



**ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**THE IMPACT OF RELATIONSHIP MARKETING ON CUSTOMER
LOYALTY
THE CASE OF COMMERCIAL BANK OF ETHIOPIA**

**BY
ASNAKECH MEKONNEN
ID SGS/0006/2006**

**JANUARY 2018
ADDIS ABABA, ETHIOPIA**

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FACULTY OF BUSINESS**

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List of Abbreviations

1. ANOVA (Analysis of Variance)
2. ATM (Automatic Teller Machine)
3. CL (Customer Loyalty)
4. CBE (Commercial Bank of Ethiopia)
5. EAAD (East Addis Ababa District)
6. NAAD (North Addis Ababa District)
7. WAAD (West Addis Ababa District)
8. SAAD (South Addis Ababa District)
9. SPSS (Statistical Package for Social Science)
10. VIF (Variance Inflation Factor)

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Abstract

Today, in the new competitive environment, the development of close, long-lasting relationships with selected target customer has been often advocated in the international literature as a major strategic tool to limit competition in markets and to defend bank profitability in the long run. Recently more than ever before, strong competition and increasing customer awareness and complexity are the big challenges to the banking sector. According to marketing scholars, relationship marketing is the best strategy for this purpose. This research seeks to empirically evaluate the impact of the underpinnings of relationship marketing on customer loyalty in Commercial Bank of Ethiopia. The research involved respondents of 400 customers and eight branch managers of commercial bank of Ethiopia. The tools used for data gathering were questionnaire and interview for customers and branch managers respectively. The data were analyzed using Statistical Package for Social Scientists 20.0 version. Descriptive statistics, Correlation, independent sample T-Test, Analysis of Variance (ANOVA), multiple Regression analysis were used to analyze the data from the customer survey. The results obtained by analyzing the data indicate that there is a positive relation between relationship marketing factors and customers' loyalty. Commitment, empathy, trust and conflict handling factors hold the first to fourth priorities in relation to the customers' loyalty. The findings show the recognition of the relationship marketing and its extension of the dimensions are essential factors to retain customers and improving loyalty. It is also recommended that the bank to work on relationship marketing aggressively.

Keywords: *Relationship marketing, Trust, Commitment, Conflict handling, Empathy, and customer loyalty.*

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Today banks are working in a highly competitive and rapidly changing work environment. Top bank management knows the importance of establishing strong relationships with customers to ensure long-term profitability and sustainable core revenues.

Nowadays, the main marketing focus is shifting towards customer. Over the past fifteen years, a major shift has occurred in the ways that industrial companies deal with their customers and suppliers. This change came about when companies recognized that a sustainable competitive advantage in the global economy, increasingly, requires companies to become trusted participants in various networks or sets of strategic alliances (Morgan and Hunt, 1994).

Worthington and Horne(1998) conducted research on a new relationship marketing model and its application and concluded that relationship marketing is being put forward as a new paradigm for marketing and is particularly relevant for the marketing of financial services, with their potential for long term and wide relationships between financial institution and customer. Ferguson and 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 relationship is the secret to furthering growth and should be an unquestioned axiom by bankers.

The shift in the marketing paradigm (Gronroos, 1997), as a result of globalization of businesses and the evolving recognition of the importance of customers retention, customer loyalty, market economies and customers relationship economies, as brought companies to deliver the benefits that accrue to customers. The global financial crisis has left bankers searching for a profitable path forward in a permanently altered competitive landscape. It becomes worsened with the sunk-public trust in financial-services companies, underscoring the need for retail bankers badly damaged customer relationship.

Lacey and Morgan (2009) findings suggest that customers with stronger level of commitment

are indeed more willing to contribute as customers advocates. They also pointed out that relationship marketing represents a dramatic change in buyers-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 and Kurtz, 2005).

Studies of the impact 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, 2006) have specifically examined that relationship marketing such as trust, commitment and conflict handling have a direct effected on customers loyalty.

The Commercial Bank of Ethiopia was established in its present form by a merger of one the nationalized private banks (Addis Bank) with that of the publicly owned commercial bank by proclamation no.184(1980). Since 1992 Ethiopia has been gradually liberalizing its financial sector. One of the main targets of financial institutions is mobilizing resources specifically domestic savings and channeling investment (Alemayehu, 2006).

The CBE is government owned bank which provides various services like savings and checking accounts, giving short-term and long term loans, foreign exchange transactions, and money transfer services. Furthermore it participates in investments, provide assurances and perform other commercial banking activities. It plays a catalytic role in the economic progress and development of the country. Currently CBE has more than 9 million account holders and it combines a wide capital base with more than 26,000 talented and committed employees. CBE has reliable and long-standing relationship with many international banks throughout the world. Despite of these focusing on profitable customer enhance the activities than other competitors (Bryant 2009). The bank has fifteen districts and above 1160 branches where the branches in Addis Ababa are classified under four district namely North, South, East and West Addis Ababa. Under which there are a total of 195 branches. (www.cbebanketh.com). Therefore, the study tries shows the impact of relationship marketing underpinning trust, commitment, conflict handling and empathy on customer loyalty in banking sectors, the case of Commercial Bank of Ethiopia.

1.2 Problem Statement

According to (Hinnawi, 2011), banks have to look difficulties to meet the high growth of customer expectations and banks are fighting each other to achieve a great slice of the market share with a globalization effect. Recently more than ever before, strong competition, fragmentation of markets, short life cycles of products and increasing customer awareness and complexity are the big challenges to the banking sector (Tsegay, 2011).

As the competitive environment becomes more turbulent, the most important issue the sellers face is not only to provide excellent and good quality products or services, but also to keep loyal customers who will contribute long-term profit to organizations. To compete in such swarming and interactive marketplace, marketers are forced to look beyond the traditional 4Ps (Product, Price, Placement and promotion) of marketing strategy. However, due to increased customer awareness, customers are more demanding, and those banks having strong relationships with their customers have strong competitive advantage in terms of increasing profitability, market share, customer retention ,attracting new and potential customers over other banks and in a competitive market place, customers are easily lost through in different services (Oracle, 2002). Customers are becoming solider to please, they are smarter, more price sensitive, more challenging, less sympathetic, and they are approached by many more competitors with equal or better offers (Kotler, 2007).

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 (Ileverin and Liljander, 2006).

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 must to understand the customers likes or/and dislikes and serve the customers according to their desire to anchor them for continuous relationship (Kotler and Armstrong, 2010).

Creating long lasting and stable relationship with customers is mandatory to reduce customer

switching. To make stable relationship with customers' banks have to start successful contact with customers and continue through the entire life so that the customers can develop confidence on banks and they felt that they may be more secure with its services which ultimately lead to reduce customer defection (Gajendran and Muche, 2015).

CBE's deposit mobilization targets and performances show that deposit balance is concentrated in a few accounts. 31.3% deposit balance is held by 0.15% of customers (10,356), 64.7% of deposit balance is held by 2.2% of customers (253,331), 25.3% of accounts (2,973,608) have balance below birr 50, and 4,318,501 accounts have balance below birr 100. This shows that deposit structure is characterized by concentration of high value deposits with few customers and low value deposits with larger numbers of customer. Thus there is a need for customer retention and recruiting high value customers and raising balance per account (Deposit mobilization strategy revised for 2015/16 – 2019/20).

So, the main reason that initiated the researcher to conduct this research is CBE's deposit (total) volatility increased over time. 2001 -2003 it was 6.9%, 2004- 2010 increased to 8.6% and in 2011-2014 it raised to 10.5%. In the deposit mobilization strategy revised for 2015/16 – 2019/20 the reason for the above stated problem of volatility are the high concentration of deposit in a few accounts and that the bank not actively working to retain high value customers and improve loyalty. On top of this the bank faces a growing competition threats from other banks. Therefore, Study tries to investigate the relationship marketing dimensions, trust, commitment, conflict handling, and empathy of Commercial Bank of Ethiopia, in order to determine whether these four dimensions, have the intended strengthening effect on customer loyalty.

1.3 Research questions

This study has identified the below listed research questions with regard to how relationship marketing practice of Commercial Bank of Ethiopia impacts loyalty of its customers.

- Does trust influence customers' loyalty towards the bank?
- Does commitment influence customers' loyalty towards the bank?
- Does conflict handling influence customers' loyalty towards the bank?
- Does empathy influence customers' loyalty towards the bank?

1.4 Objective of the study

1.4.1 General objective

The general objective of this study is to examine the impact of relationship marketing on customers' loyalty within the Commercial Bank of Ethiopia.

1.4.2 Specific objectives

- To determine whether trust influences the extent of customers' loyalty towards the bank.
- To find out whether commitment influences the extent of customers' loyalty towards the bank.
- To determine whether empathy influences the extent customers' loyalty towards the bank.
- To identify whether conflict handling influences the extent of customers' loyalty towards the bank.

1.5 Hypothesis

H1: There is a significant positive relationship between empathy and customer loyalty.

H2: There is a significant positive relationship between commitment and customer loyalty.

H3: There is a significant positive relationship between trust and customer loyalty.

H4: There is a significant positive relationship between conflict handling and customer loyalty.

1.6 Operational definition

- Relationship marketing – is to identify, create, maintain and enhance the relations in an efficient context, with customers and parties to whom the firm has interactions (Taghdiri&Saber,p.32)

- Trust – perceived level of confidence in a transaction partners’ reliability and honesty and confidence in an exchange partner’s reliability and integrity (Morgan and Hunt, 2004).
- Commitment – higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al.,; Morgan and Hunt, 1994).
- Conflict handling – is a proactive in planning and implementation of identifying potential conflict, solving conflict before they manifest, avoiding potential conflict and blocking them (Ndubisi, 2007).
- Empathy – Empathy is the ability to see a situation from another person's perspective (Wang, 2007).

1.7 Significance of the study

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 more profit. In the service sector like banking industry, firms really need to be more alert of their customer needs and wants.

- The result of the study will provide current information on relationship marketing and its impact on customer loyalty in the case of Commercial Bank of Ethiopia.
- In addition, the findings of the study will be also used for other similar studies in the future.
- It is expected that this research can contribute a lot to the efforts made by Commercial Bank of Ethiopia for the improvement of customer loyalty through provision of appropriate service to the respected customers.
- The study will also give a direction for the bank how to retain the existing customers.
- The study is also believed to benefit both academicians and other practitioners as a documented study in this area.

1.8 Scope of the study

The study is delimited to eight Commercial Bank of Ethiopia’s branches under the four districts in Addis Ababa namely Addis Ababa branch (NAAD), Arat Kilo branch (NAAD), Megenagna branch (EAAD), Andinet branch (EAAD), Gofa Sefer branch (SAAD), Finfine

branch (SAAD), Anuar Mesgid branch (WAAD) and Tekle Himanot branch (WAAD). Other private banks are not also involved. This is mainly because of the lack of budget, time and also considering the lack of resources. Since, Addis Ababa is one of the largest cities in Ethiopia with much diverse population, in which it ensures wide spread of potential respondents to the study. In terms of the constructs showed in the research framework are the focusing points. Other elements or underpinnings measurements of relationship marketing are excluded because the researcher believes that this four have more influence on banking industry. In terms of respondents, branch managers were chosen one for each branch and only private institutions account holders and individual account holding customers were included. Hence, other customers of the bank those who have no saving account and one time users were not considered at the time of the data collection. As for the government account holders also were not considered since the study is on Commercial bank of Ethiopia all government institutions are to use the bank and are less affected by relationship marketing as their tendency to seek personal service is minimal.

1.9 Limitation of the study

The study has limitations with respect to time and cost. The scope of the study by itself is the limitation. The generalization of the finding and conclusion drawn will be limited to 8 CBE branches.

1.10 Organization of the paper

The paper will be organized into five chapters. The first chapter will deal with the introduction of the topic and the second chapter presents review of related literature which will be about relationship marketing and customer loyalty. The third chapter will deal with the methodology of the research and the fourth chapter presents data analysis, findings and discussion of the data gathered. The fifth chapter will present the summary, conclusion, recommendation and limitations of the research.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

The primary purpose of this section is to get the theoretical understanding on the concept of relationship marketing, the four underpinnings under relationship marketing, customer loyalty and the interrelationship between the underpinnings and customer loyalty. First section is the theoretical review which includes concept of relationship marketing, definition of relationship marketing, underpinnings of relationship marketing and benefits of relationship marketing. The second section includes the empirical review which contains the studies of different researchers on the impact of relationship marketing on customer loyalty.

2.1 Theoretical review

2.1.1 The concept of relationship marketing

Since early in 1980, many firms have tended to create constant interactions with their suppliers and other beneficiaries. Then early in 1983, the relationship marketing term was introduced for the first time (Wong, 2004; p.86). Researchers argue that RM represents a “paradigm shift in marketing” from its previous focus on “transactions,” in which firms use the “4P model” to manage marketing-mix variables (Gronroos 1994, p. 4; Sheth and Parvatiyar, 2000). Relationship marketing has received much attention in both academy and practice areas in the last few decades. It was during the last decade of the 20th century that relationship marketing began to dominate the marketing field (Egan, 2001). We require using modern marketing strategies to achieve competitive advantage in today’s competitive market place and also to maintain it. Relationship marketing is one of these strategies. Relationship marketing theory suggests that successful relationship marketing results from certain aspects of cooperative relationships that characterize successful relational exchanges. Applying this policy along with creating a long-term communication, we can identify and enhance the activities which are important from the customers’ point of view, and also we can attract more customers and make them loyal to the organization (Somayeh, Hasan, Gholamreza and Abolfazl. 2014; p.90).

Today, the challenge for providers of banking services is attracting more customers, focusing on building good relationships with them, Creating satisfaction and trust, and building loyalty with them through marketing tactics and conflict management. Gregory (2010) relationship

marketing campaigns are developed by looking at the lifetime relationships with clients rather than the individual dealings in order to increase short term profit. Therefore Commercial banks will need to increase their bank outlook and image to attract more loyal customers. Firms must recognize that building and maintaining strong customer relationships are dependent on both dedicated relationship marketing programs as well as diverse elements of the overall organization. (Robert W. Palmatier 2008: p.83).

To Build and Maintain Strong Customer Relationships A firm must Assign customers a dedicated contact person, even if customers interface through multiple channels (e.g., call center, online) and not let conflict go unresolved, because it will overwhelm other relationship-building efforts.

2.1.2 Definitions of relationship marketing

Generally, there are many definitions of relationship marketing. But the definitions which are provided by the relationship marketing scholars and are used more in relationship marketing literatures were the two following definitions:

- a. Generally, relationship marketing is to identify, create, maintain and enhance the relations in an efficient context, with customers and parties to whom the firm has interactions, so that the objectives of all groups are met through a mutual contact.
- b. Relationship marketing is to consider the marketing process as a network of interactions and communications (Taghdiri&Saber, p.32).

Katler has referred to relationship marketing as the concept of building, retention and improvement of relations with customers (Katler, 1999). On the other hand (Shelet al.2006) states relationship marketing is the understanding and managing the relations with customers and suppliers. Relationship marketing is a new approach in the banking industry to build close and long-term relationship with its customers in order to provide an understanding of the customer and their satisfaction considering the increase in competition (Tahmasbi, 2007).Relationship marketing is the customers' retention, and improvement of communications with customers and attracting it more and more (Fontroot&Heiman.2004). However, (Sheth and Parvatiyar, 2000, p. 9) defines relationship marketing as the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost.

Scholars have listed key virtues that have been theorized in the relationship marketing

literature, for example, *trust* (Moorman et al., 1993; Morgan and Hunt, 1994; Ndubisi, 2004;), *commitment* (Morgan and Hunt, 1994; Ndubisi, 2004), Chan, 2004), *empathy* (Ndubisi, 2004), *conflict handling* (Dwyer et al., 1987; Chan, 2004).

2.1.3 Relationship Marketing in Banking Sector

In the increasingly competitive global financial world, relationship marketing has been advocated as an excellent way for banks to establish a unique long-term relationship with their customers. Most of the core product/service in commercial banking is fairly generic, and it is difficult for most banks to compete purely on this core service. Thus, recognition of the importance of relationship marketing, especially in financial services sector (Alexander and Colgate, 2000; Ennew et al., 1990) has grown in recent years. Berry and Gresham (1986) noted that the practice of a relationship approach is most appropriate when ‘the consumers require personal services and/or selling’. This is certainly the case for a range of the more complex products in financial services sector, where the majority of customers still prefer to make buying decisions supported by the expertise of staff with appropriate knowledge (Dibba and Meadows, 2001). Prior to considering the case analysis and in order to obtain maximum insight from it, it is helpful to consider the literature on relationship marketing in banking.

Research on relationship marketing in the banking industry emerged in the early 1990s (Perrien et.al., 1992; 1993; Kotler, 1995). Today, in the new competitive environment, the development of close, long-lasting relationships with selected target customer has been often advocated in the international literature as a major strategic tool to limit competition in markets and to defend bank profitability in the long run (Peterson, 1999; Rajan, 1992; Sharpe, 1990).

Boot and Thakor(2000) also add that a relationship orientation can alleviate these competitive pleasures because a relationship banking orientation can make a bank more unique relative to competitors. Thus a more competitive environment can encourage banks to become more client-driven and customize services, thus focusing more on relationship banking. Despite the absence of a unique definition of what relationship banking is, there is general consensus among authors that it is a great deal more than a way of selling; relationship banking represents a strategic choice with serious managerial implication. This means that its establishment requires the implementation of several elements (mission, policies, programs, strategies, organizational changes) that foster a customer-oriented culture, encourage mutual and continuous investment in the relationship and create a climate of trust and loyalty

(Moriarty et al., 1983; Perrien et.al., 1993; Ricard and Perrien, 1999).

According to Moriarty "...relationship banking involves more than an emphasis on total customer profitability and cross-selling; it includes an acknowledged perception of mutual interdependence between the bank and the customer...The perceived interdependence of both parties is often based on mutual trust and openness, shared objectives, and a commitment to doing business with each other on long-term basis" (Moriarty, 1983). Boot (2000) also defines relationship banking "as the provision of financial services by a financial intermediary that invests in obtaining customer-specific information, often proprietary in nature and evaluate the profitability of these investments through multiple interactions with the same customer over time and/or across products" (Boot, 2000). The combination of these definitions allows examining the principle elements characterizing relationship banking, which can be summarized as follow:

- *It is a personalized process* as it is based on ongoing interaction between two parties and on a deep knowledge of customer's financial needs
- *It is a long-term process*: relationship banking implies multiple interactions with the same customer over time and/or across products, aiming at increasing customer loyalty and stabilizing the bank profitability in the long run
- *It must be profitable for both parties*: a relationship can develop only if both the bank and the customer realize it adds value and seeks to foster their commitment and trust
- *It involves a number of client-specific information*, often proprietary in nature
- *It tends to be asymmetric*, according to the literature, in banking relationship the overall quality and effectiveness of the relationship generally rest on the service providers.

According Dibb and Meadows (2001) cited by Perrien and Ricard (1995)'s research about relationship marketing in commercial banking a range of issues must be addressed if the effectiveness of a relationship strategy is to be ensured:

- The organization's structure must be designed or modified to fit the decentralized structure required by a relationship strategy
- The influence of human resources management policies on the effectiveness of relationships must be considered, particularly in view of potential gaps between sellers' and buyers' perceptions
- The best way to provide relationship managers with information and data about their

customers must be identified, so that the best efforts are made to understand those customers and their environments

- The fit of pricing within the relationship must be considered
- The role of the sales-force in the development of the relationship must be considered and reflected in sales-force training.

Relationship marketing strategies are successful when customers are satisfied and expectations and requirements to customers are tailored and delivered. Customers will be satisfied only when their expectations are met or if the supplier delivers more than expected. In the banking industry, the service or product delivered is in many cases complex, the client's perception or understanding of the products might be hard to make clear. Also, as the result (financial gain or loss) is realized first after the service has been delivered, making the products more tangible by enhancing transparency and reducing complexity is important for the banks. In practice there are two ways for the company's representative of doing this, raising the trust, commitment, and bond between the customer and the supplier as well as raising the comprehensibility of the products being sold. Furthermore banks must possess the ability not only to gather and collect market information, they must be able to transfer and communicate this information with their customers. When properly done, mistrust and customer dissatisfaction could be avoided (Gidhagen and Thunman, 1998).

2.1.4 Underpinnings of relationship marketing

As it has been stated above there are various underpinnings of relationship marketing. Under this section of the literature review the four key points are discuss.

2.1.4.1 Trust

Trust is a human characteristic that is based on assessment of one another's personality traits, motives and behaviors (Chu, 2009). As for Sin and colleagues(2002), defines trust as a belief in a relationship to reliable statements and other commitments. On the other hand, Liang and Wang(2006), states in this context that trust is "the perceived level of confidence in transaction partners' reliability and honesty" and confidence in an exchange partner's reliability and integrity (Morgan and Hunt, 2004).

(Wetzls et al., 1998) argues it seems that if partners in a relationship trust each other more they are more emotionally involved and less consciously weighing the benefits against the costs of that relationship. Once trust is established, firms learn that coordinated joint efforts will lead to outcomes that exceed what the firm would achieve, if it is acted solely in its own

best interests” (Anderson and Narus 1990).

2.1.4.2 Commitment

In marketing, Moorman et al. (1992) defined commitment as an enduring desire to maintain a valued relationship. This implies a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial (Gundlach et al., 1995; Morgan and Hunt, 1994). Crosby and Taylor (1983) suggest that the tendency to resist changing preference provides the principle evidence of commitment. Beatty et al., (1988) define consumer commitment as the psychological attachment to a service that develops. A customer would be able to determine that their purchase behavior was derived from a sense of loyalty. A substantial research highlights that commitment is an affective nature (Garbarino& Johnson, 1991; Morgan & Hunt, 1994; Sheth & Parvatiyar, 2002).

Affective commitment reflects a customer’s sense of belonging and involvement with a service provider akin to emotional bonding (Fullerton, 2005), while calculative commitment is the way that the customer is forced to remain loyal against his or her desire (De Ruyter, Wetzels & Bloemer, 1998). In calculative commitment, customer can be committed to a selling organization because they feel that ending the relationship involves an economic to social sacrifice (Fullerton, 2005). However, although affective and continuance commitments are distinct components of commitment, there are not necessary mutually exclusive conditions (Allen & Meyer, 1990). On the other hand, Commitment refers to an implicit or explicit pledge of the continuity of a relationship between exchange partners (Dwyer et al. 1987). In marketing-practice and research it is agreed that mutual commitment among partners in business relationships produces significant benefits for companies (Wetzls et al., 1998; Farrelly& Quester, 2003).

Commitment is important to the study of relationships because it not only signals enduring stability at the conceptual level, but also serves as a reliable surrogate measure of long-term relationships at the operational and empirical level (Farrelly& Quester, 2003)

2.1.4.3 Conflict handling

In interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her personal goals, needs, or desires and those of the other party. Conflict is a process in which a person finds that another person has affected negatively on what he follows or is a process that a person deliberately tries to obstacle the success of others

(Rezaeian, 2001). In dealing with conflict, people use different strategies to accomplish their goals. Conflict handling is an important relationship builder. Even though it is difficult to service industries, especially in banking sector, to achieve zero service failure banks put in place effective conflict resolution or problem solving machinery. A major problem which had been resolved satisfactorily may leave in a happy and loyal customer, but maybe minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementation includes identifying potential conflict, solving conflict before they manifest, avoiding potential conflict and blocking them. Those efforts could bring the better relationship and loyalty to particular bank or service firm (Ndubisi, 2007).

The factor with the most significant impact on customer relationship quality is unresolved conflict. Existing research clearly demonstrates that conflict between sellers and customers can quickly destroy trust, commitment, and, ultimately, a relationship built through many years of investment. To avoid and reduce conflict, selling firms must ensure that their business processes are aligned to their relationship marketing strategy. The company culture must emphasize the importance of resolving conflict, and must institute formal systems for correcting customer issues (W. Palmatier, 2008)

2.1.4.4 Empathy

Customers are getting better choice in banking operation with enhanced facilities. Most important behavior customers expect in banking transaction is the empathetic attitude. This indicate, understand the customers problem and making provision of good banking solutions with less time. Sin et al. (2002) described empathy as dealing with a business relationship that enables two parties to see the situation from the other's perspective i.e. seeking to understand somebody else's desires and goals. Empathy is the ability to see a situation from another person's perspective (Wang, 2007). On the other hand, Parasuraman et al. (1985) defined empathy as the caring and individual attention the firm provides its customers. It involves giving customers individual attention and employees who understand the needs of their customers and convenience business hours.

Also Ananth et al. (2011) referred to empathy in their study on private sector banks as giving individual attention; convenient operating hours; giving personal attention; best interest in heart and understand customer's specific needs. On the other hand, it involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive

sense (Chattananon & Trimetsoontorn, 2009). Further frontline employees play a vital role in representing the firm interaction with outside parties and influencing the recognition, attitude and evaluation formed by customers (Schneider and Bowen 1996). Thus frontline employees were considered to be a main driver of customer satisfaction and favorable success perception.

2.1.5 Customer loyalty

Customer loyalty is defined by Oliver (1999) as a deeply held commitment to re buy or re patronize a preferred product or service in the future despite there are situational influence and marketing efforts having the potential to cause switching behavior (Yim et al.,2008). Loyalty may mean quite a passive improvement of situation. One hopes that bad things will change for the better in the future. A loyal customer has tolerance to approve for a while also inconvenient situation, for example bad price-quality relations.

Kotler and Keller (2006) posit that customer loyalty describes the tendency of a customer to choose one business or product over another for a particular need. Increased customer loyalty is the desired end result for any product and this is the desired benefit of relationship marketing. Customer loyalty can make the organization achieve revenue and market share growth and cost shrinkages, as the expenses associated with acquiring and establishing relationships with new customers and replacing old ones declines. As costs go down and revenue goes up, profit increases as a third-order effect of loyalty. Strong relationships increase customers' *cooperative behaviors*, the coordinated, complementary actions between partners to achieve a mutual goal. Customers offer their seller partners *relational loyalty* or *favoured status*, defined as the likelihood that the customer provides the seller with an advantage or benefits in the exchange process because of relational ties (W. Palmatier, 2008; p.44). These advantages might mean the customer engages in a limited search for alternatives, rebuys without soliciting competitive bids, or discloses competitive quotes so the favored seller can have a final opportunity to win the business.

However, according to Holetzky (2009), customer loyalty is the behavior of repeat customers offering favorable word of mouth to friends and family about a certain product and/or organization. He posits that the keys to happy customers are to manage project profitably, lead them, build trust and create value. He also believes that, the term customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials.

Increased customer loyalty represents one of the most anticipated out-comes of relationship marketing efforts, but loyalty can be defined and measured in a plethora of ways (Jacoby and Chestnut 1978; Oliver 1999). Some studies focus on behavioral intentions (e.g., repurchase intentions, expectation of continuity), but these measures often suffer unduly from situational influences (Dick and Basu 1994; Jacoby and Chestnut 1978). For example, customers with weak relational bonds and little “ultimate loyalty” may report their high expectation of relationship continuity simply because of high switching costs, a lack of time to evaluate alternatives, or plain laziness (Oliver 1999). Even customers with strong relational bonds may lack total control over purchases or need to end a relationship prematurely because of unforeseen conditions. However, Lawfer (2009) stated that loyal customers are easier to do business with, are more predictable and do not attract the additional expense usually associated with attracting new customers.

Customer loyalty is a feeling of commitment on the part of the consumer to a product, brand, marketer, or services above and beyond that for the competitors in the market place, which results in repeat purchase (Szymigin and Carrigan, 2001). A loyal customer to a bank is thus, one who will stay with the same service provider, is likely to take out new products with the bank and is likely to recommend the bank services (Fisher, 2001).

2.1.6 Benefits of Relationship Marketing

Relationship marketing strategy helps in understanding customers’ needs, and can also lead to customer loyalty and cost reduction. Research has shown that the cost of serving one loyal customer is significantly less than the cost of attracting and serving one new customer (Ndubisi, 2004). Rashid (2003) reported that Gwinner et al. (1998) conclude that relationship marketing could bring customers the following advantages:

- 1- Confidence:** reduce anxiety, faith in a product or service provider, and a feeling of trustworthiness towards the provider.
- 2- Social Benefits:** personal recognition by employees, customers feeling familiar with employees, the development of friendship with employees.
- 3- Special Treatment:** extra services, special prices, higher priority than other customers.

With respect to relationship marketing advantages from the perspective of the organizations, it allows organizations not only to retain customers, but to also improve profitably and decrease costs of acquisition. Some of the motives behind organizational investment in customer relationship building include access to privileged information on customer needs

and wants (Ndubisi, 2004). Relationship marketing enables organizations to expand their business, if implemented successfully. Loyal customers' word-of-mouth can be very influential in terms of gathering new business and helping to attract new customers, because satisfied customers convey positive messages about the company's service and personal recommendations are often taken most seriously in consumers' purchase decisions (Gremler and Brown, 1999). As (Stone et al. 2000) reported that satisfied customers can become powerful advocates for a company. New customers attracted by the company's reputation would be likely to generate revenue for the company more quickly. Building relationships is beneficial for both the customer and the firms. Organizations seek benefits in order to develop a relationship with their customers, so that they will be able to create a competitive advantage. At the same time, customers seek a benefit to start a relationship and respond with their loyalty.

There are some advantages of using relationship marketing in retail banking activities such as (i) increased consumer loyalty (ii) consumers benefits (iii) improved promotion of complementary services (Arturo et al, 2007). Moreover, the customers expect more benefits from their banks through maintaining long term relationships such as receiving good service, social benefits, confidence and special treatment (Gwinner, et al. 1998).

According to Sin et al. (2005), the benefits of relationship marketing are many Arnett and Badrinarayanan (2005), including improvements in competitive advantages in the marketplace Barclay and Smith (1997); Day 2000; Hunt (1997), superior financial performance (Boles et al., 2000; Kalwani and Narayandas, 1995; Walter and Gemuenden, 2000), and increased levels of customer satisfaction (Abdul-Muhmin, 2002).

Creating trust in customer mind set importance for companies because from the previous studies Trust along with commitment is an important antecedent of loyalty (Ball et al., 2004). Trust is an important construct in relational exchange because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships (Hreinian, 1974). To support this notion, trust has been posited as a major determinant of relationship commitment (Morgan and Hunt, 1994). Furthermore, Moorman et al.(1993) found that trust by marketing research users in their research providers significantly affected user commitment to the research relationship. Trust in relationship partner has been positioned as a central factor for customer loyalty Chaudhuri and Holbrook (2002) and is a principal factor causing dedication (Berry, 2007).

Trust is considered so important to long-term relationships and enhancing customer loyalty. Many researchers have suggested that customers' trust is a significant role in building long-term relationship and achieving customer loyalty (Berry, 1995; Bowen and Shoemaker, 2003; Chu, 2009). With trust as a precursor, a customer becomes loyal to a firm and forms a commitment to that firm (Bowen and Shoemaker, 2003).

Commitment is one of the most important determinants of the strength of a marketing relationship. The bank officer's commitment in making provision of banking facilities considering the varied needs of customer is one among the major factor which influences the consumer's attitude towards banks. This required a higher level of obligation to make a relationship succeed and to make it mutually satisfying and beneficial to both customers and bank. Various studies in the relationship marketing area have shown that these two factors seem to be crucial in influencing one another (Anderson and Narus, 1990; Anderson and Weitz, 1992; Kumar et al., 1995; Morgan and Hunt, 1994; Pritchard, Havitz and Howard 1999; Fullerton, 2003; Evanschitzky et al., 2006). For example, Pritchard, Havitz and Howard (1999) found that commitment to be strongly correlated with customer loyalty.

2.2 Empirical review

2.2.1 The impact of relationship marketing on customer loyalty

Successful relationship marketing efforts improve customer loyalty and firm performance through stronger relational bonds (e.g., De Wulf, Odekerken-Schröder, and Iacobucci, 2001; Sirdeshmukh, Singh, and Sabol, 2002). Relationship marketing represents a strategic response by firms to gain competitive advantage (Takala and Uusitalo, 1996). The key success factor to survive in mature markets relies on sustaining long-term relationships with stakeholders (De madariaga and Valor, 2007). Customers are the driving force for profitable growth and customer loyalty can lead to profitability (Hayes, 2008). Attempt to make existing customers increase their purchases is one way to strengthen the financial growth of a company (Hayes, 2008). In order to substantiate the result of the present study, the researcher also tried to include the following empirical studies.

Jumaev M. et al. (2012) their study concentrated on Impact of relationship marketing on customer loyalty. It used a descriptive study design as its plan of action. Data was collected from a total sample of 100 respondents, selected using simple random sampling method and several techniques of analysis were used including ANOVA test, Correlation, and Multiple

Regression. It establishes well that the relationship marketing is having high influence on the customer loyalty. The research proves that customer loyalty is an important element of banking success in today's increasingly competitive environment. From the tests and findings all predictors including commitment, trust, empathy, perceived conflict handling, perceived value have positive correlation to customer's loyalty.

Omidinia S. et al. (2014) their study concentrated on assessing the effect of the relationship marketing on the customers' loyalty in the public and private banks of the Qom Province. The research consisted of 110 customers of a private bank and a public bank in the province of Qom. The data gathering tool was questionnaire. Statistical society average test and Friedman test have been used to analyse the data, correlation test to study the relationship between underpinnings and customers' loyalty and the Two sample T-Test to study the difference among variables. And the results obtained by analyzing the data indicate that there is a positive relation between relationship marketing factors and customers' loyalty. Commitment, trust, communication and conflict handling factors hold the first to fourth priorities in relation to the customers' loyalty. And also among the research variables in the two types of public and private banks, no meaningful difference could be observed.

Ndubisi N.O. and Wah C.K. (2005), their study was Factorial and discriminant analyses of the underpinnings of relationship marketing and customer satisfaction. A field survey of bank customers which was conducted in Malaysia using questionnaire. A total of 400 questionnaires were presented and 220 were completed and returned, that its 55 percent response rate. The study listed some implications for practitioners in relation to customer relationship management. First, banks which desire to have a good quality relationship with customers should insist that their managers and staff act trustworthily, show strong commitment to service, show signs of competence, communicate efficiently and reliably, and handle conflicts satisfactorily. These qualities must be measured in the customers' eyes, not with the bank's yardstick. Second, management should establish effective commitment, communication, trust, competence, and conflict handling strategies based on the list of items that constitute these variables. By applying these strategies, which have been rated highly and lowly by customers with high and low perceptions of quality relationship respectively, an effective intervention can be designed to maintain the perceptions of the former group of customers and to enhance the perceptions of the latter.

Feng Y. and Zhang X. (2009) their study was the impact of customer relationship marketing

tactics on customer loyalty. The research used survey as the main method strategy to research. 700 undergraduates and master students were asked for their help to fill the questionnaire and 101 feedbacks were received. The findings show that Service Quality, Price Perception, and Value Offers have impact on customer loyalty indirectly via the customer satisfaction and trust. Brand image is positively and directly related to customer loyalty. However, switching costs is found to be less correlation with customer loyalty, as well as satisfaction and trust in Sweden telecommunication industry. Ndubisi& Wah(2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality.

Nezari H., Nazari L., and Ahmadi M. (2016) their study was investigating the effect of relational marketing tactics on customers' loyalty of e-banking Services in terms of customer of bank Tejarat. The main instrument used in this study was a questionnaire. The data were analyzed using SPSS statistical software. The result showed that the correlation for each of the variables of trust, communication, conflict management and competence in order of 0.317,0.370,0.637 and 0.562, which suggests that customers of e-services of tajarat bank branches in Tehran , conflict management and competence variables than others had the strongest relationship with loyalty and trust and communication variables has poorer relationships with loyalty.

According to the study conducted by Muhammad Z, Kashif S, Saleem P. (2010), the result shows that the customer trust has significant association with customer loyalty.

The study conducted by Shiferaw Bekele (2011), on the impact of relationship marketing on customer loyalty in the case of Abyssinia Bank, he also found that trust dimension has significant positive relationship with the dependent variable customer loyalty.

Mukhiddin J, DeleepKumar.M and Jalal R. (2012) also found that commitment and conflict handling are positively related with the dependent variable customer loyalty at a significant level.

S.Sivesan and S.Achchuthan (2012), according to their study trust, conflict handling and commitment dimensions of relationship marketing are highly correlated with customer loyalty.

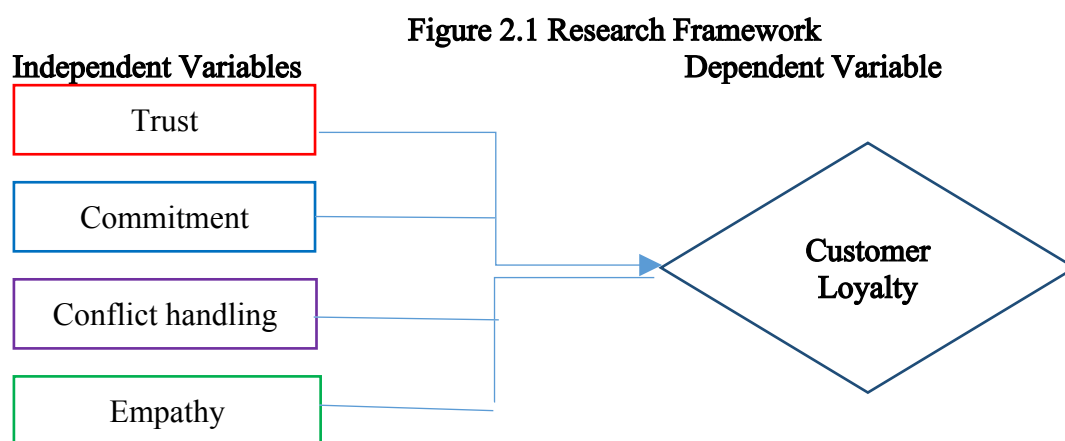
Similarly Peyman J., Freyedon A. and Motreza F. (2013), according to their study on the

impact of relationship marketing on customer loyalty found that, conflict handling as a predictor variables was significantly correlated with customer loyalty.

Boke C. (2015), study title, the effect of relationship marketing on customers' loyalty (Evidence from Zemen bank), the study was based on information collected from both primary and secondary sources with sample of 200 customers of Zemen Bank. The data analysis was done using frequencies, percentages, means, standard deviations, cross tabulations, and tables followed by discussions and moreover, inferential statistics of bivariate correlations and simple as well as multiple regressions were used. The findings show that there is a significant and strong correlation between relationship marketing and customers' loyalty. The study reveals that there is a significant effect of trust, commitment, communications and gratitude on predicting customer loyalty. Of this underpinnings gratitude emerged as strongest factor which influences customer loyalty. And conflict management remained insignificant and negligible on influencing customer loyalty in the cumulative model.

2.3 Theoretical framework

This paper aims at studying which factors of relationship marketing predict customer loyalty relating to the objective of the study. Based on the review of literature of different scholars the following framework is adopted from Jumaev, Kumar. M. and Hanaysha(2012) stated that trust, commitment, conflict handling and empathy are direct predictors of customer loyalty.



CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Research design and approach

A research design is the program that guides the researcher in the process of collecting, analyzing and interpreting the data. The researcher used Explanatory and cross-sectional research design using quantitative and qualitative method to provide solution to the research problems. An explanatory study is used to explain, understand, predict and control the relationship between variables. The research was carried out through the use of cross-sectional survey study in the sense that relevant data were collected at one point in time. It is useful in obtaining an overall picture as it stands at the time of the study.

3.2 Sampling technique

The researcher used purposive sampling technique to select the branches. From 15 districts in Ethiopia only the four districts in Addis Ababa (North Addis Ababa, south Addis Ababa, East Addis Ababa and West Addis Ababa) were taken. And also from these four districts only grade four branches, which is two from each district, a total of eight were taken conveniently. This branches are Addis Ababa branch (NAAD), Arat Kilo branch (NAAD), GofaSefer branch (SAAD), Finfine branch (SAAD), Andinet branch (EAAD), Megenagna branch (EAAD), Merkato branch (WAAD), and TekleHimanot (WAAD) based on which this branches are old, large number of customers, and their high number of transaction which increases the level of interaction with customers.

After taking the representative branches the respondents from each branches were selected using systematic probability sampling technique which improves the potential for the units to be more evenly spread over the population.

3.3 Sample size

Using a purposive sampling method the researcher identified eight branches in which the samples are to be taken. The samples are customers of the private institution account holders and individual account holders and branch managers. According to recent information from the bank the total number of customers in sample branches is 508,485 (Five hundred eight thousand and four hundred eighty five) (report as of June, 2016) which includes all account

holders of private institutions and individual account holding customers and 8 (Eight) branch managers.

Systematic probability sampling technique was employed to select customer respondents from the eight branches of Commercial Bank of Ethiopia. The following sample size determination formula, *byTaro Yamane (1967)*, was used to identify sample size of customer respondents.

$$n = \frac{N}{1+N(e)^2}$$

Where n is the sample size,

N is the total population size and,

e is the level of precision or sampling error = (0.05)

Therefore the sample size is

Since the number of the population in each branches differs and the total sample size is 400, the sample for each branch is listed in Table 3.1.

$$n_i = \frac{nN_i}{N}$$

n_i= number of sample for the branches

Table 3.1 Total number of population and proportion of samples taken from each branch

S.NO.	BRANCHES	NUMBER OF POPULATION (N _i)	NUMBER OF SAMPLES (n _i)
1.	Addis Ababa	158,321.00	124
2.	Megenagna	37,723.00	30
3.	Andinet	47,718.00	38
4.	Arat Kilo	124,695.00	98
5.	GofaSefer	27,641.00	22
6.	Finfine	49,371.00	39
7.	AnuarMesgid	27,641.00	22
8.	TekleHimanot	35,375.00	28
	TOTAL	508,485.00	400

3.4 Methods of data collection

The structured questionnaires and interview was used to obtain data from the respondents. The questionnaire designed for this research, which was filled by sample customers, was formulated as closed-ended questions which are normally structured for respondents to select their choices of statement from a list of questions presented to them. The study used Likert scale by five-point scales described as “Strongly Disagree”, ”Disagree”, “Neutral”, “Agree” and “Strongly Agree”. In the first part, the respondent’s demographic profiles were asked

such as gender, age, occupation, educational qualification and how frequently they come to the bank. The second part consisted of items based on the four dimensions of the relationship marketing underpinnings which are trust, commitment, conflict handling and empathy and also the last part is based on customer loyalty.

The first dimension “trust” consists of five questions. The second dimensions which consists of five questions. The third dimension that measure “conflict handling” contained six questions. Where all the first three element of question were adopted from Ndubisi (2005) and (Naceur & Azaddin, 2005). The fifth dimension, “empathy” contained five questions which were adopted from (Husyeyin et al., 2005). “Customer Loyalty” dimension contained six questions which were adopted from (Ndubisi, 2005, Naceur& Azaddin, 2005 and Beerli et al., 2004). The questionnaires were administered to respondents of the bank while they arrive at the branches by asking if they are customers of that specific branch and whether they are private institutions account holders or individual customers. If not, they were eliminated form filling out the questionnaire. The consents of the sample participants were asked before the questionnaire is distributed and they were assured that the information they give is confidential.

Regarding the structured interview, it was collected from branch management of the selected bank branches. The interview session was held by the researcher herself.

3.5 Methods of data analysis

Descriptive statistics, Group Analysis, Correlation and Regression

Descriptive statistics was used mainly to organize and summarize the demographic data of the respondent as well as the first research objective and correlation coefficients was used to show the relationship between components of relationship marketing and customer loyalty in the bank. Correlation is a statistical tool, used to find the direction and strength of relationship between variables/factors. Correlation provides us the type & direction of interrelationship and intensity of relationship among our factors. On the other hand, regression analysis was carried out to measure the impact of relationship marketing on customer loyalty in the bank with respect to the hypothesis. Regression enables to assess the strength of relationship between a dependent variable and one or more independent variables. The values for analysis are provided by Statistical Package for Social Scientists (SPSS) 20.0 version.

Model Specification

The regression model was done in the form of:-

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \epsilon_i \dots\dots\dots \text{Eq.1}$$

Where

Y is dependent variable:-variable which is affected by other variables or explained by the independent variables.

α is an intercept, where the regression line crosses the y axis

$\beta_1 \dots \beta_n$ are the coefficient of the independent variables X_1 to X_n . substituting both dependent and independent variables in equation 1 above, we have the following equation

Specifically, for this study the expression is appropriate:

$$CL = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon_i \text{-----} (2)$$

Where,

β_1 is the partial slope for x_1 on y and indicates the change in y for one unit change in x_1 , controlling $x_2 \dots \dots \dots B_5$ is the same thing

CL – Customer loyalty -dependent variable

X_1 - Trust

X_2 – Commitment

X_3 – Conflict handling

X_4 – Empathy

ϵ_i - Error term

3.6 Validity and Reliability

Before the questionnaire was distributed to the respondents, the validity of the instrument was checked by the advisor removing ambiguous items and wording corrections. Accordingly, based on the approval obtained from the advisor, the questionnaire was used considering that, they are valid.

And also before the actual data collection reliability test was also conducted on selected customers. The level of reliability of the instrument is the consistency of the variables checked with the Cronbach's alpha statistics. Cronbach's alpha is an index of reliability associated with the variation accounted for by the true score of the "underlying construct" (Nunnaly, 1978). Cronbach's Alpha's can only be measured for variables which have more

than one measurement question. Nunnally (1978) has stated that 0.5 is a sufficient value, while 0.7 is a more reasonable Cronbach's alpha. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. The closer alpha coefficient is to 1.0, the greater the internal consistency and the reverse is true. In this research the rule of thumb developed by George and Mallery (2003) was used where an alpha value ≥ 0.90 is excellent, ≥ 0.80 is good, ≥ 0.70 is acceptable, ≥ 0.60 is questionable, ≥ 0.50 is poor, ≤ 0.50 is unacceptable. Therefore, 40 questionnaires were distributed and collected to measure the reliability of instrument and the following result was obtained on SPSS.

Table 3.2 Cronbach's a of Constructs

Construct	Number of Item	Cronbach's a	Internal Consistency
Trust	5	0.848	Good
Commitment	5	0.832	Good
Conflict Handling	6	0.855	Good
Empathy	5	0.911	Excellent
Customer loyalty	6	0.820	Good

Source: SPSS Cronbach's a result based on questionnaire survey,2017

Since the values of all the constructs were above 0.80, it is concluded that the data collection instrument is consistent and dependable.

Table 3.3 Reliability Statistics

Cronbach's Alpha	N of Items
.944	32

Source: SPSS Cronbach's a result based on questionnaire survey,2017

3.7 Ethical considerations

The researcher maintained scientific objectivity throughout the study, recognizing the limitations of his competence. Every person involved in the study was entitled 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 of others and sources from which information was drawn is acknowledged.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

This chapter deals with the presentation of data analysis and interpretation. To collect the data and extract findings, a total of 400 questionnaires were prepared and distributed to customers of eight commercial bank of Ethiopia branches under four districts in Addis Ababa, and 100 % responses were collected.

4.1 Respondents Response rate

4.1.1 Background information of respondents

This section that follows presents profile of respondents like age, gender, occupation, education qualification and years of service.

Table 4.1 Descriptive Statistics of items that measure background information.

		Frequency	Percent	Valid percent	Cumulative percent
Gender	MALE	155	38.8	38.8	38.8
	FEMALE	245	61.3	61.3	100.0
	Total	400	100.0	100.0	
		Frequency	Percent	Valid percent	Cumulative percent
Age	BELOW 25 YEARS	89	22.3	22.3	22.3
	26-40 YEARS	235	58.8	58.8	81.0
	41-55 YEARS	56	14.0	14.0	95.0
	56-65 YEARS	20	5.0	5.0	100.0
	Total	400	100.0	100.0	
		Frequency	Percent	Valid percent	Cumulative percent
Occupation	BUSINESS	44	11.0	11.0	11.0
	STUDENT/HOUSEWIFE/RETIREE	23	5.8	5.8	16.8
	PAID EMPLOYMENT	333	83.3	83.3	100.0
	Total	400	100.0	100.0	
		Frequency	Percent	Valid percent	Cumulative percent
Education	DIPLOMA LEVEL	99	24.8	24.8	24.8
	DEGREE LEVEL	256	64.0	64.0	88.8
	POSTGRADUATE LEVEL	45	11.3	11.3	100.0
	Total	400	100.0	100.0	
		Frequency	Percent	Valid percent	Cumulative percent
Length of years customers used the bank	BELOW 5 YR	159	39.8	39.8	39.8
	5-10 YR	141	35.3	35.3	75.0
	11-15 YR	46	11.5	11.5	86.5
	ABOVE 15 YR	54	13.5	13.5	100.0
	Total	400	100.0	100.0	

SPSS: Own survey, 2017

4.1.1.1 Gender

Table 4.1 reveals the demographic information of the respondents. In the gender item females, i.e. 61.3% representing a bigger part of the sample group. However, 38.8% percent of the respondents were males. Majority of respondents are females.

4.1.1.2 Age

The response rate shows that 58.8% are the age of 26-40 years old, followed by respondent at the age below 25 years old with 22.3%, 14% were at the age between 41-55 years old. The remaining of the respondents 5% were at the age between 56-65 years. From the result we can see that most of the respondents are adults.

4.1.1.3 Occupation

The table demonstrates that 83.3% of the respondents are paid employees, 11% are in private business, and 5.8% are students, housewife, and retiree. We can observe that respondents earn income.

4.1.1.4 Education qualification

The education qualifications of respondents are shown in table 4.1 indicates that 64% hold first degree, and 24.8% are diploma holders, and 11.3 %hold post graduate degree. From the result we can perceive that above half of the respondents have good education level.

4.1.1.5 Length of Years the respondents used the bank's service

The results of length of years the customers have used the banks services are indicated in table 4.1. As it is shown in the table, 39.8% of the respondents have used the service for less than 5 years, 35.3% have used the service below 5 - 10 years and 13.5% have used the banks services for above 15 years. On the other hand 11.5% of the respondents have used the banks services for 11-15 years. We can get rational answers from the respondents that used the banks service for 5 – 10 years and less.

4.1.2 Data analysis on influence of relationship marketing on customer loyalty

4.1.2.1 Descriptive statistics of trust influence on customer loyalty

Table 4.2 Influence of trust on customer loyalty towards the bank.

Variables		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (Standard Deviation)
My bank is very concerned with security for my transactions.	F	23	32	214	54	77	3.7 (1.045)
	%	5.8	8.0	53.5	13.5	19.3	
My bank's works and promises are reliable.	F	11	32	158	87	112	3.8 (1.017)
	%	2.8	8.0	39.5	21.8	28	
My bank is consistent in providing quality services.	F	31	0.00	247	46	76	3.8 (0.990)
	%	7.8	0.00	61.8	11.5	19.0	
My bank fulfills its obligations to customers.	F	31	32	189	69	79	3.6 (1.120)
	%	7.8	8.0	47.3	17.3	19.8	
I have confidence in my bank's services.	F	32	0.00	178	77	113	3.8 (1.084)
	%	8.0	0.00	44.5	19.3	28.3	

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

Table 4.2 reveals that the study measured the trust of customers on Commercial bank of Ethiopia and its service performers by taking five sub items through questionnaire survey from customers. The first question concerned with security of transactions the survey result showed that, 53.4 % of respondents were agreed, 19.3 % respondents were strongly agreed, 13.5% of respondents are neutral, while 8.1% respondents were disagree, and 5.7 % customer responses were strongly disagree. As a result the majority of the respondents agreed that CBE is very concerned with security of customers' transactions.

The second item of table 4.1 is concerned with the bank's works and promises are reliable. The result showed 39.1% agreed which shows that the bank works and promises are reliable. On the other hand 27.9% strongly agreed, 22.1 % of respondents gave neutral, 8.1 disagreed and 2.9% strongly disagreed. This shows that the bank has good reliability in keeping promises.

The third item is concerned with the banks' consistency in providing quality services. The result shows that 61.5% of respondents agreed that the bank is consistent in providing quality services, 19.3 % of the response is strongly agreed, 11.2% are neutral and 8.1% are strongly disagree. This shows that the bank is providing quality services and should continue with this trend.

The fourth item is a question if the bank fulfills its obligations to customers. 47.1% strongly

agreed, which is the majority of the respondents that the bank fulfills its obligations to customers, 19.5% agreed, while 17.2% were neutral and 8.1% disagreed as well the same for strongly disagreed.

The fifth question is if the customers have confidence in the bank's service. And the responses were 44.5% agreed this means that they have confidence in the services that are given by the bank. While 28.1% strongly agreed, 19% and 8.3 % neutral and strongly disagree respectively.

Since all trust parameters used under this study have a mean score of between 3.6 and 3.8, consequently, according to the mean scores, the findings in Table 4.2 imply that commercial bank of Ethiopia has, to a moderate extent, adopted trust as a one customer relationship marketing practice.

4.1.2.2 Descriptive statistics of commitment influence on customer loyalty.

Table 4.3 Influence of commitment on customer loyalty towards the bank.

Variables		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (Standard Deviation)
My bank offers personalized services to meet customer needs.	F	22	30	115	144	89	3.6 (1.089)
	%	5.5	7.5	28.8	36	22.3	
My bank is flexible when its services are changed.	F	10	11	124	159	96	3.8 (0.931)
	%	2.5	2.9	31	39.8	24	
My bank is flexible in serving my needs.	F	31	45	91	155	78	3.5 (1.162)
	%	7.8	11.3	22.8	38.8	19.5	
My relationship with the bank is one that I am very committed to continuing.	F	11	20	115	165	89	3.7 (0.953)
	%	2.8	5	28.8	41.3	22.3	
My relationship with the bank is very important to me.	F	31	0.00	36	201	132	4.00 (1.071)
	%	7.8	0.00	9.0	50.3	33	

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

According to the descriptive statistics of the second variable, commitment, five questions were presented. The first item, the bank offers personalized services to meet customer needs, 36 % agreed, 28.8% are neutral, 22.3% strongly agreed, and 7.5% and 5.5% disagreed and strongly disagreed respectively.

The second item is about the banks flexibility when its services are changed. And the result shows that the majority 39.8% agreed, 31% are neutral, 24% strongly agreed and 2.9% and

2.5% are disagreed and strongly disagreed respectively.

The third question is the banks flexibility in serving its customer's needs. The result is that the majority 38.8% agreed, while 22.8% are neutral, 19.5% strongly agreed, and 11.2% and 7.8% disagreed and strongly disagreed respectively.

The fourth item is the customer's relationship with the bank is one that they are very committed to continue. The majority of the respondents, 41.3% agreed and 28.8% are neutral. While 22.3% of the respondents strongly agreed and 5% and 2.8% disagreed and strongly disagreed respectively.

The fifth item is the customer's relation with the bank is very important. The result shows that half or 50.3% of the respondents agreed, and 33% strongly agreed. While 9% and 7.8% are neutral and strongly disagree respectively.

Since all commitment parameters used under this study had a mean score of between 3.5 and 4.0. This indicates that the bank has adopted commitment as one relationship marketing practice. The bank also must remain with this current behavior and improve them more in the future.

4.1.2.3 Descriptive Statistics of conflict handling influence on customer loyalty

Table 4.4 Influence of conflict handling on customer loyalty towards the bank

Variables		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (Standard Deviation)
My bank tries to avoid potential conflicts.	F	0.00	32	153	138	77	3.6 (0.885)
	%	0.00	8	38.3	34.5	19.3	
My bank tries to solve manifested conflicts before they create problems.	F	10	43	118	163	66	3.5 (0.977)
	%	2.5	10.8	29.5	40.8	16.5	
My bank has the ability to openly discuss solutions when problems arise.	F	21	22	76	218	63	3.6 (0.987)
	%	5.3	5.5	19	54.5	15.8	
My bank listen customers' problems	F	42	34	77	149	98	3.5 (1.252)
	%	10.5	8.5	19.3	37.3	24.5	
My bank is responsive to my complaints.	F	21	22	110	159	88	3.6 (1.050)
	%	5.3	5.5	27.5	39.8	22	
The bank clearly informs its policies to their customers (e.g. customers' right, responsibility, and other related issues).	F	11	34	90	176	89	3.7 (0.990)
	%	2.8	8.5	22.5	44	22.3	

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

The descriptive statistics for conflict handling shown in table 4.4 five variables are presented. The first is does the bank tries to avoid potential conflicts. The outcome of the data analysis shows 38.3% of respondents were neutral. 34.5% were agreed and 19.3 and 8.3 were strongly agreed and disagreed respectively. This shows that the bank, to some extent, tries to avoid conflicts.

The second question is the bank tries to solve manifested conflict before they create problems. Majority of the respondents that is 40.8% agreed and 29.5% were neutral. Whereas 16.5%, 10.8% and 2.5% were strongly agreed, disagreed, and strongly disagreed respectively. The third question is the banks' ability to openly discuss solutions within problem arise. And the result shows the majority of the respondents 54.5% agreed. While 19% remained neutral. Others were 15.8%, 5.5% and 5.3% strongly agreed, disagreed and strongly disagreed respectively.

Fourth, my bank listens to customer's problem, majority that is 37.3% agreed. 24.5% strongly

agreed and 19.3%, 10.5% and 8.5% were neutral, disagreed and strongly disagreed respectively. This shows that the bank must continue working on listening to its customers and reduce problems.

Fifth, banks responsiveness to complaints, majority that is 39.8% agreed followed by 27.5% neutral and 22% were strongly agreed. While 5.5% and 5.3% disagreed and strongly disagreed respectively. This shows that most agreed to responsiveness but still needs improvement while only 39.8% agreed.

Sixth is the bank clearly informs its policies to their customers? Majority of respondents were agreed i.e. 44% followed by 22.3% & 22.5% for each strongly agreed and neutral. And 8.5% for disagreed and 2.8% strongly disagreed.

And all conflict handling parameters used under this study had a mean score of between 3.5 and 3.7. This shows that the bank has adopted conflict handling as one relationship marketing practice but needs improvements.

4.1.2.4 Descriptive Statistics of Empathy influence on customer loyalty

Table 4.5 Influence of empathy on customer loyalty towards the bank.

Variables		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (Standard Deviation)
My bank gives me individual advice /personal support	F	21	43	135	103	98	3.5 (1.137)
	%	5.3	10.8	33.8	25.8	24.5	
My bank has operating hours convenient to all its customers.	F	21	10	111	180	78	3.7 (0.991)
	%	5.3	2.5	27.8	45	19.5	
My bank has employees who give me personal attention.	F	21	32	54	181	112	3.8 (1.098)
	%	5.3	8.0	13.5	45.3	28	
My bank has my best interest at heart.	F	31	20	115	156	78	3.5 (1.108)
	%	7.8	5	28.8	39	19.5	
My bank's employees understand my specific needs.	F	21	0.00	133	137	109	3.7 (1.026)
	%	5.3	0.00	33.3	34.3	27.3	

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

Under table 4.5 five variables under empathy were presented form the analysis. The first is the bank gives customers individual advice. Majority were neutral amounting to 33.8% followed by 25.8% agreed. While 24.5% strongly agreed. 10.8% and 5.3% disagreed and strongly disagreed respectively. This shows that the bank does give advice and personal support to individuals.

Second is the bank has operating hours convenient to all its customers. And outcome shows majority of the respondents 45% were neutral followed by 27.8% neutral. And 19.5 % strongly agreed. While the rest 2.5% and 5.3% were disagreed and strongly disagreed. This shows that bank has convenient working hours.

The third question is concerned with the bank employees giving personal attention majority 45.3% agreed to the question followed by 28% where they strongly agreed. While the 13.5% were neutral and 8% and 5.3% were disagree and strongly disagreed respectively.

Fourth is the bank has the customers best interest at heart. Majority gave 39% agreed followed by 28.8% neutral while 19.5% were strongly agreed and 5 and 7.8% disagreed and strongly disagreed respectively. This shows that the bank needs to improve its work at this point.

The last question was employees of CBE understand specific needs of customer. Outcome shows majority are 34.3% agreed and 33.3% neutral while 27.3 % and 5.3% strongly disagreed respectively.

Since all empathy parameters used under this study had a mean score of between 3.5 and 3.8. This shows that the bank has adopted empathy as one relationship marketing practice.

4.1.2.5 Descriptive statistics of customer loyalty towards the bank.

Table 4.6 Descriptive Statistics of items that measure customer loyalty.

Variables		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean (Standard Deviation)
I do not like to change to another bank because this bank sees my needs.	F	28	0.00	61	195	116	3.9 (1.045)
	%	7	0.00	15.3	48.8	29	
I do not like to change to another bank because I value the bank.	F	20	0.00	96	192	92	3.8 (0.944)
	%	5	0.00	24	48	23	
I would always use this bank's services	F	0.00	0.00	79	202	119	4.0 (0.695)
	%	0.00	0.00	19.8	50.5	29.8	
It would be difficult to change my beliefs about the bank.	F	0.00	47	104	155	94	3.6 (0.934)
	%	0.00	11.8	26	38.8	23.5	
I am a loyal customer to the bank	F	0.00	9	101	156	134	4.0 (0.823)
	%	0.00	2.3	25.3	39	33.5	
I would always recommend the bank to someone who seeks my advice.	F	10	27	86	162	115	3.8 (0.985)
	%	2.5	6.8	21.5	40.5	28.8	

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

The last six the descriptive statistics items that measure customer loyalty are presented in table 4.6. The first is customers don't like to change bank because CBE sees my needs. Majority of the respondents agreed with 48.8% outcome followed by 29% strongly agreed. Whereas 15.3% and 7% neutral and strongly disagreed respectively.

Second, customers don't like to change because they value the bank. The majority of the customers agreed with 48% followed by 24% were neutral. 23% strongly agreed and 5% strongly disagreed.

Third customers would always use CBE'S service. Majority agreed with 50.5% and 29.8% strongly agreed. 19.8% were neutral. Fourth is difficult to change beliefs about the bank. Majority agreed with 38.8% followed by 26% neutral while 23.5% strongly agreed and 11.8% disagreed.

Fifth, customers are loyal to the bank. Majority agreed with 39%, 33.5% strongly agreed while 25.3% and 2.3% neutral and disagreed respectively. Sixth, customers recommend the bank to others. 40.5% agreed, 28.8% strongly agreed, 21.5% neutral, 6.8% disagreed and 2.5% strongly agreed. Since all customer loyalty parameters used under this study had a mean score of between 3.6 and 4.0. This shows that customers are in favor of loyalty.

Table 4.7 Mean and standard deviation for Trust, Commitment, Conflict handling, Empathy and customer loyalty.

		Statistics				
		MTrust	MCOMMITMENT	MCONFLI CTHAND	MEMPAT HY	MCUSTOME RLOY
N	Valid	400	400	400	400	400
	Missing	0	0	0	0	0
Mean		3.7667	3.7354	3.6454	3.6792	3.8941
Std. Deviation		.83621	.80895	.78427	.92190	.66181

SPSS: own survey

The table above shows that trust has the highest mean value and conflict handling has the least mean value. Therefore, it may be concluded that respondents most resemble to trust. Again the table depicts that general satisfaction towards customer loyalty is very high with a mean of 3.89 and standard deviation of 0.66. The standard deviations were quite high, indicating the dispersion in a widely spread distribution. This means that the effects of relationship marketing underpinnings on customer loyalty are an approximation to a normal

distribution. This also indicates that respondents are in favor of customer loyalty.

4.2 Correlation analysis

Correlation measures the strength of the linear relationship between two variables. Thus, Pearson’s correlation is used to identify whether there are relationships between the variables and to describe the strength and the direction of the relationship between two variables (Mohammad, n.d). According to Berndt et. al (2005), the level of association as measured by Pearson’s co-efficient falls between -1.0 and +1.0, which indicates the strength and direction of association between the two variables. The interpretation of the result is as follows; a correlation result between 0 to 1 implies positive relationship, 0 (zero) for no relationship, 1 for perfect positive relationship, -1 for perfect negative relationship and between -1 to 0 indicate the existence of negative relationship. Table 4.8 below shows measure of association developed by MacEachron (1982) used as a reference to check the magnitude of the correlation results of this study.

Table 4.8 The measure of association and descriptive adjective

Measure of association	Descriptive adjective
>0.00 to 0.20 ; < -0.00 to -0.20	Very weak or Very low
>0.20 to 0.40 ; < -0.20 to -0.40	Weak or Low
>0.40 to 0.60 ; < -0.40 to -0.60	Moderate
>0.60 to 0.80 ; < -0.60 to -0.80	Strong or High
>0.80 to 1.00 ; < -0.80 to -1.00	Very High or Very Strong

In this section of the study, the analysis and interpretations of the correlation results between dependent and independent variables are presented. The following table shows the correlation results between all the factors.

Table 4.9 Pearson Correlation for Independent Variables and Dependent variable

		TRUST	COMMITMENT	CONFLICT HANDLING	EMPATHY	CUSTOMER LOYALTY
TRUST	<i>Pearson Correlation</i>	1				
	<i>Sig. (2-tailed)</i>					
	<i>N</i>	400				
COMMITMENT	<i>Pearson Correlation</i>	.425**	1			
	<i>Sig. (2-tailed)</i>	.000				
	<i>N</i>	400	400			
CONFLICT HANDLING	<i>Pearson Correlation</i>	.465**	.650**	1		
	<i>Sig. (2-tailed)</i>	.000	.000			
	<i>N</i>	400	400	400		
EMPATHY	<i>Pearson Correlation</i>	.478**	.486**	.618**	1	
	<i>Sig. (2-tailed)</i>	.000	.000	.000		
	<i>N</i>	400	400	400	400	
CUSTOMER LOYALTY	<i>Pearson Correlation</i>	.662**	.732**	.642**	.772**	1
	<i>Sig. (2-tailed)</i>	.000	.000	.000	.000	
	<i>N</i>	400	400	400	400	400

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

From the above table we can see that all correlation results between variables are significant i.e. $p < .05$. Furthermore the above correlation analysis all constructs or variables are showing positive correlation between each other. The lowest correlation result is between customer loyalty and conflict handling even though it has positive result i.e. 0.642. According to measure of association developed by MacEachron (1982) the Pearson correlation ranges between >0.60 to 0.80 showing that there is high or strong relationship between the independent and dependent variable.

4.3 Assumption of regression

The correct use of the multiple regression models requires that several critical assumptions be satisfied in order to apply the model and establish validity (Poole & O’Farrell, 1971). Inferences and generalizations about the theory are only valid if the assumptions in an analysis have been tested and fulfilled. This section will specifically define each assumption, review consequences of assumption failure, and address how to test for each assumption, and the interpretation of results. The assumptions of multiple regressions that are identified as primary concern in the research include normality test, multi collinearity and independence of error.

4.3.1 Normality Test

Multiple regression assumes that variables have normal distributions (Darlington, 1968; Osborne & Waters, 2002). Skewness and kurtosis can be checked in the statistic tables, and values that are close to zero indicate normal distribution. Dividing either scores by its standard error and the result is greater than ± 1.96 , it suggests that the data are not normal with respect to the statistic (Rose S., Spinks N. & Isabel A., 2015).

Table 4.10 Normality of data

		Descriptive Statistics		Source: SPSS data, 2017
		Statistic	Std. Error	
MTrust	N	400		Normally distributed set of test scores have skewness and kurtosis values close to zero. The researcher computed the statistic with
	Skewness	-0.136	.122	
	Kurtosis	0.113	.243	
MCOMMITMENT	N	400		
	Skewness	-0.08	.122	
	Kurtosis	0.294	.243	
MCONFLICTHAND	N	400		
	Skewness	-0.093	.122	
	Kurtosis	0.198	.243	
MEMPATHY	N	400		
	Skewness	-0.095	.122	
	Kurtosis	0.345	.243	
MCUSTOMERLOY	N	400		
	Skewness	-0.132	.122	
	Kurtosis	-0.227	.243	
Valid N (listwise)	N	400		

their respective standard errors and the result were found within this range and therefore concluding that the data are normally distributed.

4.3.2 Multi-Co linearity Testing

Two major approaches were utilized in order to determine the presence of multi co linearity among independent variables in this study. These methodologies involved calculation of both a Tolerance test and Variance Inflation Factor –VIF (inverse of the tolerance) (Kleinbaum et.al, 1988) cited by T.Velnampy & S.Sivesan (2012) and Tolerance level is $<$ or equal to 1 calculated as $(1-R^2)$ where R is correlation values; and all VIF is $1/\text{Tolerance}$ values are well below 10 is acceptable.

Table 4.11 Test of Collinearity

	Collinearity Statistics	
	Tolerance	VIF
Trust	.953	1.049
COMMITMENT	.945	1.058
CONFLICTHAND	.780	1.281
EMPATHY	.859	1.164

Source: SPSS data, 2017

As can be seen from this data, all the Tolerance levels are less than 1; and all VIF values are well below 10. Thus the measures selected for assessing independent variables in this study are accepted.

4.3.3 Independence of Errors

Independence of errors refers to the assumption that errors are independent of one another, implying that subjects are responding independently (Stevens, 2009). The goal of research is often to accurately model the ‘real’ relationships in the population (Osborne & Waters, 2002). When data are not drawn independently from the population, the result is a risk of violating the assumption that errors are independent (Keith, 2002).

Table 4.12 Durbin-Watson test result

Model summary b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics	Durbin-Watson
					R Square Change	
1	.796a	0.634	0.630	0.40264	0.634	1.853

a Predictors: (Constant), MEMPATHY, MCONFLICTHAND, MCOMMITMENT, MTrust

b Dependent Variable: MCUSTOMERLOY

Source: SPSS data, 2017

The researcher used the Durbin-Watson test statistic, which tests for correlations between errors. Specifically, it tests whether adjacent residuals are correlated remembering that one of the assumption of regression is that the residuals are independent. This option is important to test whether the assumption of independent errors is reasonable. The test statistic can vary between 0 and 4 with a value of 2 adjacent residuals whereas a value below 2 indicates a positive correlation. Field (2009), suggests that values less than 1 or greater than 3 are cause for concern. In this research, from what has been derived from the SPSS result shown in table 4.12, the Durbin-Watson result (**1.853**) is in the acceptable range. Therefore it meets the independence of residuals assumption.

4.4 Group Analysis

The researcher used the independent samples t-test to compare population means of two different groups and analysis of variance test (ANOVA) to compare population means of multiple groups. Significance level (p-value) was set to 0.05. In both tests, homogeneity of variance was evaluated using Levene statistics to detect a difference in variance and taken into consideration of group comparisons when the analysis was done.

4.4.1 Independent sample t-test

Independent samples t-tests were conducted to determine if there was a significant difference on customer loyalty between female and male.

Table 4.13 Group statistics of customer loyalty by gender

Group Statistics					
	GENDER	N	Mean	Std. Deviation	Std. Error Mean
MCUSTOMERLOY	MALE	155	3.8226	.57881	.04649
	FEMALE	245	3.9782	.70435	.04500

Table 4.14 T-test of gender vs. customer loyalty and Levene's test for equality of variances.

Source: SPSS data, 2017

		Levene's Test for Equality of Variances		t-test for Equality of Means						
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
MCUSTOMERLOY	Equal variances assumed	.167	.683	-1.271	381	.204	-.11460	.09014	-.29183	.06263

Levene statistics of tests indicate variance homogeneity at significant levels of 0.683 ($p > 0.05$), respectively. Thus, the two-tail significance for equal variances estimates was used to determine whether the difference existed between two the groups i.e. for male and female. As presented in Table 4.13 and 4.14, the results for tests suggested that there is no significant difference between the groups. Table 4.13 gives the mean test result of two gender-oriented independent-sample T tests for customer loyalty. In the homogeneity test of variance,

$p=0.683$ (greater than the significance level $p=0.05$), meaning that the variance is homogeneous. In the two-sided test, $p=0.204$ (greater than the significance level $p=0.05$), meaning that the test on gender revealed a non significant difference between females and males on gender impact on customer loyalty.

4.4.2 ANOVA Testes

Four ANOVA tests were computed to determine if there is a significant difference on customer loyalty based on their age, occupation, Educational qualifications background and years of using the service.

A. Age

Table 4.15 Test of Homogeneity of Variances for Age

Levene Statistic	df1	df2	Sig.
5.635	3	396	.021

Table 4.16 ANOVA test of age vs customer loyalty

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	2.154	3	.718	1.645	.178
Within Groups	172.790	396	.436		
Total	174.944	399			

For the age variable, the F test in the one-way analysis of variance is adopted, as shown in Table 4.15 and 4.16. In the homogeneity test of variance for age qualification, $p=0.021$ (less than the significance level $p=0.05$), meaning that the variance is not homogeneous. In the significance test of difference, p is greater than the significance level $p=0.178$, indicating that people at different ages have similar behavior towards loyalty.

B. Occupation

Table 4.17 Test of Homogeneity of Variances for occupation

Levene Statistic	df1	df2	Sig.
2.617	2	397	.034

Table 4.18 ANOVA test of occupation vs customer loyalty

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	4.782	2	2.391	5.578	.004
Within Groups	170.162	397	.429		
Total	174.944	399			

For the occupation variable, the F test in the one-way analysis of variance is adopted, as shown in Table 4.17 and 4.18. In the homogeneity test of variance for occupation, $p=0.034$ (less than the significance level $p=0.05$), meaning that the variance is homogeneous. In the significance test of difference, p is lower than the significance level $P=0.004$, indicating that people at different occupation have differences of loyalty. This is may be because of the nature of the business or occupation that the users hold.

C. Education qualification

Table 4.19 Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
9.655	2	397	.33

Table 4.20 ANOVA of education qualification vs customer loyalty

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12.164	2	6.082	14.833	.032
Within Groups	162.780	397	.410		
Total	174.944	399			

For the educational qualifications variable also, the F test in the one-way analysis of variance is adopted, as shown in Table 4.19 and 4.20. In the homogeneity test of variance for educational qualification, $p=0.33$ (greater than the significance level $p=0.05$), meaning that the variance is homogeneous. In the significance test of difference, p is lower than the significance level $P=.032$. Highly educated individuals tend to have greater access to various information and perceptions to services. This indicates that people at different educational qualifications have different behavior towards loyalty.

D. Length of Years the respondents using the banks service

Table 4.21 Test of Homogeneity of Variances for years the respondents using the bank's service

Levene Statistic	df1	df2	Sig.
17.193	3	396	.037

Table 4.22 ANOVA of year of services vs customer loyalty

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	31.198	3	10.399	28.649	.030
Within Groups	143.745	396	.363		
Total	174.944	399			

For the age variable, the F test in the one-way analysis of variance is adopted, as shown in Table 4.21 and 4.22. In the homogeneity test of variance for years of service, $p=0.037$ (less than the significance level $p=0.05$), meaning that the variance is not homogeneous. In the significance test of difference, p is lower than the significance level, indicating that people who were customers for different years have different behavior towards customer loyalty.

4.5 Regression Analysis

This section of the study presents the results and discussions of the econometrics/regression analysis. So far, the study established a framework of literature review and data analysis of descriptive Statistics to describe the practice of relationship marketing practice of CBE. Where as, correlation analysis was used to investigate relationship marketing and its relationship with customer loyalty in Commercial Bank of Ethiopia.

Table 4.23 Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796 ^a	.634	.630	.40264

a. Predictors: (Constant), MEMPATHY, MCONFLICTHAND, MCOMMITMENT, MTrust

b. Dependent Variable: MCUSTOMERLOY

$R^2 = 0.634$ means that 63.4% of variation is explained by the model. This indicates 63.4% of the variance in customer loyalty is attributed to the four independent variables entered into

the regression and the remaining 36.6% of variance in customer loyalty may be explained by other factors of relationship marketing. The R^2 adjusted = 0.630 for the number of explanatory terms (independent variables) in a model and increases only if the new independent variables improve the model more than would be expected by chance. Therefore, we concluded that the R and R^2 between the dependent variable customer loyalty and the independent variables of relationship marketing constructs are statistically significant (different from zero), based on the data collected.

Table 4.24 Analysis of Variance of Independent variables

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	110.908	5	27.727	171.032	.000 ^b
	Residual	64.036	395	.162		
	Total	174.944	400			

a. Dependent Variable: MCUSTOMERLOY

b. Predictors: (Constant), MEMPATHY, MCONFLICTHAND, MCOMMITMENT, MTrust

The results of the ANOVA in table 4.24 show that trust, commitment, empathy and conflict handling contribute significantly to customer loyalty ($F = 171.032$; $p < 0.001$). We can also see that the mean Square of Regression is more than Mean Square of Residual. Thus for this research regressions is significant at a confidence level of 95%.

And to investigate the significant factors of relationship marketing that influence customer loyalty in Commercial Bank of Ethiopia, multiple regression model was computed so as to determine the strength and the directions of variables. The goals of a regression analysis are to predict or explain differences in values of the outcome variable with information about values of the explanatory variables.

Table 4.25 Beta coefficient of regression result

		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.495	.101		14.799	.000
	MTrust	.272	.066	.344	4.226	.000
	MCOMMITMENT	.453	.068	.554	4.219	.000
	MCONFLICTHAND	.098	.042	.116	2.338	.020
	MEMPATHY	.374	.037	.521	4.016	.000

a. Dependent Variable: MCUSTOMERLOY

From the above table we can see the results of standardized coefficients which are used for comparing the effects of independent variables. Therefore, commitment has the highest beta coefficient of 55.4% in determining the variation in customer loyalty. The second most important dimension of relationship marketing that contributed most is empathy with beta coefficient of 52.1%. The rest are trust and conflict handling having 34.4% and least contribution of 11.6% of beta coefficient respectively.

Multiple regression can be used to test hypothesis of linear associations among variables (Hoyt et al., 2006). The unstandardized beta coefficients are used in the interpretation of the four hypotheses.

H1: There is a significant positive relationship between trust and customer loyalty.

Regression analysis result shows there is a significant positive relationship between trust dimension and customers' loyalty with a significant value. Hence we accept Hypothesis1. In other words trust dimension and customers' loyalty are related with a strong relationship ($\beta = .272, p = .000$).

Data collected from interviewees regarding trust they replied that the bank is trustworthy in keeping customers transactions like cash payments as well as confidentiality and promise record safely, provide consistency quality service, fulfilling obligations and providing quality service. In addition to this they also raised trust with respect to customers is given due emphasis. In this regard, the branch managers think the bank is half blind in the sense that internal customers, employees, seem neglected. This is just to mean that almost with no regard to the prevailing situation, a customer is considered always right and employee opinion is considered next. Customer loyalty cannot be achieved in organizations where there is no trust among the management and employees. Thus, employee loyalty and confidence in the management is basic. Three of the managements also raised the idea of telephone text messages that is provided when customers effect transactions on their accounts. In case of fear of fraud they will be alerted when their account is moved. And also the use of mobile banking and internet banking also has made it easier to follow up their account transaction.

H2: There is a significant positive relationship between commitment and customer loyalty.

Regression analysis test was conducted and the results show there is a significant positive relationship between commitment dimension and customers' loyalty with a significant value. Hence we accept the Hypothesis2. In other words commitment dimension and customers'

loyalty are related with high relationship ($\beta=.453$, $p=.000$).

Regarding commitment, CBE has undergone dramatic changes in the past five years, this is measured not only in terms of increasing rate of customer satisfaction but also the fact that CBE is chosen as the most preferred public institution in Ethiopia measured in terms of service excellence. The most committed staffs do have the highest chance of being promoted to the next level.

H3: There is a significant positive relationship between conflict handling and customer loyalty.

Regression analysis results show there is significant positive relationship between conflict handling dimension and customers' loyalty. Hence we accept the Hypothesis. In other words conflict handling dimension and customers' loyalty are related with moderate relationship ($\beta=.098$, $p=.000$).

Regarding Conflict handling the interviewees confirmed that as far as conflict handling is concerned, the bank has clear grievance handling procedure. The bank has a clearly articulated code of conduct and a procedure that are aimed at resolving conflicts and grievances that may occur during the course of work, but because of the complexity of the organization, the fact that it has more than 26,000 employees, coupled with some inefficient managers to handle human resource cases, the conflict handling mechanism/ resolving human resource related conflicts is not good, though not worse because the bank tries to get customer and as well as employees feedback, opinion and suggestions frequently and accept criticism and complaints so as to resolve any kind of conflict.

H4: There is a significant positive relationship between empathy and customer loyalty.

Regression analysis results show that there is a significant positive relationship between Empathy dimension and customers' loyalty with a significant value. Hence we accept the Hypothesis. In other words empathy dimension and customers' loyalty are related with a strong relationship ($\beta=.374$, $p=.000$).

The branch managements stated that implementation of performance management system which among other things measures performance in objective terms has made employees more empathetic to their customers.

As a conclusion of the regression analysis, the four dimension of relationship marketing

(Trust, Commitment, Conflict handling and Empathy) have positive and strong relationship with customer loyalty.

These results mean that if the level of trust changed by a unit the overall level of loyalty would change by 0.272, consequently any unit change in level of commitment, conflict handling capacity, and empathy effectiveness will result in 0.453, 0.236 and 0.098 of level of customer loyalty respectively other variables held constant.

Additional questions were forwarded to the interviewees. The bank adopts various marketing strategies to maintain/ retain existing customers. However, Commercial Bank of Ethiopia does not have a clearly defined and articulated relationship marketing strategies; but, this does not mean that it doesn't have relationship marketing strategies. Thus, various marketing and business development initiatives implemented in the various sections of the bank show that the bank does several works in this regard. For instance, the assignment of a dedicated window for Premium and Business customers as well as service segmentation at the branch level, awarding Exporters and Prize linked Saving winners by Business Development, deployment of ATM and aggressive branch opening and adoption of the state of the art technology, pioneering in implementation of E banking products etc. at the end of the day are aimed at building strong relationship with existing CBE customers.

✓ **Weakness** -The 21st Century banks cannot cope up with competition in the global market without having trustworthy staffs. Having this in mind, the bank gives due attention to trust worthiness and integrity in the bank. Although the bank is making several efforts to staff development, in the opinions of the managers, the socio cultural dynamics in the labor market is so challenging so that getting a trustworthy staff is difficult as a result of which frauds, though not often, occurring in the bank are directly or indirectly attached to the bank staff. This is of course becoming a national problem.

The bank, no doubt, promises customers, as a result of which, customer expectation is getting higher. The high level of expectation which is already set in the mind of the customer has affected level of customer satisfaction. They think service positioning need to careful so that expectation can be clearly defined so that performance and expectation will meet because service quality/ satisfaction is measured by the customer itself. In conclusion, the bank is promising the customers what it cannot deliver this has hampered its trustworthiness. By the very nature security of the transaction is very important for the

banking industry; in this regard, the bank is so aggressive, millions are budgeted and several staffs are trained but still there is awareness gap on strategy of the bank and gap of knowledge and skill.

And another weakness said was low awareness as to the role of CBE and hence weak collaboration with some of the developmental partners. Also few added that inconsistent customer service quality across districts, low service quality and lack of coordinated follow up and implementation of E-payment products that would have enhanced customer satisfaction and as well as the bank only focused on business which are leveled as priority sectors by the bank in credit as well as foreign currency allocations. In this regard the bank may lose customers which are operating on non-priority sector as weakness of CBE to retain customers.

- ✓ **Strength** – customer classification- as (business customer and corporate customer) based on their deposit amount and long term relationship. An independent window for premium customers which makes the bank to give unique services for its customer has improved loyalty. Three managers also stated that CBE is enhancing accessibility through expanding branch outreach, and also expansion of the core banking system, forging partnership with different stakeholders at various levels, creating awareness and promotion to increase customer base. Others also mentioned that the bank has large customer base and a strong public trust as the strength of the bank.
- ✓ **Recommendation** - Most of them recommended that the bank should work on the large unbanked population and the support from central and local government organs. And improvements should be made around conflict handling procedures of the bank. Adopting the relationship marketing throughout the bank. They also recommended efficiency in service delivery and creating friendly staff by aggressively giving trainings to employees which would appreciate in creating loyal customers.

4.6 Discussions

The study was planned at investigating the impact of relationship marketing on customer loyalty in commercial bank of Ethiopia. The data was obtained through questionnaire from customers of the bank and interviews from bank managements.

The results of background information of respondent indicated that majority of the total respondents (60.9 percent) are female, (58.9 percent) aged in the range of 26-40 years, (83.6

percent) are paid employees, (64.1 percent) are degree holders and (39.1percent) of respondents have been using the bank's service for five to ten years.

The correlation result show that there is a positive and significant relationship between empathy and customer loyalty, commitment and customer loyalty, trust and customer loyalty, and conflict handling and customer loyalty respectively from the highest relationship to the lowest relationship. Conflict handling has the least contribution on affecting customer loyalty, showing that customers are less satisfies with conflict handling. This is supported by the study by (Omidinia S., Matin H., Jandaghi G., Sepahyar A., 2014). But as per the study of Peyman J., Freyedon A. and Motreza F. (2013) conflict handling has the highest impact on customer loyalty.

The finding of this study also indicates that commitment, trust, and conflict handling have positive effect on customer loyalty. This finding is supported by the Jumaev M. et al. (2012) tests and findings all predictors including commitment, trust, empathy, conflict handling, have positive correlation to customer's loyalty. The result of the study also shows that there is a positive relationship between commitment and customer loyalty. This finding is also supported by the Pritchard, Havitz and Howard (1999) finding commitment to be strongly correlated with customer loyalty. And also the results of the study by Jesri, P., Ahmadi, F., and Fatehipoor, M. (2013), also state that trust, commitment and conflict handling have positive impact on customer loyalty. The findings show that $\text{sing} = 0.000 < 0.05$ for each.

In next step for indicate of customer loyalty explanation and prediction by four components of relationship marketing , we used Multiple Regression method .In table 4.25 , According to Beta coefficient of commitment has maximum impact (0.453) and conflict handling has minimum impact (0.116) on customer loyalty variable. Then regression model can be written as follows in a significant at 95% confidence interval.

$$\hat{Y} = 1.495 + 0.272 X_1 + 0.453 X_2 + 0.098x_3 + 0.374 X_4$$

Interpretation of the model, as per the finding, trust has a positive impact on customer loyalty. This means that, as trust increases or decreases by 1%, customer loyalty increases or decreases at the time by 27.20% controlling for (x2, x3 and x4). Similarly commitment influences customer loyalty positively.

When commitment is raised or lowered by 1%, the dependent variable customer loyalty rises

or falls by 45.30% controlling for(x1,x3 and x4).

As conflict handling increased or decreased by 1% customer loyalty also increased or decreased by 9.80% controlling for (x1,x2 and x4).

With regard to empathy, when increased or decreased by 1%, the dependent variable customer loyalty is increased or decreased by 37.40% controlling for(x1,x2 and x3).

As the result shows, commitment and empathy have optimistic relationship and strong impact on customer loyalty. The regression results go well with the results of the study by Jesri, P., Ahmadi, F., and Fatehipoor, M. (2013), which states that R2 is 0.931 that it means 93.1 percent of the independent variables can predict the dependent variable changes. Jumaev M. et al. (2012) from the tests and findings all predictors including commitment, trust , empathy , perceived conflict handling, perceived value have positive impact on customer’s loyalty.

Hypothesis test

Table 4.26 Summary of Hypothesis Result

Statement of Hypothesis	Tool	Supported?
H1: There is a significant positive relationship between trust and customer loyalty	Regression	Yes
H2: There is a significant positive relationship between commitment and customer loyalty	Regression	Yes
H3: There is a significant positive relationship between conflict handling and customer loyalty.	Regression	Yes
H4: There is a significant positive relationship between empathy and customer loyalty	Regression	Yes

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

This chapter presents the conclusions and recommendations that are drawn from the previous chapters of the study.

5.1. Summary of major findings

- The finding of the study indicates that the four dimensions of relationship marketing are predictors of or positively related to customer loyalty.
- The Pearson correlation result shows, that all dimensions (Commitment 0.73, Empathy 0.77, Trust 0.662 and conflict handling 0.64) are positively and significantly related with customer loyalty respective to their outcomes. Conflict handling however doesn't show much correlation with customer loyalty. In this study it is proved to be less important in affecting customer loyalty in commercial bank of Ethiopia.
- Before going through the regression analysis the three assumption of multiple regression were run on SPSS and from outcomes the data meets all the requirements of the three assumption of independence of error, normality test and multi-collinearity testes.
- Group analysis was also done by the independent T-Test revealed that there is a non-significant difference between females and males on gender impact on customer loyalty. And ANOVA (Analysis of Variance) where all variables have $p < 0.05$ the outcome was that people at different age, occupation, education level and length of years they used the bank have difference in loyalty.
- From the model summary part of multiple regressions we concluded that relationship marketing has significant impact in explaining the variance in the dependent variable customer loyalty in commercial bank of Ethiopia with value of 63.4%. It also shows that trust, commitment, empathy and conflict handling contribute significantly to customer loyalty ($F= 171.032$; $p<0.001$).
- Four hypotheses were tested from the results of the regression analysis and the results show that there is a significant positive relationship between the independent and

dependent variables with values of beta coefficients commitment 45.3%, empathy 37.4%, trust 27.2% and conflict handling 9.8%.

- From the regression result of standardized beta coefficient it is concluded that commitment is most important predictor of the response variable customer loyalty. Followed by empathy, trust and conflict handling. The interviewees stated that the bank is trustworthy to its customers. The bank makes sure that its customers feel safe about their transaction. Regarding conflict handling, the bank has grievance handling procedure though because of the complexity of the organization it is difficult to resolve conflicts. This justifies with the regression outcome of conflict handling since it has the least contribution. They also stated that the bank has most committed and empathetic employees. This also agrees with the data result from the respondents.

5.2 Conclusion

The context of the present research has set out to examine the relationship marketing dimensions namely Trust, Commitment, Empathy and conflict handling influence on customers loyalty. Based on an extensive literature review, four hypotheses with regards to relationship marketing dimensions and customer loyalty relationship were posited. The subjects or respondents of the study were customers that are selected from 8 branches of commercial bank of Ethiopia from four districts in Addis Ababa (North Addis Ababa, south Addis Ababa, East Addis Ababa and West Addis Ababa). A total of 400 respondents participated from a total population of **508,485.00** with closed ended questionnaire. In addition, interviews were conducted with respective branch managers of the bank as checklist.

The general objective of this study was to examine the impact of relationship marketing on customer loyalty by taking evidence from selected branches of CBE in Addis Ababa city. Based on the main objective, four research objectives were developed. To achieve these objectives, descriptive analysis was used to investigate the demographic characteristics of respondents and underpinnings of relationship marketing. Second, inferential analyses were used to examine the association between independent variables and dependent variable.

The four variables of relationship marketing have had a significant and meaningful influence on customer loyalty. Accordingly, the mean values of trust, commitment, conflict handling and empathy are 3.76, 3.73, 3.64 and 3.67 respectively. This signifies that most of the respondents have agreed with the influences of these variables on customer loyalty. The multiple regression result reveals that commitment, empathy, trust and conflict handling are significant predictors of customer loyalty. This finding is consistent to prior studies.

Most important factor related to the customers' loyalty among the studied variables was the commitment factor and the most focus of banks should be on this variable followed by empathy and trust. The least contribution comes from conflict handling. According to the obtained results, we can claim that the program of making the customers loyal in commercial bank of Ethiopia is the desires and expectations of the customers toward the bank. The bank is applying the strategies, by which it maintains its present customers, and by the data analysis and using the appropriate technology, it seeks to obtain the timely information about their customers, to attract their satisfaction and loyalty by constant and long-term commitment with customers. As a result, the recognition of the relationship marketing and its

extension of the dimensions is an essential factor to maintain the market and increase the competitive ability of the bank.

5.3 Recommendation

Commercial Bank of Ethiopia, as the sustainability of the business depends on the ability to maintain & build up the public's confidence and recognizing employees as valuable organizational resources and giving them customer service training will improve the customers' loyalty towards the bank. Competitors are coming with new business strategy & service offerings in the banking sector in order to attract customers with a better service & customer handling. Engage with customers of service receipts and official transfer through relationship marketing. In addition, more in-depth studies are needed to understand differences between service provider and customer views of relationships, and to gain better knowledge of how front line employees cope with having to develop different types of relationships with different customer groups. It is recommended to create public awareness regarding services to attract new customers and delivering consistent and prompt services. Regarding conflict handling the bank must work on avoiding potential conflicts and try to solve them before they create more problems, appreciate discussions over the causes of the problems.

The findings of this research provide important evidence for managers who take charge of relationship marketing activities. It is helpful for managers to understand the effectiveness of relationship marketing activities from customer's perspective. Because customers might be not satisfied with or not sensitive to some value-adding promotional activities like the prize linked strategy, managers should put their efforts into implementing more effective relationship marketing dimensions, in order to enhance customer loyalty. Therefore, the bank should consider to improving the way of interacting with customers. By increasing employees' knowledge about saving products and other services of the bank and using media channels to promote products and attract new customers. It is also essential for the bank to realize importance of relationship quality and customers loyalty for practical business. A higher quality of a relationship will lead to a higher level of customer loyalty, which makes the banks' profit more.

The study should also be viewed as a step towards filling the gap in marketing research resulting from the lack of studies investigating the effect of a particular relationship

marketing strategy on customer loyalty. And more effort should also be given to studying customers' desire for maintaining close customer relationships with service providers. And it is also recommended that research should be made on the customers of other private banks in Ethiopia too.

5.4 Limitation of the study and further research

The study has a number of limitations. The most obvious limitations of the study are limited by cost and time. That can be seen by response rates to which limits its generalization for other financial institutions in the industry. Also generalization is limited because the study is conducted as a case study of one specific bank of the bank group in Ethiopia. The study was also limited by explaining loyalty with only four underpinnings of relationship marketing where loyalty can be affected also by other factors, such as communication, competency and value. If this other variables are studied there could be other findings.

For further research it is recommended that a comparative study to be carried out with government owned and private owned banks in Ethiopia. And also include large samples from different branches throughout the country outside Addis Abeba. Regarding the constructs of relationship marketing studies should go further in studying other underpinnings to find outcomes.

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APPENDICES

ANNEX-1

CUSTOMER SURVEY

St. Mary's University

School of Graduate Studies

Department of Business Administration (MBA program)

Survey Questionnaire

Dear Respondent:

The questionnaire is prepared by Master of Business Administration (MBA) graduate student for the purpose of collecting data to write thesis titled **“The Impact of Relationship Marketing on Customers’ Loyalty. The case of Commercial Bank of Ethiopia.”** Your honest response is very much important input to the thesis work. I would like to assure you that the privacy your responses to this questionnaire will be completely kept in secret and would not be used for other purposes other than the pre intended purpose. I know that your time is valuable, and I hope that you will give me (an estimated time of 10-15 minutes) to complete the questionnaire. Please attempt to answer all the questions and circle one appropriate number that best suits your perspective for each statement.

Thank you very much for your time and assistance!

I. General Respondents’ Profile

Kindly select one of the items by circling the appropriate number.

1. Age

1. Below 25 years
years

2. 26-40 years

5. 66 and above

3. 41-55 years

4. 56-65 years

2. Gender

1. Male

2. Female

3. Occupation

1. Business

3. Paid Employment

2. Student/housewife/retiree

4. Educational Qualification

- | | |
|----------------------------|------------------------------|
| 1. Primary School Complete | 2. Secondary School Complete |
| 3. Diploma Level | 4. Degree Level |
| 5. Postgraduate Level | 6. Above Post graduate Level |

5. For how many years have you been using the bank’s service?

- | | |
|------------------|-------------------|
| 1. Below 5 years | 2. 5 –10 years |
| 3. 11 – 15 years | 4. Above 15 years |

II. PART TWO

Please rate each statement under each of the components of relationship marketing by encircling the appropriate number you may think, **where 1= Strongly Disagree(SD), 2= Disagree(D), 3=Neutral(N) and 4= Agree(A) and 5= Strongly agree(SA).**

	Items/Statement	SD (1)	D (2)	N (3)	A (4)	SA (5)
I	Trust					
1.	My bank is very concerned with security for my transactions.	1	2	3	4	5
2.	My bank’s works and promises are reliable.	1	2	3	4	5
3.	My bank is consistent in providing quality services.	1	2	3	4	5
4.	My bank fulfills its obligations to customers.	1	2	3	4	5
5.	I have confidence in my bank’s services.	1	2	3	4	5
II	Commitment					
7.	My bank offers personalized services to meet customer needs.	1	2	3	4	5
8.	My bank is flexible when its services are changed.	1	2	3	4	5
9.	My bank is flexible in serving my needs.	1	2	3	4	5
10.	My relationship with the bank is one that I am very committed to continuing.	1	2	3	4	5
11.	My relationship with the bank is very important to me.	1	2	3	4	5

III Conflict Handling						
12.	My bank tries to avoid potential conflicts.	1	2	3	4	5
13.	My bank tries to solve manifested conflicts before they create problems.	1	2	3	4	5
14.	My bank has the ability to openly discuss solutions when problems arise.	1	2	3	4	5
15.	My bank listen customers' problems.	1	2	3	4	5
16.	My bank is responsive to my complaints.	1	2	3	4	5
17.	The bank clearly informs its policies to their customers (e.g. customers' right, responsibility, and other related issues).	1	2	3	4	5
IV Empathy						
18.	My bank gives me individual advice/personal support	1	2	3	4	5
19.	My bank has operating hours convenient to all its customers.	1	2	3	4	5
20.	My bank has employees who give me personal attention.	1	2	3	4	5
21.	My bank has my best interest at heart.	1	2	3	4	5
22.	My bank's employees understand my specific needs.	1	2	3	4	5
V Customer loyalty						
23.	I do not like to change to another bank because this bank sees my needs.	1	2	3	4	5
24.	I do not like to change to another bank because I value the bank.	1	2	3	4	5
25.	I would always use this bank's services.	1	2	3	4	5
26.	It would be difficult to change my beliefs about the bank.	1	2	3	4	5
27.	I am a loyal customer to the bank.	1	2	3	4	5
28.	I would always recommend the bank to someone who seeks my advice.	1	2	3	4	5

ANNEX-2

INTERVIEW – BRANCH MANAGEMENT

St. Mary's University

School of Graduate Studies

Department of Business Administration (MBA program)

(An interview questions directed to the bank management)

The interview is prepared by Master of Business Administration (MBA) graduate student for the purpose of collecting data to write thesis entitled **“The Impact of Relationship Marketing on Customers’ Loyalty in Commercial Bank of Ethiopia.”** Your honest response is very much important input to the thesis work. I would like to assure you that the privacy your responses to these questions will be completely kept in secret and would not be used for other purposes other than the pre intended purpose. I know that your time is valuable, and I hope that you will give me (an estimated time of 20-35 minutes) to complete the interview.

Thank you very much for your time and assistance!

1. Is there a separate relationship marketing division in your bank?
2. What are the relationship marketing strategies that your bank used to make customers loyal?
3. Do you think that the bank builds a strong trust in the minds of its customers through keeping its promise, very much concerned with the security of their transaction, fulfilling obligations and providing consistent quality services?
4. How do you evaluate the conflict handling procedures of the bank in terms of trying to avoid potential conflict before and after their occurrences, the ability of the bank in customer feedback to improve its services and in asking customers opinion and suggestions frequently and accepts criticism and complaints?
5. Do you think that the bank gives its customers individual advice, working hours convenient to all its customers, and try to understand their specific needs?
6. Do you think that the bank is committed enough in securing the loyalty of its customer through, offering personalized and flexible services and at the same time showing respect to customers in fulfilling their needs?
7. Would you tell me the main strength and weakness of the bank related to maintaining good relationship with customers, providing service and on anything you think

important to enhance customer loyalty?

8. What do you recommend to improve the relationship marketing activities of the bank and secure the loyalty of its customers?

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of Getie Andualem (PhD). All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

Asnakech Mekonnen

St. Mary's University College, Addis Ababa JANUARY, 2018

Signature