customers					
6	The banks service is based on computer aided design					
	Customer loyalty					
1	I am a loyal customer to the bank					
2	The bank always come to my mind at time of need for bank service					
3	I would always recommend the bank to someone who seeks my advise					

Part III: Open Ended Questions

1. How do you see the customer relationship management of the bank(poor. Medium or high) why?

   ____

   ____

2. What are the main challenges that you observe in customer relationship management in the bank?

   ____

   ____

3. What are the best customer relationship management practices that you observe in the bank?

   ____

   ____

4. If you fill something is missing in the questionnaire, please have your say!!

   ____

   ____

APPENDIXES B

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANAGEMENT

Interview guide for selected Bank Marketing Mangers

Section I: General Information

Place ___________________________

Key informant interview Identification number _________

The Researcher signature ___________

Name of supervisor ___________sign____________

Date of Interview ____________________________

Interview started at ____: ____hrs. Interview finished at ___: ____hrs (fill at the end)

Section II: Semi-Structured Interviews

1. Do you think that, your bank gives more emphasizes on customers and provides customized services for them?
2. Do you think that customer-centric performance standards are established and monitored at all customer touch points?
3. Do you think that, in your opinion your organization provides channels to enable ongoing two-way communication between customers?
4. Do you think that your bank maintain a comprehensive database of the customers having the necessary hardware and software?
5. Do you think that, customer relationship management practices helped your bank in terms of increasing number of customers and their loyalty?
6. If you fill something to tell, please have a say!!

____

____

V/President
011 62 62 750
011 66 02 977

Addis Ababa University (Since 1950)

College of Business and Economics
Department of Management Post Graduate Program Coordination Office

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ብርሃን ባንክ አ.ማ. Berhan Bank S.C. Addis Ababa, Ethiopia

To Bale Branch mgr
Kirkos Branch mgr
Urael Branch mgr
Kality Mandasr...

ቀን
Date March 4, 2021
ቁጥር
Ref.No. CoBE/Mgtpg/13/2021

011 63 01 25 President

BERHAN BANK PRESIDENT OFFICE 30 MAR 2021 RECEIVING STAMP

Berhan International Bank S.C
Addis Ababa

Subject: **Request for Assistance**

Dear Sir/Madam:

Our MSc student, **Thomas Tadesse** *(ID.No: GSE/6067/11)* has requested us to write him a support letter to collect data for his thesis entitled, **The Effect of Customer Loyalty in The case of Addis International Bank and Berhan International Bank.** Hence, we would like to request your esteemed organization to extend the necessary support and assistance to our student in the process of data collection and we would like to thank you in advance. At the culmination of the investigation, we will send you a copy of the student's thesis for your files, if needed. We are confident that you will appreciate the merit of such an engaged-scholarship of our students in training and research, some of whom may eventually work for your organization.

Kind regards,

Amare Ababaw (PhD)
Coordinator, Graduate Programs of Management Department
Addis Ababa University

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ቀን
Date March 4, 2021
ቁጥር
Ref.No. CoBE/Mgtpg/13/2021

Addis International Bank S.C.
Document Received
22 MAR 2021
Signature

Addis International Bank S.C.

Addis Ababa 8-22/3/21

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Department of Management

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① Ato Tekle W

Please co-operate Full

23/03/21

ቀን
Date March 4, 2021
ቁጥር
Ref.No. CoBE/Mgtpg/13/2021

② Ato Endishaw

pls provide the necessary support & assistance to the student

for

23/03/21

Addis International Bank S.C.

Addis Ababa

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Kind regards,

Amare Ababaw (PhD)
Coordinator, Graduate Programs of Management Department
Addis Ababa University

3) To Main Arat Kilo Somale Tera Megenagna Bole

pls cooperate

for

26/03/21

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