



**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE
MARKETING MANAGEMENT POSTGRADUATE PROGRAM**

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

**(The case of Current account customers of three commercial banks
in Ethiopia)**

**A Thesis Submitted to the School of Graduate Studies of Addis
Ababa University in Partial Fulfillment for the Award of the Degree
of Master of Arts in Marketing Management**

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June, 2017

Addis Ababa, Ethiopia

DECLARATION

I declare that the thesis entitled “The Effect of Customer Relationship Management on Customer Loyalty: the case of current account customers of three commercial banks in Ethiopia” is my original work and has not been presented in Addis Ababa University or any other University, and that all sources of material used for the project have been duly acknowledged.

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This is to certify that the thesis prepared by Mesfin Tenkir Teni, entitled “**The Effect of Customer Relationship Management on Customer Loyalty (The Case of current account customers of three commercial banks in Ethiopia)**” and submitted in partial fulfillment of the requirements for the degree of Master of Arts in Marketing Management complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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Acknowledgments

First and foremost, I would like to praise the Almighty God for helping me in all the matters. My warmest gratitude and appreciation goes to my advisor Mulugeta Gebremedhin (PhD), for his professional assistance, patience and understanding enabled for the completion of this thesis. Thank you so much for your helpful reviews, comments and suggestions. Indeed without your unreserved dedication, the successful completion of this study would have been difficult.

A sincere appreciation and special thanks go to the respondents for their kind assistance and support throughout the data collection process of this research.

I would like to thank also Commercial Bank of Ethiopia, Dashen Bank and Awash International Bank for allowing me to conduct this research and for providing assistance in contacting the customers.

Great appreciation is also extended to friends and family who always gave a great support during this research.

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Acronyms

4P's- Product, Price, Promotion, and Place or Distribution

AIB- Awash International Bank

ANOVA- Analysis of variance

CBE- Commercial Bank of Ethiopia

CRM- Customer Relationship Management

DB- Dashen Bank

FMP- Frequency marketing programs

RM- Relationship marketing

SPSS- Statistical Package for the Social Sciences

Abstract

The purpose of this study was to investigate 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. In order to obtain information from customers of the banks quantitative data collection tools were used. Non-probability sampling method was employed to select respondents; specifically convenience sampling technique was used. Accordingly, the study has selected 384 respondents from Commercial Bank of Ethiopia, Awash International Bank S.C., and Deshen Bank S.C. branches that operates in Addis Ababa and 384 questionnaires were distributed to customers, all were collected. Descriptive statistics were used to analyze demographic data and correlation, regression and independent sample t-test were used to analyze the five scaled questions. To aid computation statistical package for social science (SPSS) software version 20.0 was used. 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.

Key words: Relationship Marketing, Trust, Commitment, Conflict Handling, Empathy, and Customer Loyalty.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Relationship Marketing (RM) has emerged as one of the dominant mantras in business strategy circles (Palmatier et al, 2006), with relational exchanges as the basic unit. At a macro level, organizational and environmental factors like strategic network competition (Hunt, Arnett, and Madhavaram, 2006), technological advances, Total Quality Management (TQM) programs, growth of service economy and organizational development programs (Sheth and Parcatiyyar, 2000) have been instrumental for development of RM, whereas at the micro level customers engage in relational exchanges when they believe benefits exceed costs (Hunt, Arnett, and Madhavaram, 2006).

Ferguson & Hlavinka (2007), their deeper look into relationship marketing reveals that banks are customizing their relationship-building strategies to create value propositions as unique as the institutions and customers they serve. They also indicated that when banks use loyalty programs to bring about trust and build confidence in the brand, the customer relationship will develop organically, and so will profits. It is argued that building enduring customer relationships is the secret to furthering growth and should be an unquestioned axiom by bankers.

Relationship marketing gives a company new opportunities to gain a competitive edge by moving customers up a loyalty hierarchy from new customers to regular purchasers, then to loyal 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). By converting indifferent customers into loyal ones, companies generate repeat sales. The cost of maintaining existing customers is far below the cost of finding new ones, and these loyal customers are profitable ones.

Lacey and Morgan (2009) findings suggest that customers with stronger levels of commitment are indeed more willing to contribute as customer advocates. They also pointed out that relationship

marketing represents a dramatic change in buyer-seller interactions from the previous transaction-based marketing that focused on a single transaction. Effective relationship marketing heavily relies on developing strategic partnerships with customers (Boone & Kurtz, 2005).

The relationship between a bank and its customers involves continuous, two way communication and interaction (Bly, 1993). The background information of the three selected commercial banks presented as follow.

Commercial Bank of Ethiopia is the leading bank in the country. Commercial Bank of Ethiopia facilitates the majority of business transactions and economic activities of the country within its branches across the country. It has a wide range of customers in which the bank deliver different services like loan, saving, transfers and withdrawals. While giving these services, the bank continuously communicate with its customers and these customers are the heart of its existence. Currently Commercial Bank of Ethiopia tries to use different mechanisms like like applying banking technology such as core banking, mobile banking, etc. to fasten its service delivery, improve service quality and its marketing performance.

Dashen Bank came into existence on September 20, 1995 according to the rules and regulations of Commercial Code of Ethiopia, 1960. Headquartered in Addis Ababa, the Bank is the biggest private Bank in Ethiopia. It operates through a network of 196 Branches, nine dedicated Forex Bureaus, 220 ATMs and 958 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 464 banks covering 71 countries and 175 cities across the world.

Awash International Bank S.C. was established in 1995 G.C by 486 founding shareholders with a paid up capital of Birr 23,123,917. It is the first private bank to be established after the liberalization of the banking sector after the fall of the Dergue. Awash International Bank has 138 branches out of this 94 branches are located in Addis Ababa and 44 branches are out line branches. Almost all commercial banks in Ethiopia provide similar services to their customers. However, the practice of the relationship marketing in the Ethiopia is at an infant stage.

Studies of the effect of relationship marketing on customer loyalty outcomes lean to approach the way customers encounter a problem with regard to the services provided by the banks. A small group of studies treat that customer loyalty is a function of trust, commitment and conflict handling. The evidence is almost uniformly consistent in indicating that customers are loyal when the banks

relationship marketing is good. A relative handful study of Ndubisi (2005) has specifically examined that relationship marketing such as trust; commitment and conflict handling have a direct effect on customer loyalty. This study planned to show the effect of relationship marketing including other underpinning such as empathy on customer loyalty in the three selected commercial Banks in Ethiopia.

1.2.Statement of the Problem

Sustainable and continuous survival of an organization mainly depends on its business relation with its customers. When business firms direct their resources and all their efforts for better accomplishment of their intended purposes, growth and profitability is entirely influenced by the quality and reliability of their service. These could be done through delivering a service that could increase the acceptance of the organization in the face of the customers.

To do all the above mentioned issues, organizations need some mechanisms that could increase customer loyalty in a coordinate and change oriented bases. One of the mechanisms that can give such benefit is relationship marketing. Relationship marketing is the process that organizations have to understand the customers like or/and dislike and serve the customers according to their desire to anchor them for continuous relationship (Kotler & Armstrong, 2010). It is done by gathering related information of customers' in an organized manner, analyzing and interpret it so that it can help the organization to fulfill the need of its customers.

Moreover, relationship marketing should be directed towards all customers of the bank. Most banks are characterized by having both profitable and unprofitable customers, where the former subsidize the latter. Retaining the profitable customers has become increasingly difficult in a competitive environment where other financial institutions specialize in offering attractive services and prices to this rewarding segment. Relationship marketing is often directed only at the most profitable segments defined by, for example, income and wealth (Leverin and Liljander, 2006).

Empirical studies (Hadi Hajiyan et. al. (2015), Peter Anabila et.al (2012), Rizwan Ali et. al. (2014), V.Krishnamoorthy and Dr R. Srinivasan, (2013), and Chacha Magasi, (2016)) indicate that customer relationship marketing practices can significantly lead to improvement of commercial bank performance in respect to customer attraction, customer satisfaction, and customer loyalty. The

findings in Kenya and Ghana commercial banks revealed measures of relationship marketing such as bonding, reciprocity, trust responsiveness and empathy as a tool to enhance organizational performance of commercial banks (Callaghan et al, 1995). The study conducted in South Africa commercial banks came up with the conclusion that relationship banking is applicable and indeed, a business imperative, in the commercial banking industry and relationship banking also affects customer loyalty positively (Van Ravesteyn, 2005).

According to Robson (2012) and Shimeles (2011), the practice of RM is in infant state in Ethiopia. Even in the cases where little attempts have being made to implement RM, the practices are found to be misunderstood and undermined that they are not given attention.

The main reason that initiated the researcher to conduct this research is that to investigate the effect of relationship marketing on customer loyalty in Ethiopia, specifically in commercial banks in Ethiopia by using trust, commitment, conflict handling, and empathy as relationship marketing dimension in order to discover whether these dimensions has had the intended strengthening effect on customer loyalty.

1.3. Research Question

To deal with the problem established above, the following main research and sub-research questions were attempted to answer in the study.

1.3.1. Main Research Question

To what extent Customer Relationship Management influence customer loyalty in the context of commercial banks in Ethiopia?

1.3.2. Sub-research questions

- To what extent does trust influence customers' loyalty towards their bank?
- To what extent commitment influence customers' loyalty towards their bank?
- To what extent conflict handling influence customers' loyalty towards their bank?
- To what extent empathy influence customers' loyalty towards their bank?

- Is there significant difference between public and private banks in Ethiopia in terms of their CRM practice?
- Is there significant difference between public and private banks in Ethiopia in terms of their customer loyalty?

1.4. Research Objective

1.4.1. General objective

The general objective of this study is to examine the effect of relationship marketing on customer loyalty in commercial banks in Ethiopia.

1.4.2. Specific objectives

In assuring the above general objectives that can be achieved, there are few specific objectives that need to be accomplished the case of Commercial banks in Ethiopia.

These specific objectives were the following.

- To determine whether trust influence customers' loyalty towards their bank.
- To find out whether commitment influence customers' loyalty towards their bank.
- To determine whether empathy influence customers' loyalty towards their bank.
- To identify whether conflict handlings influence customers' loyalty towards their bank.
- To examine if there are statistically significant differences between public and private banks in terms of their CRM practice.
- To examine if there are statistically significant differences between public and private banks in terms of their customer loyalty.

1.5. Significance of the Study

The central thrust of marketing activities of an organization is to develop, maintain and enhance customer loyalty towards its products or services. Relationship with loyal customers are typically less expensive to serve, and loyal customers contribute to the organization by buying more and premium prices, and engaging in behaviors that are beneficial to the organization such as acting as advocates of the organization.

Customers' loyalty is important to any organization in terms of enhancing their profit. Without customers it is impossible for organization to enhance or grow their businesses. By observing and studying their customers' behavior, firms can develop strategies which can give them the opportunity to serve them better. In the service sector like banking industry, firms really need to be more alert of their customer needs and wants.

This study will provide current information on relationship marketing and its effect on customer loyalty in Ethiopian context. It is also in the assumption that the study will provide basic data about relationship marketing and customer loyalty. Besides, the findings of the study will be used for other similar studies in the future. So, it is expected that this research can contribute a lot to the efforts made by commercial banks in Ethiopia for the improvement of customer loyalty by practicing relationship marketing all services of the banks. The study is also being believed to benefit both academicians and other practitioners as a documented study in this area.

1.6.Scope of the Study

The study would be confined to the effect of customer relationship marketing on customer loyalty the case of Commercial Banks in Ethiopia. And due to time and financial constraints the researcher tends to undertake the research activity only in Addis Ababa.

The study also focuses on three commercial banks: Commercial Bank of Ethiopia, Awash International Bank S.C. and Dashen Bank S.C. They were selected for this study by their merits of branch size, capital and length of service after new economic policy introduced. The study also would consider only current account holders of these banks.

In terms of the constructs showing in the research framework, only four ways of relationship marketing underpinnings (trust, commitment, conflict handling, and empathy) would be focused and their impact on customer loyalty. Other elements or underpinnings measurements of relationship marketing are beyond this study. This study only focused on banking sector and other sectors were not involved.

1.7.Limitation of the Study

For more accurate result, it is good to observe commercial banks that are found across the country. However, due to time, financial and other constraints, the student researcher would taken a sample from target population.

1.8. Definition of Terms

Customer Relationship Management: CRM is the utilization of customer-related information or knowledge to deliver relevant products or services. Levine (2000)

Loyalty: The seller's perception of the consumer's positive attitude to the product manifested by re-buying. (Hougaard and Bjerre 2009: 67).

Conflict handling: the ability of each supplier to minimize the negative consequences of manifest and potential conflicts Dwyer (1987)

Empathy: the capacity to share and understand another's state of mind or emotion. Ndubisi (2004)

Commitment: it is to increase both the level and proportion of purchasing activities overtime. Lacey (2009)

Trust: is a belief or conviction about the other party's intentions within the relationship (Taleghani et. al., 2011).

1.9. Organization of the Study

The paper is organized into five chapters, chapter one includes background of the study, statement of the problem, research questions, objectives of the study, significance of the study, scope of the study, limitation of the study, and definition of terms. Chapter two covers theoretical framework which are relevant on the subject matter under study. Under chapter three, the methodology part of the study will be described in detail. The findings of the study will be presented, analyzed and discussed in chapter four. Finally, in chapter five summary, conclusions, and recommendations will be forwarded based on the study findings.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Theoretical framework of the research

Although relationship marketing is a relatively young field of inquiry, relationship marketing theory is an extremely rich area of research Hunt, S.D., Arnett, D.B. and Madhavaram, S. (2006). They indicated that relationship marketing can take many forms and, as a result, relationship marketing theory has the potential to increase the understanding of many aspects of business strategy. They also argued that in the development of the explanatory foundations of relationship marketing theory, it provides answers to three why' questions:

- Why is relationship marketing so prominent now?
- Why do firms and consumers enter into relationships with other firms and consumers?
- Why are some efforts at relationship marketing more successful than others?

The answers to these questions provide a broad base from which to view relationship marketing theory. First, it is suggested that the prominence of relationship marketing is due not just to the rise of services, technology, and information-oriented firms, but also to the rise of strategic network competition. Strategic network competition, which involves independent owned and managed firms agreeing to become partners within a network, emphasizes the importance of inter-firm cooperation as a means to compete successfully with other networks. To be successful (both individually and as a network), the firms in a strategic network must become proficient at relationship marketing. Second, relationship marketing theory implies that consumers enter into relational exchanges with firms when they believe that the benefits derived from such relational exchanges exceed the costs. The benefits to include:

- The belief that a particular partner can be trusted to reliably and competently provide quality market offerings;
- The belief that the partnering firm shares values with the consumer;
- The customer experiences decreases in search costs;

- The customer perceives that the risk associated with the market offering is lessened;
- The exchange allows for customization that results in better satisfying the customer's needs, wants, tastes, and preferences.

Based on relationship marketing theory firms engage in relationship marketing because it increases their competitiveness. It is noted that customers do so when relationships contribute to the firm's ability to efficiently/effectively produce market offerings that have value for some market segment(s). That is, they do so when relationships become resources. Relational resources have the potential to improve a firm's marketplace position and, in turn, its financial performance.

2.2 Customer Relationship Management (CRM)

Whether enterprises can make their current customers loyal depends on whether they can manage the customer relationships well. As customers have grown to be more conscious consumers, enterprises have had to pay the prices of the errors and faults they do in customer relationships. The most important quality of the 1990s is that customers revealed their power then. They realized that they themselves had something to say and have themselves listened to. The firms, then, understood that they had to listen to their customers so as to be able to sustain their presence in the market. (Bozkurt, 2000: 25) After the 2000s, with the increased use and effect of the internet and such platforms as discussion groups, customers had the opportunity to be more powerful and effective against the enterprises. Thus, enterprises noticed that they could only be successful if they adopted customer-based marketing.

Following the developments in the customer-based understanding, traditional marketing concepts retained their validity to some extent, but most marketing concepts began to be questioned. The concepts re-questioned are as follows: (Gel, 2004)

- New customer or loyal customer?
- Share of market or share of wallet?
- Account / card / order no or customer no?
- The number of total bills or the number of real customers?
- Questionnaire or behavior?
- Customer from the rival firm or reduction in the rate of abandonment?

- Profitability of products or of customers?

Duran (2001) lists the reasons for the emergence of customer relationship management as follows: i) that mass marketing has become more costly, ii) that customer share has gained importance, not market share, iii) that the concepts of customer satisfaction and customer loyalty have become more important, iv) that the term customer value has gained importance, v) that one-to-one marketing has gained importance, vi) intensive competition and developments in communication technologies.

Customer relationship management has been accepted as a management philosophy in literature at times and as a marketing strategy at others, while different definitions have been made of it. To Kathleen (2000), “customer relationship management is an enterprise strategy necessary to secure a proper, useful and consistent communication with each customer irrespective of the means of communication.”

To Odabaşı (2000), “customer relationship management is a process by which to obtain enough information about the existing customers, use this information for incentive of the sales to be repeated, and enable a relationship that will be continuous.”

Cirik, (2001): “Customer relationship management means following all the information about the customers through special software and seeing all that information with just one key at will.”

Doug, (2002): “Customer relationship management is a business strategy that allows the enterprise to follow its customers, revenues and expenses, also enabling it to focus on target market opportunities.”

Demirel, (2003): “Customer relationship management is a philosophy of working that should be extended to the whole of the firm.”

Bozgeyik, (2005): “Customer relationship management is a customer -based relationship management philosophy that enables the coordination and cooperation between all the departments, customers and business associates as a front office practice (marketing, selling and customer service) and back office practice (accounting, production and logistics).”The basic objective of the customer relationship management is to create customer loyalty. Besides, the objectives of customer relationship management can be listed as follows: to make the customer relationships profitable; to form and preserve long-term and profitable relationships with customers;

to increase the productivity of the firm; to create differentiation; to meet the customer demands; to enable cost minimization and harmonious activities. (Ergunda, 2003)

As a result, customer relationship management is an approach that makes it necessary to form long-term relationships with customers for the purpose of increasing the profitability and productivity of the enterprise and to make use of technology for this purpose. The enterprises should pay attention to the following issues so as to improve their relationships with customers: (Holloway, 2002)

- Recognizing the customers,
- Distinguishing the customers,
- Listening to the customers,
- Making all sorts of contacts with the customers,
- Enterprise identifying itself with the customer,
- Adapting to the customers.

Creating maximum benefit from customer relationship management depends on its right management. A consistent customer relationship management may also bring about the following benefits: (Odabaşı, 2000).

- Increase in the cross-sales,
- Reduction in customer disagreements,
- High level of customer satisfaction and loyalty,
- Reduction in procedure costs,
Ability to form close contacts and relationships with the customers in terms of technologic, informatics and social terms.
- Offering a big advantage of competition to the enterprises,
- Forming a learning relationship with each customer provides the enterprises the opportunity to find new products/service for their customers. Thus, the enterprise may have the ability to perceive and meet the needs of its customers before its rivals.
- Loyal customers may be a reference for the potential customers.

- The cost of gaining a new customer is higher than that of retaining the existing customer. Accordingly, customer relationship management may contribute to the reduction of such costs.
- Improvement of customer loyalty increases the rate of staff's loyalty.

2.3 Customer Relationship Management in banking

Enterprises produce benefits of form, time, place and property that will satisfy the customers' demands thanks to the goods and service. Forming and marketing of the goods and services that satisfy the customer demands is the basis of producing benefit. (Altıntaş, 2000). Whether the customer is satisfied or not depends on whether he compares what is offered to him with his own expectations. If what is offered suits the expectations, the customer is satisfied, but if it does not suit, he is not satisfied. If what is offered is above the expectations, the customer is highly satisfied and pleased. (Kotler, 2005) 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, customer satisfaction is achieved. (Gürbüz, 2008)

In recent years, in such fields as banking, where there is 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 their customers, the banks are to attach importance to customer relationship management.

The advantages provided to the banks by customer relationship management are as follows: (Alagöz, 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 the technologic developments 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 are important factors that enhance the success chance of the 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 third step is “running and developing the programs”. When the first projects 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. (Şendoğdu, 2006). Accurately-directed customer relationship managements will be realized thanks to these steps.

2.4 Banking in Ethiopia

Banking in Ethiopia dates back to the turn of the century, when, in 1905, the Bank of Abyssinia was established in Addis Ababa, under the reign of Menelek II. This event marked the introduction of banking in the country. National Bank of Egypt having been entrusted of the project, the new institution was chartered in Cairo and its shares were subscribed in a number of countries besides Ethiopia. The Bank of Abyssinia was given a 50-years concession and was engaged in issuing notes, collecting deposits and granting loans, but its clients were mostly foreign businessmen and wealthy Ethiopians. A few years later, disappointed by the behaviour of this bank, mainly devoted to profit-making rather than promoting economic development, the Emperor supported the establishment of a wholly Ethiopian bank, the Society Nationale d'Ethiopie pour le Developpement de l'Agriculture et du Commerce. Haile Sellassie, after acceding to the throne in 1930, could not accept that the country's issuing bank was foreign-owned and, in agreement with National Bank of Egypt, decided liquidation of the Bank of Abyssinia. A new bank, the Bank of Ethiopia, under Government control, was established in 1931 and retained management, staff, premises and clients of the old bank. Italian

occupation in 1936 brought the liquidation of the Bank. (WWW.abysiniaLaw.com, *date recorded 24.01.2017*)

With the Italian occupation (1936-1941), the operation of the Bank of Ethiopia came to a halt, but a number of Italian financial institutions were working in the country. These were Banco Di Roma, Banco Di Napoli and Banca Nazionale del Lavoro. It should also be mentioned that Barclays Bank had opened a branch and operated in Ethiopia during 1942-43. (WWW.abysiniaLaw.com, *date recorded 24.01.2017*)

With the departure of the Italians and the restoration of Emperor Haile Selassie's government, the State Bank of Ethiopia was established in 1943 with a capital of 1 million Maria Theresa Dollars by a charter published as General Notice No. 18/1993 (E.C). The Bank which, like its predecessor, combined the functions of central banking with those of commercial banking opened 21 branches, including one in Khartoum (the Sudan) and a transit office in Djibouti. (WWW.abysiniaLaw.com, *date recorded 24.01.2017*)

In 1963, the State Bank of Ethiopia split into the National Bank of Ethiopia and the Commercial Bank of Ethiopia S.C. with the purpose of segregating the functions of central banking from those of commercial banking. The new banks started operation in 1964. (WWW.abysiniaLaw.com, *date recorded 24.01.2017*)

The first privately owned company in banking business was the Addis Ababa Bank S.C., established in 1964. 51% of the shares of the bank were owned by Ethiopian shareholders, 9% by foreigners living in Ethiopia and 40% by the National and Grindlays Bank of London. The Bank carried out typical commercial banking business. Banco Di Roma and Banco Di Napoli also continued to operate. (WWW.abysiniaLaw.com, *date recorded 24.01.2017*)

Following the 1974 Revolution, on January 1, 1975 all private banks and 13 insurance companies were nationalized and along with state owned banks, placed under the coordination, supervision and control of the National Bank of Ethiopia. The three private banks, Banco Di Roman, Banco Di Napoli and the Addis Ababa Bank S.C. were merged to form "Addis Bank." Eventually in 1980 this bank was itself merged with the Commercial Bank of Ethiopia S.C. to form the "Commercial Bank of Ethiopia," thereby creating a monopoly of commercial banking services in Ethiopia. (WWW.abysiniaLaw.com, *date recorded 24.01.2017*)

After the overthrow of the Dergue regime by the EPRDF, the Transitional Government of Ethiopia was established and the New Economic Policy for the period of transition was issued. This new economic policy replaced centrally planned economic system with a market-oriented system and ushered in the private sector. Several private companies were formed during the early 1990s, one of which is Oda S.C. which conceived the idea of establishing a private bank and private insurance company in anticipation of a law which will open up the financial sector to private investors. (WWW.abysiniaLaw.com, *date recorded 24.01.2017*)

Ethiopia's banking sector included 18 commercial banks in 2016. While the state has recently allowed the local private sector to participate in banking which brought about a rapid expansion of private banks, foreign ownership and branch operations remain strictly barred. Private banks have generally outperformed their state-owned counterparts and their market share of resource mobilization exceeds that of public banks, with market share of loan collections and deposits rising to 49 percent and 52 percent in 2007-2008. However, the share of new loans disbursements controlled by private banks for the same period decreased, and stood at 43.3 percent in 2007-2008. The banking sector as a whole, while remaining relatively sound, is characterized by excess liquidity. Non-performing loan ratio standing at 1.8 percent as of March 2012 appears unusually low, especially given the strong domestic credit expansion. (*Arnaldo Mauri, date recorded 24.01.2017*)

2.5 Relationship Marketing Dimensions

2.5.1 Trust

Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty (Ndubisi, 2007). Therefore, firms should strive to win customers' trust. The ways in which this can be achieved include the giving and keeping promises to customers, showing concern for the security of transactions, providing quality services, showing respect for customers through front-line staff, fulfilling obligations, and acting to build customers confidence in the company and its products. Trust is a belief or conviction about the other party's intentions within the relationship (Taleghani, 2011).

Trust is considered so important to long-term relationships and enhancing customer loyalty. Many authors have suggested that customers' trust has a significant role in building long-term relationship and achieving customer loyalty (Berry, 1983; Kotler & Armstrong, 2010). According to Clow & Kurtz (2003), the key to developing a customer relationship competitive advantage is not merely obtaining a contractual agreement, it is developing mutual trust. They argue that the customers must be able to trust the seller and know that he or she will provide the service when needed at the service quality level desired and the seller must be able to trust and work with the customer in a mutually beneficial relationship. This relationship involves both parties sharing information and working together to solve problems. The primary action in gaining customer acceptance of service process modification is to develop customer trust (Clow & Kurtz, 2003). They pointed out that service modifications are much easier to accomplish if customers trust the service providers. Service providers must understand customer habits and know how, when, and why customers purchase the service. The more the producer knows about the customer's use of product, the easier the change will be to implement. The results of Taylor, Celuch and Goodwin (2004) suggest that trust is consistently the most important antecedents to customer loyalty.

2.5.2 Commitment

As for commitment as a critical factor in building customer loyalty, consisting in the study of accommodating to customers' needs, tailoring products to requirements, and being generally flexible in their customer relationships is needed Ndubisi (2007). He also indicated that banks should recognize the influence of service commitment in keeping loyal customers, and act accordingly. They must also show genuine commitment to customer relations.

Lacey (2009) research's suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. He argued that customers who remain within a firm are more likely to increase business volume in the future. Based on this study through the level of customer participation the highest spending customers receive the greatest rewards.

Committed customers are positive in both attitude and behaviour and they are described as delighted with the brand. They can be depended upon to make continuing purchases and to engage in positive and delighted word-of-mouth exchanges with other potential customers. In a number of service

settings, they can also make a positive contribution to the environment of the service experience for other customers; this contribution is particularly important in service settings in which customer-to-customer interaction is an important element of the service experience (Rowley, 2005).

Committed customers are resistant to competitors' attempts to persuade them and likely to be willing to extend their business with the brand, and to evolve their relationship with the brand over a period of time (Rowley, 2005). More specifically, they hardly consider other brands. Information search and the decision-making associated with switching is regarded as too labor intensive, and switching, in general, is regarded as too risky. Such loyal customers are very susceptible to marketing communications from brands to which they are loyal, and can even communicate the messages surrounded in those marketing communications to other actual or potential customers. Clearly, every business would wish to convert as large a proportion as possible of their customers into committed loyal. They are the true loyal; add value to the brand, and are almost as enthusiastic to continue the relationship with the seller, as the seller might be to continue the relationship with them. Both sides recognize the mutual benefits of the relationship, in minimizing risk.

2.5.3 Conflict Handling

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her own personal goals, needs, or desires and those of the other party. In dealing with conflict, people use different strategies to accomplish their goals. Dwyer (1987) defined conflict handling as the ability of each supplier's to minimize the negative consequences of manifest and potential conflicts. Conflict handling reflects the supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solution openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners.

A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementations includes, identifying potential conflicts, solving conflict before they manifest, avoiding potential conflict and blocking them. Those efforts could bring the better relationship and loyalty to the particular bank or service firm (Ndubisi, 2007). Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. As mentioned earlier, the

ability of the product or service provider to handle conflict well will also directly influence customer loyalty. Clow & Kurtz (2003) identified and explained the four types of conflict faced by customers.

1. Employee-Customer conflict

Conflict can occur between employees and customers when either party does not follow the expected role. Conflict also occurs between the employee and the customer if the customer does not take care of the facility the way the employees feels. Both customers and service personnel are expected to behave in accordance with their role scripts. When behavior deviates from scripts, a conflict will arise. To reduce employee-customer conflict, both customers and service providers must understand their roles. Company personnel should instruct new customers about their roles and may need to remind current customers occasionally. Teaching employees how to deal with different types of customers and their behaviors can also be beneficial.

2. Customer-Role conflict

Occasionally there is a conflict between the customers and their expected roles. In these situations, the service provider must provide instructions to the client on his or her role without insulting the customer. The service provider should also attempt to give the client a sense of cognitive control through providing information about the service to be provided.

3. Customer-Organization conflict

Conflict between the customer and the organization is common. Most of these situations occur as a result of policies of the service organization. In most cases, the individual's conflict is with the organization and not with the service personnel. Dealing with customer-organization conflict is difficult to alleviate because most organizations do not want to change policies. When conflict occurs, service providers should analyze their policies and decide if it is time to modify or eliminate the policy.

4. Customer-Customer conflict

Conflicts sometimes arise among customers when they are served simultaneously or when one customer is served in the presence of other customers. Conflicts also sometimes occur among customers who have different expectations. A customer who wants quick, speedy service may be

aggravated at the customer in front of him who wants to talk and wants personalized service. Handling conflict among customers is difficult. Employees of all types of services should be trained to handle conflicts among customers and how to minimize such conflict.

Yekunoamlak (2004) conducted survey and proved that to maintain good relationship with customers, the way customers are handled such as proper acts of frontline employees and proper customer service are significantly important for customer loyalty. He also suggested that proper complaints handling and efficient service failure recovery procedures are considered as very important factors for customer satisfaction by many customers. This author argued that having clear and easy procedures to handle customers' complaints and communicating it to the customers properly is equally important to get customer loyalty. Complaint handling is a special case of customer interactions.

Customers tend to be loyal to banks that handle customer complaints which will always happen and other conflicts satisfactorily (Ndubisi, 2007). It is therefore important that effective conflict resolution mechanisms are not only in place but are proactive, so as to identify potential sources of conflict and address them before problems become manifest. Effective reactive solutions should also be organized decisively and in time to resolve problems and protect customers from avoidable losses. Sometimes, what may cause a customer to defect is not so much the occurrence of a problem but how it is handled.

Clow and Kurtz (2003) suggested that customers follow a different sequence in handling conflicts. The most common technique is avoidance. They do this through patronizing another firm. In addition to the avoidance strategy, customers will often use retaliation in the form of negative word-of-mouth. Customers also will use direct confrontation in the way that they are planning to switch vendors and they have nothing to lose. Psychological withdrawal and automatic behavior is used by customers only when they are forced to stay with the service firm. By understanding these methods of dealing conflict, managers can recognize conflict at an early stage and can find the source of conflict. Information should be gathered from all parties concerned as well as others who are familiar with the situation. Once the source has been identified, efforts can then be initiated to eliminate or reduce the conflict.

2.5.4 Empathy

According to Ndubisi (2004) Empathy is the capacity to share and understand another's state of mind or emotion. This author also pointed out that the basic idea of empathy should be characterized is that by looking expressions of the people facial or body movement, or by hearing their tone of voice, which will have immediate sense on how they feel. Empathy often characterized as the ability to put oneself into another, or in some way experience the outlook or emotions of another being within oneself. Empathy has the added value of reducing reliance on legal governance, since exchange partners who are governed by the principle of empathy are more likely to treat others in the manner they would like to be treated.

Clow and Kurtz (2003) define empathy as the ability of a person to identify with the feelings or thoughts of another person. This skill is necessary because customer contact personnel serve as the interface between customers and the organization. If customers have special requests or problems, they want employees to understand the problem from their point of view. Zeithaml and Bitner (2003) argued that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. According to these authors empathy implies that employees will pay attention, listen, adapt, and be flexible in delivering what individual customers need.

2.6 Customer Loyalty

Hougaard and Bjerre (2009) define customer loyalty as "...the seller's perception of the consumer's positive attitude to the product manifested by re buying". This is to say that loyalty is something a company strives to attain, not something that can just be requested. It is assumed that customers who are behaviourally loyal to a firm display more favourable attitudes towards the firm, in comparison to competitors. Customer satisfaction and loyalty are highly correlated. Customer satisfaction with a bank relationship is a good basis for loyalty (Leverin and Liljander, 2006).or assumed. It must be earned.

Lacey (2009) undertaken research and concluded customers are vital sources for future revenue streams and marketing intelligence to the firm and loyal customers are willingly share insight about their needs and provide the opportunity for firms to tailor products, pricing, distribution channels, and marketing communications. This author also indicated that relational outcomes reflect the combination of marketing resources that contribute to a more efficient and effective marketing

enterprise, including personal referrals, sharing personal information, engaging in firm-sponsored marketing research activities, providing complaint feedback, being more open to firm promotions and increasing purchasing activities. Results of Pantouvakis and Lympelopoulos (2008) support that in order for service company services strategies and tactics to yield desired results; attention should be given to the increasing loyalty of customers.

2.6.1 Customer loyalty in the service provider organizations

Key findings of Gee et al(2008) indicates that organizations must understand what drives both value and delight for their customers and adopting a customer centric vision enables an organization understand their customers, deliver customer delight and drive for loyalty. They also pointed out different customers have different requirements and will be delighted in different ways and appropriate monitoring of customers is important to ensure that customer defections are not masked by customer acquisitions. This is essential for the sustainable growth of an organization. Analysis of defecting customers allows an organization to profile at risk customers where appropriate preventive measures can be put in place to reduce customer defection (Gee et al., 2008). According to Huseyin et al(2005) findings, it is more expensive to find and attract a new customer than it is to retain an existing one and banks need to redefine their corporate image to one that emphasizes service quality by introducing standards for service excellence to make loyal.

The study conducted by Huseyin et al(2005) has shown that customers are looking for banks that keep their promises, instill confidence in the customer about the way they handle transactions, provide prompt service and have employees that are competent and always willing to help the customer. They also argued that due to the highly interactive nature of the employee-customer relationship, including input from employees on what constitutes service excellence will be beneficial for banks and need to reassess what customers expect from them in terms of products and services and thus, provide client specific services is very important.

As Balakrishnan and Els (2008) states service initiatives aimed at customer relationship management often look at four areas such as satisfaction, retention, loyalty and lifetime profitability. They also suggest a fundamental criterion for the success of customer initiative schemes is making sure that customer perceived value is met or better still, whether it is exceeded and organizations should evaluate future service schemes with respect to cost and results. They also pointed out that in a

competitive environment where the customer has myriad choices and few switching costs, loyalty could from the organization point of view decrease costs and increase revenues.

According to Gee et al., (2008) the need for businesses to retain customers is an important issue in today's global marketplace. They also suggested that to retain customers, a business must build long-term relationships with profitable customers. Good communication in service organizations should affect all aspects of the relationship, but largely trust, satisfaction, and loyalty (Ball et al., 2004). Interactions between the customer and the service organization lie at the heart of service delivery and people who deliver the service are of key importance to both the customer they serve and the employer they represent (Huseyin et al., 2005). They also indicated that bank customers want a high degree of interaction with bank staff that are sensitive to their needs and expect personalized service.

The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Effective communication affects customers to stay with a provider of banking services. Loyalty can be nurtured by providing timely and reliable information, for example about the uses and benefits of new banking services or about the status of transactions. It can also be reinforced by the provision of honest information on what the bank is doing about existing problems and what it does to anticipate potential ones.

2.6.2 Customer loyalty and customer retention

Today companies are target on developing stronger bonds and loyalty with their ultimate customers. In the past, many companies took their customers for granted. Their customers either did not have many alternative suppliers, or the market was growing so fast that the company did not worry about fully satisfying its customers. These companies need to pay closer attention to their customer defection rate and undertake measure to reduce it. Today's companies are going all out to retain their customers. They are struck by the fact that the cost of attracting new customer may be five times the cost of keeping a current customer happy (Kotler & Armstrong, 2010).

Good customer relationship management creates customer delight. In turn, delighted customers remain loyal and talk favorably to others about the company and its products. Studies show big differences in the loyalty of customers who are less satisfied, somewhat satisfied, and completely satisfied (Kotler & Armstrong, 2010). Even a slight drop from complete satisfaction can create an

enormous drop in loyalty. Thus, the aim of customer relationship marketing is to create not just customer satisfaction, but customer delight and customer loyalty. Companies are now realizing that losing a customer means losing more than a single sale. It means losing the entire stream of purchases that the customer would make over a lifetime of patronage.

2.7 Empirical Review

Mohammad et al. (2011) this research aimed to empirically investigate the impact of relationship marketing underpinnings (namely trust, commitment, communication, conflict handling, bonding, shared values, empathy, and reciprocity) on customer loyalty in the banking industry. A survey was conducted, collecting data through a questionnaire containing 34 items that was completed by 384 randomly selected bank customers and multiple regression analysis was used for data analysis. The results revealed that the all underpinnings of relationship marketing were directly associated with customer loyalty and they had a significant effect on it. Therefore it is reasonable to conclude that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, handling conflict efficiently, paying attention to shared values, improving the empathetic and reciprocal abilities of the salespeople, and developing strong bonds between buyers and sellers.

Hadi Hajiyan et al (2015) have conducted an empirical investigation to measure the effect of customer relationship management (CRM) on customer loyalty in Iranian banking industry. The study aims to understand whether implementation of a good CRM could increase the quality of services. The study designs a questionnaire in Likert scale and distributes it among 65 selected customers who do their banking activities with Bank Melli Iran in city of Semnan, Iran. Cronbach alpha has been calculated as 0.939, which is well above desirable level. Using t-student test, the study has determined that implementation of CRM could increase customer loyalty and quality of services.

Peter Anabila et al (2012) have investigation to explore the relationship between Relationship Marketing (RM) and customer loyalty in Ghana's banking industry. In order to achieve the objective of the study, data was collected using questionnaires from 247 relationship marketing staff of

universal banks in Ghana. Reliability test and multiple regression analysis were carried out using Statistical Package for Social Sciences (SPSS). The study found that the six RM constructs cumulatively had significant positive effect on customer loyalty. Individually, competence, commitment and communication were found to be significant drivers of customer loyalty. The study recommends that banks desirous of achieving customer loyalty and retention should consider RM as a strategy since it effective practice leads to customer loyalty. In addition, top management must demonstrate genuine commitment and active involvement in relationship marketing issues.

Rizwan Ali et al (2014) this empirical study examined that how service quality, trust and reputation effects customer loyalty in Pakistan Banking Industry. Despite the fact that world was facing a global financial crisis especially due to failure of the biggest banking channels of the world at that time. This high growth in banking sector of Pakistan can't be achieved without the customer's loyalty existing banking structure. Anchored in the theoretical model, a comprehensive set of hypotheses were devised and methodology for testing them was outlined. A total of 645 bank customers' responses were collected an empirical research. The finding of this paper indicates that service quality, trust and reputation are positively influences customer's loyalty. Also there is strong, positive and significant correlation among all three factors of customer's loyalty.

V. Krishnamoorthy and Dr R. Srinivsan (2013) have conducted a study to determine the impact of customer relationship management underpinnings (namely competency, trust, commitment, communication, and conflict handling) on customer loyalty in Indian banking sector. The data was collected from the customers of private sector bank and public sector bank through questionnaires. Statistical tools such as multiple regressions, factor analysis were used for data analysis. The study shows that there is an impact on customer relationship management and customer loyalty. The study also noticed that banks words and promises are reliable; bank fulfills its obligation to customer, offering advice on how to invest are the predominant variable which has impact on customer loyalty. So the banking sector needs to focus more on these factors, thereby increasing customer loyalty.

Siddig Balal Ibrahim et al (2015) have undertaken the study to examine the relationship between Customer Relationship Quality in terms of trust, commitment, communication, conflict handling and customer loyalty by examining attitude and behavior in Sudanese bank sector. Convenience sampling

technique was used to collect data from various Sudanese bank customers In Khartoum; Data was analyzed using SPSS.16. The study tested the relationship between the variables and revealed that (communication and conflict handling) have significant relationship with behavior loyalty of Sudanese bank customers, while other variables of CRMQ have positive significant relation with attitude loyalty except communication. The study also provides direction for future studies. Managerial and theoretical implications are further elaborated.

Chacha Magasi (2016) has conducted a study to investigate factors affecting customers' loyalty in Sub-Saharan African banking industry. The thoroughly dealt factors were perceived quality, customer satisfaction, switching cost, customer trust and, customer commitment. An intensive literature review involving fourteen (14) recent (2009-2015) related literatures were assessed by finding out the extent to which each factor determined Customer Loyalty in Banking Industry. Frequencies and percentages of five (5) studied variables were computed and presented in a table. The findings show that perceived quality, customer satisfaction, and trust are the major determinants of Customer Loyalty in Sub-Saharan African Banking Industry. The implication is that banking industry needs to focus on perceived quality, customer satisfaction and trust in order to improve customer loyalty. The study recommends that measures should be taken by policy makers to improve the service quality dimensions which in turn can influence positively customer satisfaction and trust in banking industry.

2.8 Conceptual Framework

Based on relationship marketing theory there are relational factors such as trust, commitment, conflict handling, and empathy) that influence customer loyalty. Relationship marketing theory concerned on relational factors and their influence on relationship marketing outcomes like customer loyalty and relational contracting (Hunt et al., 2006). The researcher will use the framework as it is without modification.

The conceptual framework of the research looks like the following.

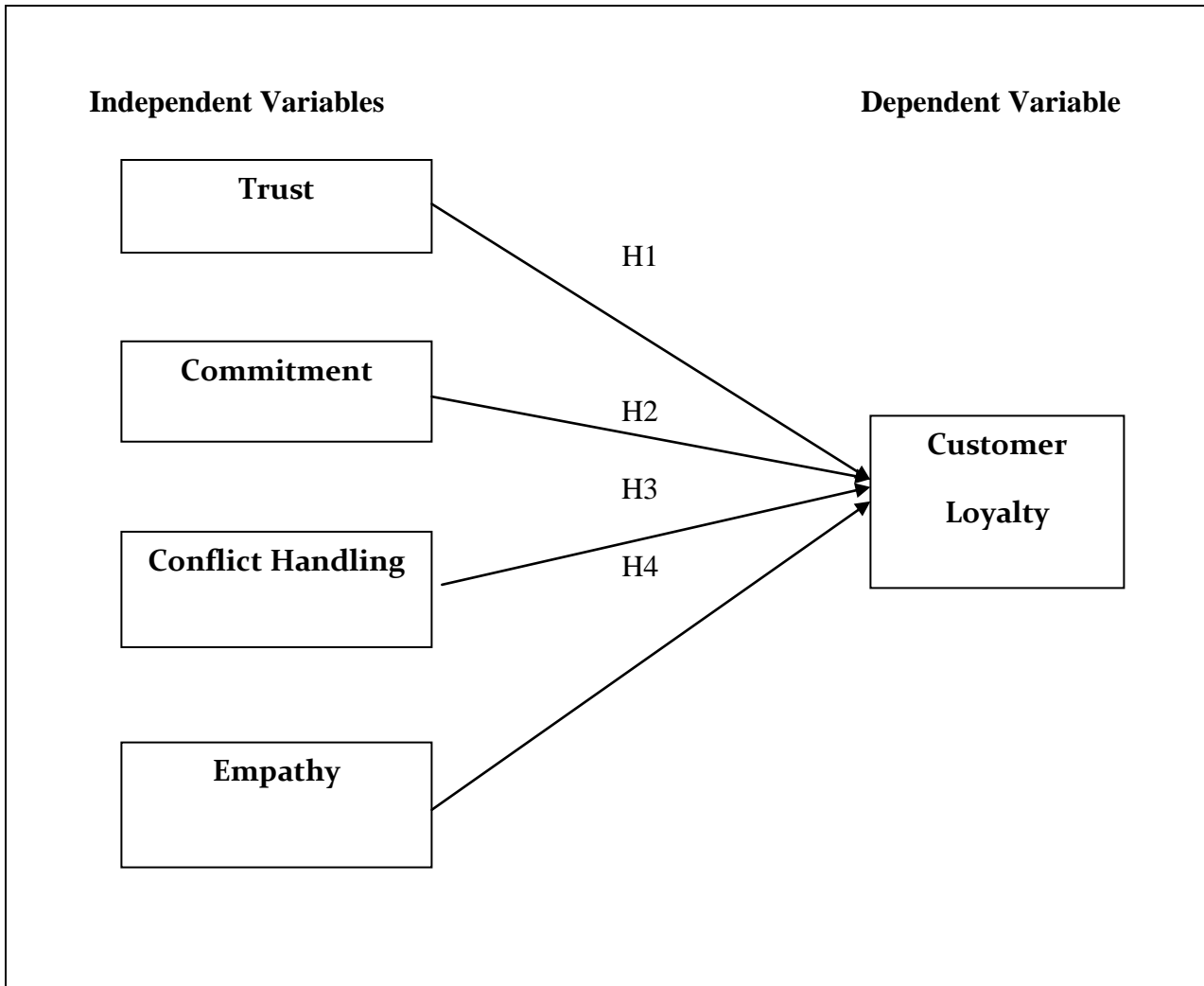


Figure 2.1: Conceptual framework of the research

Source (Hunt et al., 2006)

2.9 Research Hypotheses

H1: Trust has a significant and positive effect on customers' loyalty.

H2: Commitment has a significant and positive effect on customers' loyalty.

H3: Conflict handling has a significant and positive effect on customers' loyalty.

H4: Empathy has a significant and positive effect on customers' loyalty.

H5: There is a significant difference between public and private banks in terms of CRM practices in Ethiopia.

H6: There is a significant difference between public and private banks in terms of their customer loyalty in Ethiopia.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Description of the Study Area

Ethiopia's financial system is small and largely dominated by the state. The number of banks stood at 19 of which 16 were private and remaining three state-owned. Recently one of the public banks i.e. Construction and Business Bank merged with the giant commercial banks in Ethiopia i.e. CBE.

Banks opened 485 new branches in 2014/15 (of which 359 were private) raising the total branch network in the country to reach 2693 from 2208 last year. As a result, bank branch to population ratio declined from 1:39,833.84 people to 1:33,448.25. (NBE Annual Report 2014/15)

The report further stated that the significant branch expansion was undertaken by Commercial Bank of Ethiopia (CBE) with 127 branches, followed by Awash International Bank (55 branches). About 35.5 percent of bank branches were in Addis Ababa, during the review fiscal year.

The total capital of the banking industry increased by 19.0 percent and reached Birr 31.5 billion by the end of June 2015 as a number of banks injected more capital. As a result, the share of private banks in total capital marginally increased to 56.5 percent from 55.4 percent last year, while that of CBE remained at 34.0 percent.

3.2 Research Approach

This study employed the quantitative research approach to answer the research questions to know the current condition of commercial banks in Ethiopia with regard to the relationship marketing and customer loyalty. According to Crewel et. al. (2008), quantitative research is a means for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analyzed using statistical procedures. Thus, the researcher applied quantitative approach in this study to test objectively the effect of customer relationship management on customer loyalty.

3.3 Research Design

According to Chopra et al. (2012), research design is the conceptual structure within which research is conducted. They specifically indicated that “a research design is the arrangement of condition for

collecting and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure”. A research design is the arrangement for a precise statement of goals and justification.

In this study the researcher used explanatory research to study the relationship between the dependent variable (loyalty) and the independent variables (CRM dimensions). Questionnaire were analysed using SPSS version 20.00 and tools like correlation and multiple regression were employed.

3.4 Population and Sampling

3.4.1 Population of the Study

Target population is defined as the entire group a researcher is interested in. According to (zikmund, 2003) the definition of population is an identifiable total set of elements of interest being investigated by a researcher. The target populations of this study were current account customers of the three commercial banks found in Addis Ababa. The three selected banks current account customers were used as a target population because most corporate customers of these banks are current account holders. According to data gathered from Management Information System (MIS) Department of the three commercial banks selected for this study, Commercial Bank of Ethiopia, Awash International Bank S.C, and Dashen Bank S.C. has 280,991, 38,711, and 31,696 current account holders in Addis Ababa respectively.

3.4.2 Sampling and Sampling Procedure

According to Douglas et al (2006), a sample is a tool to infer something about a population or sample is a portion or part of the population of interest. The Reasons to Sample when studying characteristics of a population, there are many practical reasons why we prefer to select portions or samples of a population to observe and measure. Some of the reasons for sampling are: the time to contact the whole population may be prohibitive, the cost of studying all the items in a population may be prohibitive, and the physical impossibility of checking all items in the population, the destructive nature of some tests and the sample results are adequate. Even if funds are available, it is doubtful the additional accuracy of a 100 percent sample-that is, studying the entire population. When selecting a sample, researchers be very careful that the sample is a representation of the population. In other

words, the sample must be unbiased since ethical side of statistics always requires unbiased sampling and objective reporting of results.

Since a sample frame cannot be accessible, non-probabilistic sampling technique was used. A convenience sampling method was used because all the target population of the banks cannot be available at the same time or during the time of data collection. Convenience sampling also called accidental or opportunity sampling is a technique in which a sample was drawn from that part of the population that was close to hand, readily available, or convenient. The questionnaires were distributed to current account customers of the three selected banks in Addis Ababa.

a. Sample Size Determination

In addition to the purpose of the study and the population size, five criteria was needed to be specified to determine the appropriate sample size, population variability (approximated p), the maximum allowed error (E), and confidence interval (Z), the probability of the population not to be occurred (q). Due to large number of customers in the selected three commercial banks found Addis Ababa, hence, the sample size was determined through the equation developed by (Cochran, 1963).

$$n = (Z^2 * p * q) / e^2$$

Where n the total number of sample required

Z=the critical table value of the confidence level (z=1.96)

p=the population variability (p=0.5)

q=the probability of the population not to be occurred (q=1-p=0.5)

e =the maximum allowed error i.e. (e =0.05)

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

$$n = (1.962 * .5 * .5) / (0.05)^2 \text{ which is approximated } 384.$$

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

b. Sampling techniques

The researcher applied a multi –step sampling technique to take sample in this study. The key tools for data collection were questionnaires that were administered through the help of customers of selected commercial banks in Ethiopia found in Addis Ababa city. Three commercial banks were selected from 18 banks found in the country; by their merits of branch size and capital as shown in the table 3.1. Since these banks were applied core banking system, there is no branch customer rather bank customer especially in Addis Ababa. The researcher used quota sampling technique to distribute 384 questionnaires for the three selected commercial banks based on their customer size. The data was collected by using convenience sampling technique from current account customers of Commercial Bank of Ethiopia, Awash International Bank S.C, and Dashen Bank S.C found in Addis Ababa. According to data obtained from MIS Department of the above three banks, CBE, AIB, and DB has 280,991, 38,711, and 31,696 current account customers in Addis Ababa respectively. The table 3.2 shows how the number of questionnaire distributed for each bank.

Table 3.1: Capital and Branch Network of the Banking System at the Close of June 30, 2015*(Branch in Number and Capital in Millions of Birr)*

Banks	Branch Network				Capital	
	2014/15				2014/15	
	Regions	Addis Ababa	Total	% share	Total capital	% share
Public Banks						
Commercial Bank of Ethiopia	785	192	977	36.3	10,716.4	34.0
Development Bank of Ethiopia	31	1	32	1.2	2,269.2	7.2
Private Banks						
Awash International Bank SC	95	112	207	7.7	2,540.3	8.1
Dashen Bank SC	76	88	164	6.1	2,377.2	7.5
Abyssinia Bank SC	64	72	136	5.1	1,594.3	5.1
Wegagen Bank SC	63	56	119	4.4	2,061.9	6.5
United Bank SC	62	66	128	4.8	1,475.0	4.7
Nib International Bank SC	50	65	115	4.3	1,925.3	6.1
Cooperative Bank of Oromiya SC	106	35	141	5.2	1,058.7	3.4
Lion International Bank SC	50	38	88	3.3	601.6	1.9
Oromia International Bank SC	103	49	152	5.6	771.7	2.4
Zemen Bank SC	5	2	7	0.3	650.0	2.1
Bunna International Bank SC	47	35	82	3.0	559.3	1.8
Berhan International Bank SC	32	39	71	2.6	622.3	2.0
Abay Bank SC	70	19	89	3.3	591.0	1.9
Addis international Bank SC	10	22	32	1.2	399.6	1.3
Debut Global Bank SC	13	9	22	0.8	202.6	0.6
Enat Bank SC	5	6	11	0.4	392.1	1.2
Total	1,736	957	2,693	100.0	31,539.5	100.0

Source: NBE 2014/15 Annual Report

Table 3.2: the number of questionnaire distributed

No.	Banks	Current Account Holders in Addis Ababa	No. of Questionnaires distributed in each banks
1	CBE	280,991	$(280,991/351,398*384)=$ 307
2	AIB	38,711	$(38,711/351,398*384)=$ 42
3	DB	31,696	$(31,696/351,398*384)=$ 35
	TOTAL	351,398	384

Source: MIS Data of the three banks and own computation

3.5 Data Sources and Types

Both primary and secondary data type were used in the research. Primary data was collected using five point likert scale questionnaire. The secondary data was collected by reviewing books, previous research works, articles and related journals, publication and online information available.

3.6 Data Collection Procedure and Instrument

The primary data was collected through standard questionnaires. Questionnaires were applied usually for descriptive, which identify and describe the variability in different phenomena or explanatory research, which examine and explain relationships between variables (Saunders, Lewis, & Thornhill, 2009). The questionnaire was prepared in line with the objectives of the study mentioned above and it was organized in three sections. Based on the research objective, a questionnaire was prepared to elicit customer's experience and to get information about relationship marketing and customer loyalty of commercial banks in Ethiopia. The questionnaire consists of three parts. Part one was prepared to gather general information about the respondents' gender, age, education, occupation, monthly income, for how long the customer using the bank's services and the type of bank the customer uses. Part two was prepared to ask respondents to answer relationship marketing question and part three was prepared to ask respondents about customer loyalty questions.

3.7 Data analysis

The researcher collects data on four dimensions of CRM from customers of three commercial banks in Ethiopia to describe the present condition of CRM application on three commercial banks across four dimensions. After collecting the data through questionnaire, the process of analysis was begun. Analysis of data in this research was done by using statistical tools like regression and correlation models. Regression analysis was used to know by how much the independent variable i.e. relationship marketing explains or influences the dependent variable which is customer loyalty. Correlation analysis also was conducted to measure the strength of the association between relationship marketing dimensions and customer loyalty. And also descriptive analysis planned to use for the demographic factors such as gender, age, education, occupation, monthly income, for how long the customers are using the bank's services, and type of banks use. Tools like tables and percentage were used. Data analysis was performed by using SPSS software version 20.

In order to reduce the possibility of getting wrong answers, different actions were taken to ensure the soundness of this study.

1. Data was collected from reliable sources, from respondents who are customers of the banks.
2. SPSS software version 20.0 was used to analyze the data and special emphasis was given during data coding.

3.8 Ethical Consideration

The researcher is planning to maintain scientific objectivity throughout the study. Every person involved in the study was given to the right of privacy and dignity of treatment, and no personal harm was caused to subjects in the research. Information obtained was held in strict confidentiality by the researcher. All assistance, collaboration and other sources from which information were drawn is acknowledged.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND DISCUSSION

4.1 Introduction

To analyse the collected data in line with the overall objective of the research undertaking, statistical procedures were carried using SPSS 20.00. In this part to identify the major issues and to provide workable recommendations for the problems concerning customer relationship marketing and customers' loyalty, the researcher has collected data through self administered questionnaire. In this chapter the findings of the study are presented. During the survey a total of 384 questionnaires were distributed to customers. All 384 distributed questionnaires were returned. So the analysis was made based on 384 responded questionnaires.

The questionnaire were developed in five scales ranging from five to one; where 5 represents strongly agree, 4 agree, 3 no opinion, 2 disagree, and 1 strongly disagree. 307 questionnaires were filled by public bank customers (CBE) and 77 questionnaires were filled by customer of private banks (AIB and DB). Customers were selected based on convenience sampling and an effort have been made to have representative sample and the results are considered as representative of the population. Descriptive statistics were used for demographic factors, correlation and regression analysis were conducted for scale typed questionnaires, and finally independent sample t-test were used to compare between CRM practice and customers' loyalty with of type of bank. The questionnaire used is attached at the back. You can refer from appendix A.

4.2 Data Screening and data cleaning

In order to check whether an error is occurred during data insertion to SPSS data analysis tools or not, the researcher conducted data screening and data cleaning using descriptive statistics of minimum, maximum, and means scores of the respondents' response. The result shows that the minimum score is 1, the maximum score is 5, and the mean is within the range for five scaled type question. The demographic data also has no error. Hence, the data is clean. (Appendix B)

4.3 Reliability test result

Alpha reliability is regarded as a measure of internal consistency of the mean of the items at the time of administration of the questionnaire. Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively related to one another (WWW.Wikipedia.com). It is computed in terms of the average inter correlations among the items measuring the concept. Reliability is calculated in such a way that it represents the reliability of the mean of the items, not the reliability of any single item. So, the alpha reliability of 10 items would be higher than that of 5 similar items. This coefficient can hold a value of 0 to 1. The result of 0.7 and above implies an acceptable level of internal reliability. The result of reliability test for the questionnaire is shown in the following table. As it is indicated in the table, the test result is between 0.86 and 0.94. Therefore, based on the test, the results for the items are reliable and acceptable.

Table 4.1: Reliability test result for the questionnaire

Item	Number of Item	Cronbach's Alpha
Trust	11	0.926
Commitment	8	0.882
Empathy	5	0.865
Conflict Handling	10	0.918
Customer Loyalty	10	0.947
Overall reliability	44	0.908

4.4 Descriptive analysis

This descriptive analysis is used to look at the data collected and to describe that information. It is used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographics questions. The demographics factors used in this research were gender, age, education qualification, occupation, monthly income, length of time the respondents uses the banks services, and type of banks the respondents use. For the scale typed questionnaires for all variables mean or average response of respondents was used.

4.4.1 Gender of respondents

The gender of the respondents is shown in table 4.2. The table shows that most of the respondents are male (58.3%) while 41.7% are female.

Table 4.2 gender of respondents

	Frequency	Percent
Female	160	41.7
Valid Male	224	58.3
Total	384	100.0

4.4.2 Age of respondents

The respondents' age is shown in the following table. The table shows that 72.9% are the age of 20-39 years old, followed by respondent at the age between 40-59 years old with 23.7%, 3.1% were at the age 60 years old and above. The remaining of the respondents 0.3% were below 20 years old.

Table 4.3 Age of respondents

	Frequency	Percent
Below 20 years	1	.3
20-39 years	280	72.9
40-59 years	91	23.7
60 years and above	12	3.1
Total	384	100.0

4.4.3 Education qualification of the respondents

The education qualifications of respondents are shown in table 4.4. As it is indicated in the table, 47.1% hold a first degree. In the other way, 33.3% were diploma holder, while 10.2% of the respondents achieved secondary education. 6.3% hold a postgraduate degree and 3.1% achieved primary education.

Table 4.4 Respondents educational qualification

	Frequency	Percent
Primary	12	3.1
Secondary	39	10.2
Diploma	128	33.3
Degree	181	47.1
Postgraduate	24	6.3
Total	384	100.0

4.4.4 Occupation of the respondents

The results of respondents' occupation are indicated in table 4.5. The table demonstrates that 51.8% of the respondents are working in private sector, 28.1% are working in government sector, 9.8% having their own business, and 1 (0.3%) indicated that he is a student.

Table 4.5 Occupation of respondents

	Frequency	Percent
Government Sector	108	28.1
Private Sector	199	51.8
Own Business	76	19.8
Student	1	.3
Total	384	100.0

4.4.5 Monthly income of respondents

The results of monthly income of respondents are shown in table 4.6. The table shows that 45.8% of the respondents had income of between Birr 3000 – 4999, 41.1% of the respondents had income of Birr 5000 birr and above and 9.6% had income of between birr 1000-2999 monthly. The remaining respondents 3.4% had income of below 1000 birr monthly.

Table 4.6 Monthly income of respondents

	Frequency	Percent
Below Birr 1000	13	3.4
Birr 1000-2999	37	9.6
Birr 3000-4999	176	45.8
Birr 5000 and Above	158	41.1
Total	384	100.0

4.4.6 Length of time the respondents uses the banks services

The results of length of time the customers uses the banks services are indicated in table 4.7. As it is shown in the table, 27.6% of the respondents have used for 5-7 years, 27.3% have used for 1-3 years and 21.6% have used the banks services for 3-5 years. On the other hand 20.3% and 3.1% of the respondents have used the banks services above 7 years and below 1 year respectively.

Table 4.7 How long the respondent used the bank's services

	Frequency	Percent
Below 1 year	12	3.1
1-3 years	105	27.3
3-5 years	83	21.6
5-7 years	106	27.6
Above 7 years	78	20.3
Total	384	100.0

4.4.7 Type of bank the respondents use

The results of the type of banks the respondents use is indicated in table 4.8. As it is shown in the table, 79.9% of the respondents have uses the public bank and 20.1% of the respondents use the private banks.

Table 4.8 Type of bank the respondents use

	Frequency	Percent
Public	307	79.9
Private	77	20.1
Total	384	100.0

4.5 Normality Test

The variables in the multiple linear regression model must follow normal distribution. To check the normality of variable which were incorporated in the multiple linear regression model, need to check the univariate descriptive (Mean, SD, Skewness and kurtosis). Estimates of correlations will be more reliable and stable when the variables are normally distributed.

As a rule of thumb, to say that the data is normally distributed the skewness and kurtosis should be fall within the range of -2 and 2. As can be see from the table below, the result is within the range, hence, the data is normally distributed.

Table 4.9: Normality test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Trust	384	-.560	.125	.127	.248
Commitment	384	-.524	.125	-.507	.248
Empathy	384	.112	.125	-.149	.248
Conflicthanding	384	-.464	.125	-.044	.248
Loyalty	384	-1.414	.125	1.105	.248
Valid N (listwise)	384				

4.6 Collinearity test Diagnostics

One should check for the problem of multi collinearity which is present if there are high correlations between some of the independent variables. The study checks this with the Variance Inflation Factor (VIF) which calculates the influence of correlations among independent variables on the precision of regression estimates. The VIF factor should not exceed 5, and should ideally be close to one. Below table shows there is no multicollinearity exist.

Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula $1-R^2$ for each variable. If this value is very small (less than 0.20), it indicates that the multiple correlation with other variables is high, suggesting the possibility of multicollinearity. This also confirms the absence of multicollinearity according to Collinearity Statistics table below.

Table 4.10: Collinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
1 Trust	.629	1.590
Commitment	.598	1.672
Empathy	.520	1.924
Conflicthanding	.393	2.545

4.7 Correlation analysis

Like the demographic factors, the scale typed questionnaire entered to the SPSS software version 20.00, to process correlation analysis. Based on the questionnaire which was filled by the customers of both public bank (CBE) and private banks (AIB and DB) the following correlation analysis was made.

4.7.1 Correlation analysis between Customer Relationship Marketing & customers' Loyalty

Pearson correlation test was conducted to know the degree of relationship between the independent variable i.e. relationship marketing and the dependent variable i.e. customers' loyalty. The results of the correlation between these variables are shown in table 4.11. As it is indicated in the table there is significant correlation between relationship marketing and customers' loyalty. In other words relationship marketing and customers' loyalty have high relationship ($r=0.693$ with $p<0.01$).

Table 4.11: Correlations between relationship marketing and customers' loyalty

		Customer Loyalty	Customer Relationship Marketing
Loyalty	Pearson Correlation	1	.693**
	Sig. (2-tailed)		.000
	N	384	384
CRM	Pearson Correlation	.693**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

4.7.2 Correlation analysis between trust and customers' loyalty

Pearson correlation test was also conducted for these variables and the results are shown in table 4.12. As it is indicated in the table, there is significant positive correlation between trust dimension and customers' loyalty. In other words trust dimension and customers' loyalty are correlated in a moderate relationship ($r=0.577$).

Table 4.12 Correlations between trust dimension and customers' loyalty

		Customer Trust	Customer Loyalty
Trust	Pearson Correlation	1	.577**
	Sig. (2-tailed)		.000
	N	384	384
Loyalty	Pearson Correlation	.577**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

4.7.3 Correlation analysis between commitment and customers' loyalty

For these variables Pearson correlation test was conducted and the results are shown in table 4.13. As it is shown in the table, there is significant correlation between commitment dimension and customers' loyalty. In other words commitment dimension and customers' loyalty have moderate relationship ($r=0.535$).

Table 4.13: Correlations between commitment dimension and customer loyalty

		Customer Loyalty	Commitment
Loyalty	Pearson Correlation	1	.535**
	Sig. (2-tailed)		.000
	N	384	384
Commitment	Pearson Correlation	.535**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

4.7.4 Correlation analysis between conflict handling and customers' loyalty

For these variables Pearson correlation test was also conducted and the results are shown in table 4.14. As it is clearly indicated in the table, there is significant positive correlation between conflict handling and customers' loyalty. In other words conflict handling dimension and customers' loyalty have high relationship or correlation ($r=0.733$).

Table 4.14: Correlations between conflict handling and customers' loyalty

		Customer Loyalty	Conflict Handling
Loyalty	Pearson Correlation	1	.733**
	Sig. (2-tailed)		.000
	N	384	384
Conflict Handling	Pearson Correlation	.733**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

4.7.5 Correlation analysis between empathy and customers' loyalty

Pearson correlation test was conducted to know whether there is significant correlation or not between empathy and customers' loyalty and the results are shown in table 4.15. As it is clearly indicated on the table, there is positive correlation between empathy and customers' loyalty. The result of correlation analysis prove that empathy dimension and customers' loyalty are correlated with a moderate relationship ($r=0.403$).

Table 4.15: Correlations between empathy and customers' loyalty

		Customer Loyalty	Empathy
Loyalty	Pearson Correlation	1	.403**
	Sig. (2-tailed)		.000
	N	384	384
Empathy	Pearson Correlation	.403**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

4.8 Regression analysis

This regression analysis was conducted to know by how much the independent variable explains the dependent variable. It is also used to understand by how much each independent variable (trust, commitment, conflict handling and empathy) explains the dependent variable that is customers' loyalty. The results of the regression analysis are the following.

4.8.1 Multiple regression analysis of relationship marketing and customers' loyalty

The Results of multiple regression analysis against customers' loyalty can be seen in table 4.16. The result shows that relationship marketing has the power to explain customer loyalty. In this case the results of correlation of relationship marketing and customers' loyalty and R Square (0.600) are taken into consideration. The regression analysis model summary indicates that relationship marketing which is entered into the regression model on SPSS has relationship with customers' loyalty with correlation coefficient of 0.774. The R square is the explained variance and it is actually the square of the multiple R $(0.774)^2$. Therefore, it is pointed out that 60 percent of relationship marketing can explain the dependent variable that is customers' loyalty. As it is indicated in table 4.17, total relationship marketing was considered as predictors of customers' loyalty and reported high level of significance $p < 0.01$. And also the R square value of 0.600 confirming that, 60% of the variation in customer loyalty is explained by relationship marketing. Relationship marketing dimensions as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.01.

Table 4.16: Regression analysis result for relationship marketing and customers' loyalty Model Summary

Model	R	R Square	Durbin-Watson
1	.774 ^a	.600	2.159

Table 4.17: ANOVA result for relationship marketing and customers' loyalty

Model	F	Sig.
1 Regression	141.873	.000 ^b
Residual		
Total		

Table 4.18 titled as coefficients of relationship marketing dimensions, helps us to understand which variables among the four independent variables is the most important in explaining the variance in customers' loyalty. As it is indicated in the table, high beta value shows that it is significant in explaining. If we can see the Beta column under standardized coefficients below, we can understand

that the highest number in the beta is 0.640 for conflict handling dimension and the second highest is trust with 0.195. Therefore, conflict handling and trust are the major determinant of customers' loyalty. It can be seen also from the table that the four independent variables were significant in explaining customers' loyalty. However, the beta value of empathy is -0.205, which implies that a one unit change in empathy dimension will reduce the customer loyalty by 0.205.

Table 4.18: Coefficients of relationship marketing dimensions

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
1	(Constant)	.871	.176		4.952	.000
	Trust	.229	.048	.195	4.749	.000
	Commitment	.166	.037	.188	4.469	.000
	Empathy	.145	.031	.165	4.347	.000
	Conflicthandling	.603	.049	.640	12.349	.000

a. Dependent Variable: Loyalty

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B		Beta		
	Commitment	0.472	0.535	12.388	.000
	Conflict Handling	0.690	0.733	21.049	.000
	Empathy	0.402	0.403	8.605	.000
	Trust	0.680	0.577	13.817	.000

4.8.2 Regression analysis of trust and customers' loyalty

As it is indicated in the model summary of table 4.19, trust explains customers' loyalty. In this case, the results of correlation of relationship marketing and customers' loyalty and R Square (0.333) are taken into consideration. This R square is the explained variance and it is actually the square of the multiple R $(0.577)^2$ which is 0.333. Therefore, it is pointed out that 33.3% of customers' loyalty is

explained by trust. As it is indicated in table 4.20, trust was considered as predictors of customers' loyalty and reported high level of significance $p < 0.01$. And also the R square value of 0.333 confirming that, 33.3% of the variation in customer loyalty is explained. Trust as used for prediction was found to be significantly related to customers' loyalty as the p-value is less than 0.01. It is the second highest of all the independent variables in explaining customers' loyalty.

Table 4.19: Regression analysis result for trust and customers' loyalty
Model summary

Model	R	R Square	Durbin-Watson
1	.577 ^a	.333	1.504

Table 4.20: ANOVA result for trust and customers loyalty

Model	F	Sig.
1 Regression	190.907	.000 ^b
Residual		
Total		

4.8.3 Regression analysis of commitment and customers' loyalty

Table 4.20 shows the results of regression analysis for commitment and customers' loyalty. In this case, the results of correlation of these two variables and R Square (0.287) are taken into consideration. Here the R square is the explained variance and it is actually the square of the multiple R (0.535^2) which is 0.287. Therefore, it is possible to state that 28.7% of customers' loyalty is explained by commitment. As it is indicated in table 4.21, commitment was considered as predictors of customers' loyalty and reported high level of significance $p < 0.01$. And also the R square value of 0.287 confirming that, 28.7% of the variation in customer loyalty is explained by commitment. Commitment as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01.

Table 4.21: Regression analysis result for commitment and customers' loyalty

Model summary

Model	R	R Square	Durbin-Watson
1	.535 ^a	.287	1.662

Table 4.22: ANOVA result for commitment and customers' loyalty

Model	F	Sig.
1 Regression	153.473	.000 ^b
Residual		
Total		

4.8.4 Regression analysis of empathy and customers' loyalty

As the result of regression analysis of empathy and customers' loyalty indicates, empathy can explain customers' loyalty in some extent. In this case again, the correlation result of these variables and the R square are taken. The R square is the explained variance and it is actually the square of the multiple R (0.403)² which is 0.162. Therefore, it is possible to conclude that 16.2% of customers' loyalty is explained by empathy. As it is indicated in table 4.21, empathy was considered as predictors of customers' loyalty and reported high level of significance $p < 0.01$. And also the R square value of 0.162 confirming that, 16.2% of the variation in customer loyalty is explained by empathy. Empathy as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01.

Table 4.23: Regression analysis result for empathy and customers' loyalty

Model summary

Model	R	R Square	Durbin-Watson
1	.403 ^a	.162	1.654

Table 4.24: ANOVA result for empathy and customers' loyalty

Model	F	Sig.
1 Regression	74.038	.000 ^b
Residual		
Total		

4.8.5 Regression analysis of conflict handling and customers' loyalty

We can also look the regression analysis result of conflict handling and customers' loyalty in table 4.25. As it is clearly indicated in the table, conflict handling can explain customer loyalty in banking industry. The correlation result of these variables and the R Square are considered. In this case the R square is the explained variance and it is actually the square of the multiple R $(0.733)^2$ which is 0.537. Therefore, it is possible to state that 53.7% of customers' loyalty is significantly explained by conflict handling. Conflict handling was considered as predictors of customers' loyalty and reported high level of significance $p < 0.01$ as it is indicated in table 4.26. And also the R square value of 0.537 confirming that, 53.7% of the variation in customer loyalty is explained by conflict handling. Conflict handling as used for prediction was found to be significantly related to customers' loyalty as p-value is less than 0.01. It is the highest of all the independent variables in explaining customers' loyalty.

Table 4.25: Regression analysis result for conflict handling and customers' loyalty
Model summary

Model	R	R Square	Durbin-Watson
1	.733 ^a	.537	2.131

Table 4.26: ANOVA result for conflict handling and customers' loyalty

Model	F	Sig.
1 Regression	443.041	.000 ^b
Residual		
Total		

4.9 Independent Sample t test analysis

The independent –samples t test evaluates the difference between the means of two independent groups. Accordingly, the hypothesis: there is a significant difference between public and private banks in terms of CRM practices and customers' loyalty in Ethiopia is evaluated by comparing the means of the two independent groups' i.e. Public and private banks and it was also evaluated using the Levene's test significance.

4.9.1 Independent sample t-test analysis between public and private banks in respect to CRM

As the result of independent sample t-test analysis of public and private banks in respect of CRM practice indicates, customer relationship marketing is practiced more in public banks than private banks. As it is indicated in table 4.27, the mean score of CRM in the public banks is 4.07, which is more than the private banks mean score (3.95). Now let us see whether the difference is statistically significant. Table 4.28 indicates the difference is significant, in the Levene's test reported high level of significance as its sig (P) value is 0.000, which is less than 0.05. Thus, we can conclude that there is statistically significant difference between public and private banks in terms of their CRM practice in Ethiopia, CRM is more practiced in public banks than private banks.

Table 4.27: Group Statistics result for public and private banks in respect of CRM

	Type of Bank	N	Mean	Std. Deviation
CRM	Public	307	4.07	.266
	Private	77	3.95	.490

Table 4.28: Independent sample test analysis result for public and private banks in respect of CRM

		Levene's Test for Equality of Variances		t-test equality of means
		F	Sig.	T
CRM	Equal variances assumed	105.109	.000	2.981
	Equal variances not assumed			2.123

4.9.2 Independent sample t-test analysis between public and private banks in respect to customers' loyalty

We can also see the result of independent sample t-test analysis of public and private banks in respect of customer loyalty; the customers are more loyal to public banks than private banks. As it is indicated in table 4.29, the mean score of customers' loyalty in the public banks is 4.10, which is more than the private banks mean score (3.86). Now let us see whether the difference is statistically

significant. Table 4.30 indicates the difference is significant, in the Levene's test reported high level of significance as its sig (P) value is 0.000, which is less than 0.05. Thus, we can conclude that there is statistically significant difference between public and private banks in terms of their customers' loyalty in Ethiopia; the customers are more loyal to public banks than private banks.

Table 4.29: Group Statistics analysis result for public and private banks in respect of customers' loyalty

	Type of Bank	N	Mean	Std. Deviation
Loyalty	Public	307	4.10	.291
	Private	77	3.86	.636

Table 4.30: Independent sample test analysis result for public and private banks in respect of customers' loyalty

		Levene's Test for Equality of Variances		t-test equality of means
		F	Sig.	t
Loyalty	Equal variances assumed	114.507	.000	4.940
	Equal variances not assumed			3.262

From the above Group Statistics analysis result one can observe that the more customer relationship marketing practiced by banks, the more loyal customer they can have.

Generally, the research questions which are proposed earlier were answered by using a sample of 384 respondents. From the analysis it is clearly indicated that relationship marketing and customer loyalty are related and the measure of correlation between these variables as it is indicated in the correlation analysis is positive. And also it is noticed that the independent variables which are included in the elements of relationship marketing have the power to explain the dependent variable as it is indicated in the regression analysis. As it is indicated in the independent sample test analysis, there is statistically significant difference between public and private banks in terms of their CRM practice and customer loyalty. Therefore, all the research questions are answered based on the test conducted and relationship marketing has the power to explain customer loyalty in banking industry.

4.10 Discussion of the Result

This discussion is very important to provide more clarification on the above results. This research is related with the elements of relationship marketing towards customer relationship marketing on customer loyalty within the Banking industry in Ethiopia, by analyzing the relationship of every construct in the theoretical framework. Demographic factors such as gender, age, occupation, education qualification, monthly income, length of time the customers' uses the bank's services, and the type of banks use have been used to know the general characteristics of the respondents. Based on the results from this research, relationship marketing is correlated with customers loyalty. The findings show that relationship marketing activities can explain 60% of customers' loyalty in banking industry. Relationship marketing elements particularly conflict handling and trust have greater impact on customers' loyalty and it is more important in shaping what customers prefer about the bank.

The research used 58.3% male and 41.7% of female as respondents. In terms of age, the majority of respondents are in between 20-39 years old which was accounted 72.9% and followed by 40- 59 which constituted 23.7%. With regard to the education qualification of respondents, the majority are first degree holder with 47.1% which is followed by diploma holder which accounted 33.3%. When we see the occupation of the respondents, most of them are working in private sector which accounted 51.8% and followed by 28.1% working at government sector. In terms of the monthly income of the respondents, the majority had income in between birr 3000-4999 which accounted 45.8% and followed by 41.1% having Birr 5000 and above. When we look at the length of time customers' uses the bank's services, most of the customers used the bank's services for 5-7 years which accounted 27.6% followed by 27.3% used the bank's services for 1-3 years. Out of the total respondent 79.9% represents public bank customer and 20.1% of the respondent accounted for private banks customer. The finding also indicates that all demographic factors considered in this study have no clear relationship with customers' loyalty

In today's competitive environment, banks should build and maintain good relationship with the target customers in order to succeed and survive. To maintain good relationship with customers, relationship marketing is an important tool. In this case, the bank must prepare invaluable information to build strong relationship with the customers for the purpose of gaining their loyalty and preventing customers from switching to other banks. Customers can be remaining loyal towards a bank for a

number of reasons. This research have identified four elements of relationship marketing that will have impact on customers loyalty in banking industry namely, trust, commitment, conflict handling and empathy.

The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the level of the bank's commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Therefore, the result of this research is consistent with the findings of Ndubisi (2007). The findings of Foster & Cadogan (2000) showed that the quality of the relationship customers have built with their organization positively influences their assessment of their relationship with the organization. Again the result of this research is also similar with the findings of Foster & Cadogan (2000). Another study which is conducted by Gee *et al.*, (2008) suggested that the need for businesses to retain customers is an important issue in today's global marketplace.

Based on the Pearson correlation test of correlation results, trust dimension positively correlated with customers' loyalty ($r=0.577$). It is the second highest of all correlation results of relationship marketing elements. In other words if customers trust the bank, they will be loyal to their banks otherwise they will not be loyal to their banks. Because of this result the bank should be able to promise and deliver what it promised is important to encourage repeat purchase by the customers and to establish strong relationship. In addition, trust only will exist if customers have confidence in a bank's ability to perform satisfactorily. Therefore, trust has power to determine the loyalty of customers. With regard to trust dimension, a bank can be perceived by its customers as honest in its performance if the bank has strong and lasting relationship with customers. Trust is an important ingredient in firm-customer relationships and ultimately in the development of loyalty (Ndubisi, 2007). So, the finding of Ndubisi (2007) is similar with the results of this research. When customers trust the bank, they will leave all the activities to be performed by the bank and they will talk freely about the banks strengths and weaknesses. Because of this reason, all customers feel that they are responsible for the banks operation. So, it is best for the banks to be trusted by the entire customers.

The regression analysis of trust dimension and customer loyalty indicates that 33.3% of the variance R square in customers loyalty has been significantly explained by trust. The finding of Clow & Kurtz (2003), the key to developing a customer relationship competitive advantage is not merely obtaining a contractual agreement, it is developing mutual trust. And also the finding of Taylor, Celuch and

Goodwin (2004) suggest that trust is consistently the most important antecedents to customer loyalty. Therefore, the result of this study on trust dimension is similar with the above findings that trust has the power to increase customers' loyalty. A thesis conducted by Xuan Zhang and Yuanyuan Feng (2009) on the Impact of Customer Relationship Marketing Tactics on Customer Loyalty in Sweden, Halmstad University suggested that relationship quality like trust is positively related to loyalty. This result also provides empirical evidence supporting previous theories that higher level of trust perceived by customers, the higher level of customer loyalty achieved by service providers.

Commitment is another element of relationship marketing that is taken into account to explain customer's loyalty. Based on the correlation result as it is shown by Pearson correlation test, commitment dimension is positively and moderately correlated with customers' loyalty which is 0.535. This shows that commitment dimension is one of the determinants of customers' loyalty and customers will critically evaluate the commitment of the bank employees towards the services gained from the bank. The commitment of the bank will help to retain customers by improving the services of the bank. By having committed employees, banks can continue retaining existed customers and attracting new customers to generate more profit. To this extent the commitment dimension of relationship marketing plays great role. Therefore, banks are expected to have committed employees to offer appropriate services and treat the customers as they want. This result is supported by the study of Fullerton (2003). According to this researcher, commitment has a positive effect on the softer aspects of customer loyalty such as advocacy and willingness to pay more for the service.

With regard to the regression analysis of commitment dimension and customers' loyalty, about 28.7% of the variance R square in customers loyalty is significantly explained by commitment. Lacey (2009) research's suggested that committed customers are not just expected to maintain current purchasing activities, but to increase both the level and proportion of their purchasing activities over time. Therefore, the result of this research on commitment dimension is similar with the above findings that commitment has the power to increase customers' loyalty.

The other factor that is included in the dimensions of relationship marketing is empathy. It has positive and moderate relationship with customer's loyalty. The correlation coefficient between these variables is 0.403. Empathy is one of the important tools to create long term relationship with customers in service provider organizations. Nearly high number of customers wanted to be treated as they want to be treated by the banks employees. If this is the case, banks have the responsibility to treat customers as they want to be treated to have loyal customers. When the customers are treated in

a good way they become satisfied and loyal to their banks. As a result, empathy has power to create lasting relationship with customers and shaping the minds of the existed customers to talk favorably about the banks to other customers. Therefore, banks need to understand their customers' needs and wants and continuously evaluate their services to satisfy and attract customers in the better way.

With regard to the regression analysis of empathy and customers' loyalty, 16.5% of the variance R square in customers loyalty is significantly explained by empathy. The finding of Zeithaml and Bitner (2003) showed that it is difficult to imagine an organization would deliver caring, individualized attention to customers independent of its employees. So, the result of this research on empathy dimension of relationship marketing supports the above finding that empathy has power to make customers' loyal.

The last but not the least factor included in the relationship marketing underpinnings is conflict handling. As it is indicated in the correlation analysis, conflict handling dimension has positive and high relationship with customers' loyalty. The correlation coefficient between conflict handling and customers' loyalty is 0.733. It is the highest of all correlation results of relationship marketing elements. When banks have good conflict handling procedures and solving the manifested problems successfully, the customers express their complaints or any feelings they have freely and will become loyal customers. In order to encourage customers to complain when there is problem, banks are responsible to aware and inform in advance how and where to complain. Generally, appropriate and acceptable conflict handling procedure will create strong relationship with customers'.

The regression analysis result for conflict handling and customers' loyalty shows that 53.7% of the variance R square in customers loyalty has been significantly explained by conflict handling. It is the highest of all the independent variables in explaining customers' loyalty. The result of Ndubisi (2007) indicated that customers tend to be loyal to banks that handle customer complaints which will always happen and other conflicts satisfactorily. Ndubisi and Wah (2005) found a significant relationship between conflict handling and customer loyalty. And also the result of Yekunoamlak Hailu (2004) proved that to maintain good relationship with customers, the way customers are handled such as proper acts of frontline employees and proper customer service are significantly important for customer loyalty. Therefore, the result of this research on conflict handling dimension is similar with the above results in indicating that proper conflict handling can increase customers' loyalty.

When we see the regression analysis result for all variables against customers' loyalty it is assured that all independent variables can explain customers' loyalty in banking industry.

In order to know whether there is significant difference between public and private banks in Ethiopia in terms of their CRM practice and customer loyalty, the mean was compared for public and private banks in respect of CRM and customers' loyalty using independent sample t test analysis. The result shows that the mean score of CRM in the public banks is 4.07, which is more than the private banks mean score. The difference is also statistically significant as the sig (P) value is less than 0.05. Hence, customer relationship marketing is practiced more in public banks than private banks. And also it is found that the mean score of customers' loyalty in the public banks is 4.10, which is more than the private banks mean score. This difference is statistically significant as the sig (P) value is less than 0.05. Therefore, the public banks have more loyal customers than private banks. In this regard the study shows that the more CRM practiced by the bank the more loyal customer secured. The finding is supported by Peter Anabila et al (2012) recommended that banks desirous of achieving customer loyalty and retention should consider RM as a strategy since it effective practice leads to customer loyalty.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Summary for major findings

The main purpose of the study was to examine the effect of customer relationship marketing on customers' loyalty in banking industry. The major goal of relationship marketing is to create lasting relationship with customers. Lasting relationship with customers is the first requirement to survive in a competitive environment and to generate profit. The relationship marketing dimensions that were included in this research are trust, commitment, empathy, and conflict handling.

The findings support the view points that relationship marketing dimensions can enhance the quality of a buyer-seller relationship and in turn increase customer loyalty. Customer trust, commitment, conflict handling and empathy are not the only the desired outcomes of relationship marketing but also the antecedents of customer loyalty.

- a. With regard to the Pearson correlation analysis, the relationship looks like the following.
 - Relationship marketing and customers' loyalty have high relationship.
 - Trust dimension and customers' loyalty have moderate relationship
 - Commitment dimension and customers' loyalty have moderate relationship
 - Conflict handling dimension and customers' loyalty have high relationship.
 - Empathy dimension and customers' loyalty have positive relationship.
 - Some dimensions like conflict handling and trust are more sensitive than others in this research.
- b. On the regression analysis part, it is clearly shown that relationship marketing explains customer loyalty. The regression analysis indicated that 60% customer loyalty is explained by relationship marketing. Each independent variable is also regressed against customers' loyalty and the result shows that all the independent variables can explain the dependent variable i.e. customer loyalty. The regression analysis result looks like the following.
 - 60% of customers' loyalty is significantly explained by relationship marketing.
 - 33.3% of customers' loyalty is significantly explained by trust.
 - 28.7% of customers' loyalty is significantly explained by commitment.
 - 16.2% of customers' loyalty is significantly explained by empathy.

- 53.7% of customers' loyalty is significantly explained by conflict handling
- c. In connection to independent sample t test analysis, it is found that the public banks are practicing customer relationship marketing more than private banks. And the public banks' customers are loyal to their bank than private banks. The means comparison result is presented here under.
- ✓ Public banks customers' agreement level on average regarding CRM practice is 4.07; it is more than private banks customers' average score (3.95).
 - ✓ The public banks customers are more loyal to their banks than private banks.
 - ✓ The more CRM practice in the banking industry lead to have more loyal customers.

5.2 Conclusion

Based on previous theories and researches regarding relationship marketing and its outcomes, this study shows that clear links between relationship marketing and customer loyalty, which helps to deeply understand the relationship and interaction between relationship marketing and customers' loyalty. The relationship marketing dimensions that were included in this research are trust, commitment, empathy, and conflict handling.

In view of the findings of the study discussed in the previous section, the research came up with the following conclusion.

- It can be conclude that the four relationship marketing dimensions namely trust, commitment, conflict handling, and empathy are positively related to customer loyalty in the banking industry.
- The researcher also concluded that trust, commitment, empathy, and conflict handling have a positive impact on customers' loyalty in commercial banks in Ethiopia, particularly in the selected three banks.
- Generally, the customer relationship marketing has a greater effect on customers' loyalty of the three banks in which the study conducted.
- Regarding to, the comparison of public and private banks interms of CRM practice and customer loyalty, the researcher came up to the conclusion that the public bank is practicing the CRM more, and the public bank customers are more loyal to their banks. Finally, the more CRM practiced by banks the more it get loyal customers.

5.3 Recommendations

The findings of this research also important evidence for managers who take charge of relationship marketing. It is helpful for marketers to understand the effectiveness of relationship marketing from consumer's perspective..

In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to the commercial banks for improving relationship marketing activities to assure customer loyalty.

- Banks must develop customer relationship program that will help them build and support positive customer relationships. Since the banks are providing services to customers, it is a must to give high value for good relationship. Relationship with customers can be improved by explaining to employees, especially in the frontline and knowing how much each customer is worth to the business. The more employees work together to keep existing customers satisfied, the lesser customer attrition will be.
- 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. In Ethiopia, the growing number of banks led to the increase in the competition of banking industry. Therefore, banks must be well aware of the want and needs of the customers. Nowadays customers are demanding more not only based on the service but they demand the way they are treated. Once they are satisfied with the services that were provided by banks, they will communicate about the bank or services to the other customers.
- Banks should put more effort to attract more customers especially in dimensions related to commitment, conflict handling, trust and empathy. In order to create and maintain loyalty, banks must recognize that many of the core product attributes are necessary, but not sufficient for loyalty. On the other hand, it is a must to have a strong connection with its customers in order to create and maintain customer loyalty. By having strong relationship with customers it is possible to keep customer from switching to other competitor.
- Banks should invest in its employees, especially on the frontline, to motivate them to serve customers best. Frontline employees should be trained to act in a manner that recognizes customers as a valuable asset. To motivate employees and get their commitment, the bank should offer them a challenging work, attractive salary that recognizes the contribution of

their effort towards the overall success of the business. Besides these, actions to make them participate in decision making activities, to provide an opportunity to learn and advance, and reward for their contribution have a lot to play in employees' motivation.

- Banks should establish more efficient and effective ways of complaint handling procedures and communicate those procedures to customers'. It is also advisable to management to keep customers informed about changes that take place in the company well in advance instead of leaving them to know by chance.
- Banks should give greater attention to both getting new customers and retaining the existing ones in the advertisement and other promotional activities by using relationship marketing as strategy. It is also recommended that banks should have the system to ask customers to comment about the service either verbally or on phone or in writing about their satisfaction. Collecting feedback is not an end by itself; banks should analyze the feedback periodically and must use them as a means of problem identification.
- When hiring employees, banks should look at the ability and interest of an employee to establish and maintain strong relationship with the customers and other employees of the organization. Potential candidates who are strong in trusting behavior, conflict resolution ability, strong commitment to the assigned tasks and adding with empathy should be considered.
- Marketers should put their efforts into implementing relationship marketing in an effective way, in order to enhance customer perceived trust, commitment, conflict handling and empathy. It is also essential for banks to realize the importance of relationship quality and customers loyalty for practical business. A higher quality of a relationship might lead to a higher level of customer loyalty, which makes vendors profit more. Banks should assign responsible body for following up relationship marketing activities and providing solutions with short period of time if problems arise.

In general, banks should make the whole system on work with customers, not in opposite of customers. As it is known, customers are the reason for the survival of banks. So, banks are expected to invest more on attracting new customers and retaining the existed ones. Banks should recognize the importance of relationship marketing in creating loyal customers and implement appropriately.

This study directly focuses on relationship marketing dimensions and its effect on customer loyalty in banking sector. This research can be further explored by adding more relationship marketing dimensions like value, communication, cooperation, and others which could influence customer loyalty.

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Appendix: A

Addis Ababa University
College of Business and Economics
School of Commerce
Graduate Studies Program

Dear participants:

The questionnaire is prepared by MA graduate student for the purpose of conducting research on ‘the effect of customer relationship management on customer loyalty: the case commercial banks in Ethiopia’. Your honest response is very much important input to my research. I want assure you that your privacy for responding to this questionnaire is completely kept in secret. Please respond to all questions. I know that your time is valuable, and I hope that you will take the time (an estimated 15-20 minutes) to complete the questionnaire.

Thank you very much for your time and assistance.

Email Address: mesfin.tenkir@yahoo.com

Telephone 0911 – 42 60 37

Questionnaire to the Current Account customers

Part I: Demographic or General information

Choose the suitable answer and tick (✓) in the box given for each question.

1. Gender Female Male
2. Age Below 20 years 20-39 years
 40-59 years 60 years and above
3. Education qualification Primary Secondary Diploma
 Degree Postgraduate Others
4. Occupation Government sector Private sector
 Own Business Student Others
5. Monthly income Below Birr 1000 Birr 1000-2999
 Birr 3000-4999 Birr 5000 and above
6. For how long you have used the bank's services?
 Below 1 year 1 -3 years 3- 5 years
 5-7 years Above 7 years
7. Type of bank Public Private

Part II Please, indicate your level of agreement by circling the number in the box, where:

1=Strongly Disagree 2= Disagree 3=No Opinion

4=Agree 5=Strongly Agree

No.	Question	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Trust						
1	The bank is very concern with security for my transactions	1	2	3	4	5
2	The bank's promises are reliable	2	2	3	4	5
3	The bank is consistent in providing quality service	1	2	3	4	5
4	Employee of the bank show respect to customers	1	2	3	4	5
5	The bank fulfils its obligation to customers	1	2	3	4	5
6	I have confidence in the bank's service	1	2	3	4	5
7	Given my experience, the bank can be trusted Completely	1	2	3	4	5
8	Given my experience, the bank can be counted on to do what is right	1	2	3	4	5
9	My bank is always honest to me	1	2	3	4	5
10	My bank has the ability to meet its promises	1	2	3	4	5
11	I never doubt that my bank will not keep its promises	1	2	3	4	5
Commitment						
12	The bank makes adjustment to suit my needs	1	2	3	4	5
13	The bank offers personalized services to meet customers need	1	2	3	4	5
14	The bank is flexible when its service are changed	1	2	3	4	5
15	The bank is flexible in serving my needs	1	2	3	4	5
16	My relationship with the bank is one that I am very committed to continuing it	1	2	3	4	5
17	My relationship with the bank is very important to me	1	2	3	4	5
18	My relationship with the bank is one that I really care about	1	2	3	4	5
19	My relationship with the bank is worth my effort to maintain	1	2	3	4	5
Empathy						
20	Employees of the bank deal with customer's in a caring fashion	1	2	3	4	5
21	Bank employees give the individualized attention	1	2	3	4	5
22	The employees of the bank understand your specific needs	1	2	3	4	5
23	Bank employees have the customer's best interest at heart	1	2	3	4	5
24	Bank has operating hours convenient to all its customers	1	2	3	4	5
Conflict Handling						
25	The bank tries to avoid potential conflict	1	2	3	4	5
26	The bank tries to solve manifest conflicts before the customers create problems	1	2	3	4	5
27	The bank has the ability to openly discuss solutions when	1	2	3	4	5

	problems arise					
28	The bank is responsive to my complaints	1	2	3	4	5
29	The bank shows a sincere interest in solving customer problem	1	2	3	4	5
30	The bank listens customer's problem	1	2	3	4	5
31	The bank clearly communicates about each Bank's policy to their customers (about customers' right, responsibility, and other related issues)	1	2	3	4	5
32	The bank clearly communicates to you about how and where to complain in case of a problem	1	2	3	4	5
33	The bank gives you prompt response for your complaints	1	2	3	4	5
34	The bank asks you about your feeling toward their responses for your complaints	1	2	3	4	5
Customer Loyalty						
35	Considering the bank as first choice among other banks in the area; and the bank that first comes to my mind when making purchases decision on bank services	1	2	3	4	5
36	If I had to do it over again, I would still choose to use the bank	1	2	3	4	5
37	I do not like to change to another bank because I value the bank	1	2	3	4	5
38	I am a loyal customer to the bank	1	2	3	4	5
39	I would always recommend the bank to someone who seeks my advise	1	2	3	4	5
40	It would difficult to change my beliefs about the bank	1	2	3	4	5
41	I would always use this bank's services	1	2	3	4	5
42	Even if close friends recommended another bank, my preference for this bank would not change	1	2	3	4	5
43	My intention to use the services of this bank would not be changed	1	2	3	4	5
44	I do not like to change to another bank because this bank sees my needs	1	2	3	4	5

Thanks for your assistance!!

Appendix B

በአዲስ አበባ ዩኒቨርሲቲ የንግድ ስራ ት/ቤት

የማርኬቲንግ ማኔጅመንት ድህረ-ምረቃ ትምህርት ክፍል

የደንበኞች መጠይቅ

ይህ መጠይቅ የተዘጋጀው የባንኩን የደንበኞች ግንኙነት አገልግሎት አሰጣጥን ለመመዘን ነው። በዚህ መጠይቅ ላይ የሚያሰፍሩት ማንኛውም መረጃ ለትምህርታዊ አገልግሎት ብቻ እንደሚውል እየገለፅኩ፣ ከዚህ በተጨማሪም ግላዊ መረጃዎች በጥቅል ለሚደረግ ምርምር ግብአትነት ብቻ እንደሚውሉ ላረጋግጥልዎ እወዳለሁ።

ከዚህ በታች ለተዘረዘሩት መግለጫዎች የ $\sqrt{\quad}$ ምልክት በማድረግ የሚመርጡትን ያመልክቱ።

ክፍል I - መሠረታዊ መረጃዎች

1. ፆታ፤ ወንድ ሴት

2. እድሜ፤ ከ20 ዓመት በታች 20-39 ዓመት
 40-59 ዓመት ከ60 ዓመት በላይ
3. የትምህርት ደረጃ፤ አንደኛ ደረጃ ሁለተኛ ደረጃ ዲፕሎማ
 ዲግሪ ማስተርስ ሌላ
4. ሥራ፤ የመንግሥት የግል ድርጅት
 የግል ንግድ ተማሪ ሌላ
5. ወርሀዊ ገቢ፤ ከ 1000 ብር በታች ከብር 1000-2999 ከ3-5 ዓመት
 ከብር 3000-4999 ብር 5000 እና ከዚያ በላይ
6. የባንኩ ደንበኛ ከሆኑ ስንት ጊዜ ሆነዎት?
 ከ 1 ዓመት በታች ከ 1-3 ዓመት
 ከ 5-7 ዓመት ከ 7 ዓመት በላይ
7. የትኛውን ባንክ ነው የሚጠቀሙት?
 የመንግሥት ባንክ የግል ባንክ

ክፍል II:-የደንበኞች ግንኙነት አገልግሎት የተመለከቱ ጥያቄዎች

ከዚህ በታች የተዘረዘሩት ሀሳቦች የግልዎን አስተያየት በሃሳቦቹ ትይዩ በተቀመጡት አምዶች የ"√" ምልክት በማስቀመጥ እንዲገልጹ በትህትና ስጦታዎቹ አማራጮቹ ከበጣም አልሰማማም(1) ጀምሮ እስከ በጣም እስማማለሁ(5) ድረስ መሆናቸውን እገልጻለሁ፡፡

- 1= በጣም አልሰማማም 2=አልሰማማም 3=እርግጠኛ አይደለሁም
 4=እስማማለሁ 5= በጣም እስማማለሁ

	ጥያቄዎች	በጣም አልሰማማም (1)	አልሰማማም (2)	እርግጠኛ አይደለሁም (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
	መተማመን					
1	ከባንኩ ጋር ያለኝ እንቅስቃሴ በተመለከተ ምንም አይነት ችግር አጋጥሞኝ አያውቅም፡፡					
2	ባንኩ ሁል ጊዜ በገባው ቃል መሰረት ይፈጽማል፡፡					
3	ባንኩ በተለያዩ ጊዜያት ተመሳሳይ ጥራት ያለው አገልግሎት ይሰጣል፡፡					
4	የባንኩ ሠራተኞች ተገቢውን ክብር ይሰጡኛል፡፡					
5	ባንኩ ለደንበኛው የገባውን ግዴታ ይወጣል፡፡					
6	በባንኩ አገልግሎት እተማመናለሁ፡፡					
7	እኔ እስከማውቀው ባንኩ ሙሉ በሙሉ ታማኝ ነው፡፡					
8	እኔ እስከማውቀው ባንኩ የሚሰራው ትክክለኛ ነገር ነው፡፡					
9	ባንኩ ምንጊዜም ታማኝ ነው፡፡					
10	ባንኩ የገባውን ቃል የመፈጸም ብቃት አለው፡፡					
11	ባንኩ የገባውን ቃል አይጠብቅም ብዬ ፈጠራ አልጠራጠርም፡፡					
	ዝግጁነት					
12	ባንኩ አሰራሩን ከእኔ ፍላጎት ጋር በማጣጣም አገልግሎት ይሰጣል፡፡					
13	ባንኩ የአዩዲዲዲዲዲ ደንበኛ ፍላጎት መሰረት ያደረገ አገልግሎት					

	ይሰጣል።					
14	የባንኩ አገልግሎት በሚለወጥበት ጊዜ ባንኩም አንደሁኔታው ይቀያየራል።					
15	ባንኩ የአኔን ፍላጎት ለማሟላት አንደሁኔታው አሠራሩ ይቀያየራል።					
16	ከባንኩ ጋር ያለኝ ግንኙነት ለመቀጠል በጣም ከምፈልጋቸውና ጥረት ከማድረግባቸው ጉዳዮች አንዱ ነው።					
17	ከባንኩ ጋር ያለኝ ግንኙነት በጣም አስፈላጊዬ ነው።					
18	ከባንኩ ጋር ያለኝ ግንኙነት ከምጠነቀቅላቸው ጉዳዮች አንዱ ነው።					
19	ከባንኩ ጋር ያለኝ ግንኙነት አኔ ግንኙነቱ አንዲቀጥል ከማድረገው ጥረት ጋር ተመጣጣኝ ነው።					
	ሀሳቢነት					
20	የባንኩ ሰራተኞች አገልግሎት የሚሰጡኝ በእንክብካቤ ነው።					
21	የባንኩ ሰራተኞች ለአያንዳንዱ ደንበኛ ልዩ ትኩረት ይሰጣሉ።					
22	የባንኩ ሰራተኞች ፍላጎቴን ይረዱልኛል።					
23	የአርሶ ዋና ፍላጎት በባንኩ ሰራተኞች ልብ ውስጥ አለ።					
24	የባንኩ የስራ ሰአታት ለሁሉም ደንበኞች አመቺ ናቸው።					
	ቅሬታ ፈችነት					
25	ባንኩ ቅሬታ ሊፈጥሩ የሚችሉ ነገሮችን ለማስወገድ ጥረት ያደርጋል።					
26	ባንኩ ግልፅ የሆኑ ቅሬታዎች ደንበኛ ላይ ችግር ከመፍጠራቸው በፊት መፍትሄ ለመስጠት ጥረት ያደርጋል ።					
27	ባንኩ ችግሮች በሚከሰቱበት ጊዜ በግልፅ ውይይት የመፍታት ችሎታ አለው ።					
28	ባንኩ ለቅሬታዬ ምላሽ ይሰጣል ።					
29	ባንኩ የደንበኛን ቅሬታ በሚፈታበት ጊዜ በታማኝነት ነው ።					
30	ባንኩ የደንበኝን ችግር ያዳምጣል።					
31	ባንኩ እያንዳንዱን የባንኩን ደንብ (ፖሊሲ) ለደንበኞቹ በግልፅ ያሳውቃል። (ስለደንበኞች መብት ኃላፊነትና ስለመሳሰሉት ጉዳዮች)					
32	ባንኩ ችግር በሚገጥመኝ ጊዜ እንዴትና የት ቅሬታዬን መግለፅ እንደምችል በግልፅ አሳውቆኛል።					
33	ባንኩ ለቅሬታዬ አፋጣኝ ምላሽ ይሰጠኛል ።					
34	ባንኩ ለቅሬታዬ በተሰጠኝ ምላሽ ላይ ያለኝን አስተያየት ወይም ስሜቴን እንደገልጽ ይጠይቀኛል።					

	የደንበኛ ታማኝነት					
35	የባንክ አገልግሎት ማግኘት ሳስብ ከሌሎች ባንኮች ሁሉ ቀድሞ በሃሳቤ የሚመጣው ይኼኛው ባንክ ነው።					
36	እንደገና ምረጥ ብባል ለመጠቀም የምመርጠው ይኼንን ባንክ ነው።					
37	ይኼን ባንክ ስለምወደው በሌላ ባንክ መቀየር አልፈልግም።					
38	እኔ የዚህ ባንክ ታማኝ ደንበኛ ነኝ።					
39	ምክር ለሚጠይቁኝ ሁሉ ሁሌም የምመክራቸው ይኼን ባንክ እንዲጠቀሙ ነው።					
40	ስለባንኩ ያለኝን እምነት ለመቀየር እቸገራለሁ።					
41	የባንኩን አገልግሎት ሁሌ አጠቃሚለሁ።					
42	ምንም እንኳን የቅርብ ጓደኞቼ ሌላ ባንክ እንደጠቀም ቢመከሩኝም ለዚህ ባንክ ያለኝ ምርጫ/ፍላጎት ግን አይቀየርም።					
43	የዚህን ባንክ አገልግሎት የመጠቀም ሀሳቤ አይቀየርም።					
44	ይኼ ባንክ ፍላጎቴን ስለሚያሟላልኝ ወደ ሌላ ባንክ ለመሄድ/ለመለወጥ አልፈልግም።					

ለተደረገልኝ ትብብር እጅግ በጣም አመሰግናለሁ!

Appendix: C
Data screening and cleaning

Statistics- Demographic

N	Valid	384	384	384	384	384	384	384
	Missing	0	0	0	0	0	0	0
Mean		1.58	2.30	1.92	3.43	3.25	3.35	1.20
Minimum		1	1	1	1	1	1	1
Maximum		2	4	4	5	4	5	2
Percentiles	25	1.00	2.00	1.00	3.00	3.00	2.00	1.00
	50	2.00	2.00	2.00	4.00	3.00	3.00	1.00
	75	2.00	3.00	2.00	4.00	4.00	4.00	1.00

Statistics- Commitment

		1	2	3	4	5	6	7	8
N	Valid	384	384	384	384	384	384	384	384
	Missing	0	0	0	0	0	0	0	0
Mean		3.97	3.82	3.98	3.81	4.13	4.08	4.33	3.94
Minimum		1	2	2	1	2	3	2	2
Maximum		5	5	5	5	5	5	5	5
Percentiles	25	4.00	3.00	4.00	3.00	4.00	4.00	4.00	3.00
	50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	75	5.00	5.00	5.00	4.00	5.00	5.00	5.00	5.00

Statistics- Conflict handling

		1	2	3	4	5	6	7	8	9	10
N	Valid	384	384	384	384	384	384	384	384	384	384
	Missing	0	0	0	0	0	0	0	0	0	0
Mean		3.83	4.17	4.12	4.09	4.05	3.98	3.83	3.98	4.10	4.04
Minimum		2	3	3	3	3	2	1	2	3	2
Maximum		5	5	5	5	5	5	5	5	5	5
Percentiles	25	3.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00	4.00	3.00
	50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	75	4.00	5.00	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00

Statistics-Empathy

		1	2	3	4	5
N	Valid	384	384	384	384	384
	Missing	0	0	0	0	0
Mean		4.00	4.35	4.26	3.97	3.93
Minimum		2	3	3	3	2
Maximum		5	5	5	5	5
Percentiles	25	4.00	4.00	4.00	3.00	3.00
	50	4.00	4.00	4.00	4.00	4.00
	75	4.00	5.00	5.00	5.00	4.00

Statistics- Trust

		1	2	3	4	5	6	7	8	9	10	11
N	Valid	384	384	384	384	384	384	384	384	384	384	384
	Missing	0	0	0	0	0	0	0	0	0	0	0
Mean		3.93	4.07	3.85	4.16	4.15	4.23	4.12	4.14	4.04	4.09	3.96
Minimum		1	2	2	2	2	3	2	2	2	2	1
Maximum		5	5	5	5	5	5	5	5	5	5	5
Percentiles	25	3.00	4.00	3.00	4.00	4.00	4.00	4.00	4.00	4.00	3.00	4.00
	50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	75	5.00	5.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	4.00

Statistics-loyalty

N	Valid	384	384	384	384	384	384	384	384	384	384
	Missing	0	0	0	0	0	0	0	0	0	0
Mean		4.05	4.08	3.91	4.18	4.00	3.83	4.12	4.14	4.11	4.12
Minimum		2	2	2	3	2	2	1	2	2	2
Maximum		5	5	5	5	5	5	5	5	5	5
Percentiles	25	4.00	4.00	3.00	4.00	3.00	3.00	4.00	4.00	4.00	4.00
	50	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	75	4.00	4.00	5.00	5.00	5.00	4.00	5.00	5.00	5.00	5.00

Correlation Analysis

Correlations

		Loyalty	CRM
Loyalty	Pearson Correlation	1	.693**
	Sig. (2-tailed)		.000
	N	384	384
CRM	Pearson Correlation	.693**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Correlations

		Loyalty	Trust
Loyalty	Pearson Correlation	1	.577**
	Sig. (2-tailed)		.000
	N	384	384
Trust	Pearson Correlation	.577**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Correlations

		Loyalty	Commitment
Loyalty	Pearson Correlation	1	.535**
	Sig. (2-tailed)		.000
	N	384	384
Commitment	Pearson Correlation	.535**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Correlations

		Loyalty	Empathy
Loyalty	Pearson Correlation	1	.403**
	Sig. (2-tailed)		.000
	N	384	384
Empathy	Pearson Correlation	.403**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Correlations

		Loyalty	Conflict handling
Loyalty	Pearson Correlation	1	.733**
	Sig. (2-tailed)		.000
	N	384	384
Conflict handling	Pearson Correlation	.733**	1
	Sig. (2-tailed)	.000	
	N	384	384

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

Regression Analysis

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.693 ^a	.480	.479	.287	2.174

a. Predictors: (Constant), CRM

b. Dependent Variable: Loyalty

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	28.944	1	28.944	352.455	
	Residual	31.371	382	.082		
	Total	60.315	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), CRM

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.644	.182		3.531	.000
	CRM	.842	.045	.693	18.774	.000

a. Dependent Variable: Loyalty

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.577 ^a	.333	.331	.324	1.504

a. Predictors: (Constant), Trust

b. Dependent Variable: Loyalty

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.098	1	20.098	190.907	.000 ^b
	Residual	40.216	382	.105		
	Total	60.315	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Trust

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.289	.201		6.419	.000
	Trust	.680	.049	.577	13.817	.000

a. Dependent Variable: Loyalty

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.535 ^a	.287	.285	.336	1.662

a. Predictors: (Constant), Commitment

b. Dependent Variable: Loyalty

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.287	1	17.287	153.473	.000 ^b
	Residual	43.028	382	.113		
	Total	60.315	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Commitment

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.162	.154		14.070	.000
	Commitment	.472	.038	.535	12.388	.000

a. Dependent Variable: Loyalty

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.403 ^a	.162	.160	.364	1.654

a. Predictors: (Constant), Empathy

b. Dependent Variable: Loyalty

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.792	1	9.792	74.038	.000 ^b
	Residual	50.523	382	.132		
	Total	60.315	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Empathy

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.405	.192		12.499	.000
	Empathy	.402	.047	.403	8.605	.000

a. Dependent Variable: Loyalty

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.733 ^a	.537	.536	.270	2.131

a. Predictors: (Constant), Conflict handling

b. Dependent Variable: Loyalty

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	32.389	1	32.389	443.041	.000 ^b
	Residual	27.926	382	.073		
	Total	60.315	383			

a. Dependent Variable: Loyalty

b. Predictors: (Constant), Conflict handling

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.278	.133		9.640	.000
	Conflict handling	.690	.033	.733	21.049	.000

a. Dependent Variable: Loyalty

Main Comparison

Group Statistics

	Type of Bank	N	Mean	Std. Deviation	Std. Error Mean
CRM	Public	307	4.07	.266	.015
	Private	77	3.95	.490	.056

Group Statistics

	Type of Bank	N	Mean	Std. Deviation	Std. Error Mean
Loyalty	Public	307	4.10	.291	.017
	Private	77	3.86	.636	.072