



**IMPACT OF CUSTOMER RELATIONSHIP MARKETING  
ON CUSTOMER LOYALTY: A CASE OF COMMERCIAL  
BANK OF ETHIOPIA, DILLA BRANCH**

**MBA THESIS**

**BY  
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**Dilla University**  
**School of Graduate Studies**  
**Declaration**

I hereby declare that this MBA General thesis entitled “**Impact of Customer Relationship Marketing on Customer Loyalty: A Case of Commercial Bank of Ethiopia, Dilla Branch**” is my original work and has not been presented for a degree in any other University, and all source of materials used for the thesis have been duly acknowledged.

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**Advisors' Approval Sheet**

This is to certify that the thesis entitled “**Impact of Customer Relationship Marketing on Customer Loyalty: A Case of Commercial Bank of Ethiopia, Dilla Branch**” submitted in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA General), the Graduate Program of the College of Business and Economics, and has been carried out by **Shemsu Zulal Mossa** under my supervision. Therefore, I recommend that the student has fulfilled the requirements and hence hereby can submit the thesis to the department.

Dr. Degu Setegn

Name of Advisor

\_\_\_\_\_

Signature

\_\_\_\_\_

Date

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## **Abbreviations and Acronyms**

ANOVA	Analysis of Variance
CRM	Customer Relationship Marketing
HRM	Human Resource
S.Cs	Share Company
SNNPRS	Southern Nations Nationalities, and Peoples Regional State
SPSS	Statistical Package for Social Sciences
VIF	Variance Inflation Factor

## **Abstract**

*This study is conducted to identify the impact of customer relationship marketing on customer loyalty: A case of Commercial Bank of Ethiopia, Dilla Branch. The study employed explanatory and descriptive research design with a quantitative research approach. The required data were collected from 338 selected bank customers by using a convenient sampling technique. The data collected through questionnaire were analyzed using both descriptive and inferential statistics with the help of SPSS software version 21. Descriptive statistics such as frequency, percentage, mean, and standard deviation were used. Besides, inferential statistics such as correlation and multiple linear regression were applied. The findings of the study showed that trust, commitment, communication, and conflict handling have significant impact and predict good proportion of variance on customer loyalty. It is reasonable to conclude that customer loyalty can be created, reinforced, and retained by building trust, demonstrating commitment to service, communicating with customers in a timely, reliable, and proactive fashion, and handling conflict efficiently. Therefore, the researcher recommends that to enhance customer trust, commitment, communication, and conflict handling, the bank should put its efforts into effectively implementing relationship marketing.*

**Key words:** Commitment, Communication, Conflict handling, Customer loyalty, Trust

# **CHAPTER ONE**

## **INTRODUCTION**

The introductory part of the paper presents background of the study, statement of the problem, objective of the study, research hypothesis, significance of the study, scope of the study, limitation of the study, and organization of the thesis.

### **1.1. Background of the Study**

Today's banking industry is changing rapidly. With the development of international economy and competitive markets, banks are also affected (Gilaninia et al., 2011). Among banks at the global level, relationship marketing is taken into consideration as the ideal way to create and maintain long-term relationships with customers; because deliverable services in commercial banks is relatively same and for most banks, to differentiate services towards competition is difficult. So many of the world's banks are oriented the use of relationship marketing approach and implementation of its foundations. Development of industrial marketing and service marketing led to a new approach that emphasized long term and close relations with customers. Therefore, transaction-based marketing that focus only on the selling of the product shifted to interactive marketing that focus on the establishment of sustainable and long term relations with customers (Abbasi & Torkemani, 2010).

The competition within the financial service market is increasingly stronger due to new entrants including mergers and acquisitions. Consequently, in order to retain customers, customer satisfaction and loyalty have become fundamental issues for financial service marketing management and survival in the competitive global financial market. Bank customer satisfaction, in this context, is regarded as a bank fully meeting its customers' expectations (Anabila & Tweneboah-Koduah, 2012). Higher levels of customer satisfaction encourage banks to improve service quality, introduce innovative products, encourage repeat purchase, cross-selling, maintain long-term profit and provide efficient bank management. This in turn enhances customer loyalty.

Kim and Cha (2002) indicated that an increased level of customer satisfaction and loyalty are positively linked to a firm's financial return. Similarly, the level of bank customers' satisfaction increased with the level of perceived service quality. Consumers are becoming increasingly aware of options on offer in relation to the rising standard of services (Krishnaveni & Prava, 2008), since most firms' offer are similar, product differentiation becomes tough in an intense competitive market, therefore, companies will shift from product centred approach to customer centred strategy (Krishnaveni & Prava, 2008). In this regard, Customer Relationship Marketing in the banking sector becomes more critical since the banks deal in service which is broadly classified as an intangible commodity and thereby depends on the person delivering the service to create a lasting impression on the customer. Marketing is no longer just about developing, selling and delivering products/services (Gilbert & Choi, 2003) but is now increasingly concerned with the development and maintenance of mutually satisfying long-term relationships with customers (Buttle, 1996).

Commercial Bank of Ethiopia as a pioneer in the banking industry in Ethiopia is leading by providing and introducing new products and the expansion process reaches more than 1000 branches within a short period. The history of the Commercial Bank of Ethiopia (CBE) dates back to the establishment of the State Bank of Ethiopia in 1942. CBE was legally established as a share company in 1963 and later on in 1974, CBE merged with the privately owned Addis Ababa Bank. Since then, it has been playing significant roles in the development of the country. CBE are Pioneer to introduce modern banking to the country and it has more than 1,340 branches stretched across the country. CBE is the leading African bank with assets of 646.69 billion Birr as on March 31<sup>st</sup> 2019 and Plays a catalytic role in the economic progress and development of the country. CBE is the first bank in Ethiopia to introduce ATM service for local users. Currently CBE has more than 20 million account holders and the number of Mobile and Internet Banking users also reached more than 1,736,768 as June of 30<sup>th</sup>, 2018. Active ATM card holders reached more than 5.2 million (74% active users). CBE is a bank with 33,000 talented and committed employees. The overall vision of commercial bank of Ethiopia is to become a world-class commercial bank by the year 2025 (CBE annual report, 2019).

## **1.2. Statement of the Problem**

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 pharmaceutical sector firms really need to be more alert of their customer needs and wants. In order to sustain their competitiveness in the marketplace, each wholesaler needs to provide the excellent service towards their entire of customers. If the firms failed to maintain and enhance their services, it is impossible for them to achieve their targets. Therefore, it is important that each organization fulfill their entire customer needs, increasing their customer satisfaction and ultimately gaining the loyalty of the customers (Shifera, 2011).

According to Abeysekera (2010) better formation of strategies in banking sector is the needed one especially in the recent information technology era. As a result of the continuing movement towards deregulation and the associated increase in competition, maintaining a long term customer relationship leads to get a moderate or greater share of financial market and of a corporations business. Gilaninia (2011) suggested that banks should be trustworthy and committed, should communicate timely and accurately, and must resolve conflicts in a manner that will eliminate unnecessary loss and inconvenience to customers.

Previous researchers such as Ayda (2019); Fikirte (2017); Girma (2017) conducted a study on the effect of customer relationship marketing on customer loyalty. They focused on customer relationship marketing dimensions such as trust, commitment, empathy, conflict handling, switching cost, customer perceived quality, perceived value, and customer satisfaction. However, they failed to include communication which is mandatory in the current situation. Furthermore, there is not much widely empirical works on relationship marketing and its impact on customer loyalty to banking sectors in commercial bank of Dilla branch. Therefore, the purpose of this study is to examine the impact of customer relationship marketing on customer loyalty: A case of Commercial Bank of Ethiopia, Dilla Branch.

### **1.3. Objectives of the Study**

#### **1.3.1. General objective**

The general objective of this study is to identify the impact of customer relationship marketing on customer loyalty: A case of Commercial Bank of Ethiopia, Dilla Branch.

#### **1.3.2. Specific objectives**

Based on the above general objective, the following points are identified as specific objectives of the study.

- i. To identify the effect of trust on customer loyalty in Commercial Bank of Ethiopia, Dilla Branch.
- ii. To examine the effect of commitment on customer loyalty in Commercial Bank of Ethiopia, Dilla Branch.
- iii. To examine the effect of communication on customer loyalty in Commercial Bank of Ethiopia, Dilla Branch.
- iv. To identify the effect of conflict handling on customer loyalty in Commercial Bank of Ethiopia, Dilla Branch.

### **1.4. Research Hypothesis**

Based on the above objectives, hypotheses are developed for the following expectations:-

**H<sub>01</sub>**: Trust has no significant effect on customer loyalty

**H<sub>02</sub>**: Commitment has no significant effect on customer loyalty

**H<sub>03</sub>**: Communication has no significant effect on customer loyalty

**H<sub>04</sub>**: Conflict handling has no significant effect on customer loyalty

### **1.5. Significance of the Study**

The study would be important to financial institutions managers for it would sensitize them on how, where and when to apply marketing relationship strategies. It would shed light to

the bank employees on the value of sustaining customer relationship. Finally, it would provide other researchers with knowledge on how to carry related studies on relationship marketing and customer loyalty in future.

## **1.6. Scope of the Study**

Geographically, the study was delimited to Commercial Bank of Ethiopia, Dilla Branch. Conceptually, the study focused on investigating the impact of customer relationship marketing (trust, commitment, communication and conflict handling) on customer loyalty. Methodologically, the researcher applied both descriptive and explanatory research design with quantitative research approach. To obtain the required data, questionnaire was chosen as it afforded the advantages of speed, cost, and versatility.

## **1.7. Limitations of the Study**

Several limitations were faced during this study. First, misunderstanding of some respondents about the purpose of this study and they were reluctant to provide the information. However, to overcome the potential bias of the finding of this study, respondents were persuaded by telling this is an academic research work accompanied with explanations to get real information. Furthermore, the researcher took only voluntary respondents who were customers of selected banks.

## **1.8. Organization of the Thesis**

This thesis was organized in to five chapters: The first chapter presented about introduction part which comprises the background of the study, statement of the problem, objectives of the study, research hypothesis, and significance of the study, scope of the study. The second chapter presented the conceptual literature, theoretical literature, empirical literatures, and conceptual framework of the study. The third chapter presented the research design, types and source of data, sample design and sampling techniques, sample size determination, data collection methods, data collection tool, and methods of data analysis. The fourth chapter presented and discusses major findings of the study which includes inferential statistics such

as correlation and multiple linear regression analysis. The data analysis, presentation and interpretation of the findings were discussed. The last chapter presented conclusions derived from the empirical findings, sets out recommendation of the study, and directions for future research.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

This chapter gives an insight into various studies conducted by outstanding researchers in the field. Concepts and theories related to customer loyalty were explained. The chapter also presents empirical literature and conceptual framework based on the research objectives and hypothesis.

#### **2.1. Conceptual Literature**

##### **2.1.1. Concepts and Definition of Relationship Marketing**

Gilaninia et al. (2011) defines relationship marketing as a kind of marketing that aims at developing and managing long-term and trustworthy relationships with customers, suppliers and all others acting in the market. It is a form of marketing that is client-based in terms of customer retention and satisfaction rather than individual transactions (Gledhill, 2008). Relationship marketing is an alternative to transactional marketing. Banks have changed from transactional marketing to relationship marketing that is client-based unlike transactional which focuses on product selling only, takes customer for granted and does not mind whether customers' needs are met or not, does not worry losing a customer for a firm believed that there would be enough customers to replace the defecting ones (Msoka et al., 2014).

Abraham (2011) customers have opted for relationship marketing for the customers have become knowledgeable of what they require from the bank service providers, drastic technological changes, decline in product differentiation and competition from other banks, non-banks and other financial institutions which offer almost identical products and services, making customers switch from one bank to another (Msoka et al., 2014).

Customer Relationship Marketing (CRM) refers to the development and cultivation of longer term profitable and mutually beneficial relationships between an organization and a defined customer group. Ogbechi, Okafor, & Orukotan (2018) were of the conviction that

customer relationship marketing has its origin in the contact management in 1980s. The aim is to establish a management mechanism to improve the relationship between enterprise and customer. As a business strategy, customer relationship marketing effectively organizes the enterprise resource in the department of marketing, sales and support; as the Customer-centre management strategy with the information technology, the system intends to redesign the business function, recombine the work flow, and upgrade the satisfaction degree to appeal the customer, in order to gain profit.

According to Rigby, Frederick and Phil (2002) customer relationship marketing refers to as an information industry term for methodologies, software, and usually Internet capabilities that help an enterprise manage customer relationships in an organized way. It simply means to build a database of customers that described relationships with sufficient detail so that management, stakeholders and perhaps the customer directly could access information that matches customer needs with product plans and offering.

According to David (2005), Customer relationship marketing helps in achieving objectives of the organization which includes the identification and management of customers through marketing campaigns and with the aim of improving customer satisfaction and maximizing profits. Turban (2002) noted that enterprises all over the world undergo a profound conversion because of customer relationship marketing, which related to the communication and interaction between enterprise and customer or potential customer.

### **2.1.2. Concepts and Definition of customer loyalty**

Maggon and Chaudhry (2015) define the term loyalty as an “Instrument which generates long lasting benefits for both parties in relationship”. According to many researchers, customer loyalty is the key to gain the competitive advantage as well as it ensures the growth of an organization in long run. Because loyal customers are very difficult to switch as well as they are very less likely to be price sensitive while showing a repetitive purchasing which generates profit for organization.

According to Lee and Cunnigaham, (2004) the loyalty of customers can be defined on the basis of their previous purchasing behavior and their future buying commitments with respect to a specific organization. Malik and Ibraheem (2017) defined the loyalty as a “procedure of generating mutual benefits both for the customers and organization on a long-term basis.

Customer loyalty is the most important goal of implementing relationship marketing activities. Oliver (1997) defined customer loyalty as a deeply held commitment to re-buy a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior. It is assumed that customers who are behaviorally loyal to a firm display more favorable attitudes towards the firm, in comparison to competitors. Knowing the buying motivations of customers has been an important part of understanding customer loyalty and brand switching behavior.

Customer loyalty can be seen as a customer's willingness to have a close relationship with a firm in long-term, using and purchasing a company's services and products on a repeated basis as well as voluntarily introducing the company's services and products to other people (Brink & Berndt, 2008). loyal customers help the firm increase profits (Heskett, Sasser & Schlesinger, 1997) and decrease costs (Baron, Conway & Warnaby, 2010) as well as recommends their friends, co-workers and relatives to the firm via word of mouth (Brink & Berndt, 2008; Buttle, 2009).

According to Ganesh et al (2000) there are two types of loyalty; active loyalty which involves spreading word of mouth and passive loyalty in which customers not leaving even in less favorable situations. Husnain and Akhtar (2015) loyalty is considered as process rather than outcome according to some authors. Oliver (1997) differentiates between four phases of loyalty which are cognitive (one brand is preferable based on superior brand attributes), affective (liking towards brand has developed over the course of multiple purchase situations that were satisfying.), conative (affective stage with the express intention to re-buy), and action (conative stage plus the active desire to overcome situational

influences and marketing efforts that may have the potential to cause switching behavior). On reaching the action phase, the customer possesses a deep commitment to repurchase but also is active in blocking the influence of alternative brands. Action level loyalty will be created when consumers deliberately drench themselves in a social network that rewards brand support.

Clearly loyalty is a profound idea with numerous potential definitions. Behavioral loyalty implies sales that are the reason it is particularly valued. Behavioral and attitudinal loyalty is highly correlated (repetitive purchases direct to positive attitude), which moves to conative loyalty: high levels of involvement and intention to keep on repurchase so attitudinal is also highly appreciated too. Customers having strong attitudinal loyalty are more difficult to grab by competitors to steal them away (Gundlach et al., 1995) and less search for substitute (Dick & Basu, 1994).

### **2.1.3. Relationship marketing dimensions**

#### ***2.1.3.1. Trust***

Liang and Wang (2006) states in this context that trust is the perceived level of confidence in transaction partners' reliability and honesty. Trust is the belief that a partner's word or promise is reliable and a party will fulfill his/her obligations in the relationship (Schurr & Ozanne, 1985). 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 & 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. 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). In order to increase the levels of trust, companies must focus on keeping promises to their customers and consistently carry their best interest at heart (Hocutt, 1998).

### ***2.1.3.2. Commitment***

Commitment is another important determinant of the strength of a marketing relationship, and a useful construct for measuring the likelihood of customer loyalty and predicting future purchase frequency (Morgan & Hunt, 1994). These authors defined commitment as an enduring desire to maintain a valued relationship. According to Wilson (1995) most of the buyer-seller relationship studies used commitment as a common dependent variable.

According to Gundlach, Achrol, and Mentzer (1995) a higher level of dedication to make a relationship succeed and to make it mutually fulfilling and advantageous. Since, commitment is higher among individuals who believe that they receive more value from a relationship; exceedingly dedicated clients ought to be happy to respond exertion in the interest of a firm due to past benefits received (Mowday, Porter & steers, 1982) and highly committed firms will continue to enjoy the benefits of such reciprocity. Based on literature of organizational behavior (Meyer & Allen, 1997), commitment is defined in different ways like as an aspiration to sustain a relationship (Morgan & Hunt, 1994; Deshpandé, Moorman, & Zaltman, 1993), an undertaking of bond among parties (Dwyer et al., 1987), the give up or sacrifice if a relationship split (Anderson & Weitz, 1992), and with the lack of viable or attracting offerings (Gundlach, Achrol, & Mentzer, 1995). Due to these varieties of basis customers stick to a firm which sustains customers loyalty.

Luarn and Lin (2003) establish significant relationship between commitment and loyalty. Various studies in the relationship marketing area have shown that these two factors seem to be crucial in influencing one another (Evanschitzky et al., 2006). Pritchard, Havitz and Howard (1999) found commitment to be strongly correlated with customer loyalty. Fullerton (2003) reveals that when customer commitment is based on shared values and identification, it has a uniformly positive impact on customer loyalty. Several other studies confirm a significant interaction of affective commitment and continuance commitment on loyalty (Fullerton, 2003).

### ***2.1.3.3. 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. In dealing with conflict, people use different strategies to accomplish their goals. Dwyer et al. (1987) defined conflict handling as the ability of each supplier to avoid any potential conflict, solve that particular conflict before they create problems and the ability to discuss the solutions openly when the problem arises. Conflict handling requires cooperative behavior from exchange partners. According to Evans & Beltramini (1987), in a negotiation setting, cooperative versus competitive intentions have been found to be linked to satisfactory problem solution. In short, good conflict resolution will result relationship quality positively.

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 its wake 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). Ndubisi & Wah (2005) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality.

### ***2.1.3.4. Communication***

According to Ndubisi & Wah (2006) communication is passing of information between bank customers and bank employees using various means such as phones, letters, emails, word of mouth. The bank employees informs the bank employees on the new products/ services, banks provides prompt information, bank resolves customers problems, bank utilizes ICT in transmitting information to the bank customers and bank offers their customers toll free helpline services.

Kotler and Keller (2013), Marketing communications are the means by which firms attempt to inform, persuade, and remind consumers directly or indirectly about the products and brands they sell. Communication refers to the ability to provide timely and trustworthy information. Communication in relationship marketing means keeping in touch with valued customers, providing timely and trustworthy information on service and service changes, and communicating proactively if delivery problem occur (Ndubisi, 2007). He viewed that Communications tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal.

Parvatiyar and Sheth (2001) state that communication with customer partners is necessary process of relationship marketing. It helps in relationship development, fosters trust, and provides the information and knowledge needed to undertake the cooperative and collaborative activities of relationship marketing. In many ways it is the lifeblood of relationship marketing. Gronroos (1994), viewed market communication is a central means of reaching customers, and the focus on relationship building leads to an interest in emphasizing dialogues with identified customers.

## **2.2. Theoretical Literature**

### **2.2.1. Relationship Marketing Theory**

Relationship marketing theory Arnett and Badrinayanan (2005) states that successful relationship marketing is characterized by successful relational exchanges. The theory focused on trust, commitment, and communication (Sivadas & Dwyer, 2000). The bank will have long term and profitable relationships with the bank customers if bank shows high levels of trust on bank products/ services, trust on the bank handled transactions, trust on the way the bank handled customers concern. Trust on loan information and trust on bank information confidentiality. When the bank customer loses trust with the bank, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank shows high levels of trust, the bank customers purchase more bank products, customers are

satisfied, defection to the other banks is minimal and they positively recommendation their friends and relatives about the bank.

Communication is between the bank and their customers. The bank communicates to the bank customers by informing them on new products, their usage and benefits. The bank is expected to provide timely and prompt information to their customers. The bank resolves customer's complaints. The bank utilizes ICT in transmitting information to the bank customers and the bank offering toll free helpline services to their customers. The bank communicates to their customers through SMS, letters, e- mails and a word of mouth. When the bank fails to communicate effectively to their bank customers, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank communicates effectively the bank customers they purchase more bank products, they are satisfied, customer defection rate to the other banks is minimal and customers raise a positive recommendation about the bank to the friends and relatives.

### **2.2.2. The Social Exchange Theory**

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

Social exchange theory indicates that individuals are willing to maintain relationships because of the expectation that is rewarding. This theory attempts to account for the development, growth and even dissolution of social as well as business relationships. This means people or business firms evaluate their reward when deciding whether or not to maintain a relationship (Homan, 1958).

### **2.2.3. Commitment-Trust Theory**

Morgan and Hunt (1994) the Commitment-Trust theory states that successful relationship marketing requires commitment and trust relationship. This is applicable in this study because a bank that is committed to offering quality services which are reliable, timely and prompt will have successful long-term and profitable relationship with their bank customers. The theory is pegged on three factors: trust, commitment and relational exchanges. The theory is applicable in this study for the bank trust, commitment and a relational exchange with their bank customers is crucial in the banking industry. The bank should be trustful to their customers. The bank observes trust on bank products/ services, trust on handling transactions, trust on handling customers concern. Trust on loan information and trust on bank information confidentiality. When the bank customer loses trust with the bank, they shift to another bank, buy less bank products and talk ill of the bank. On the other hand, if the bank maintains high levels of trust, the bank customers purchase more products /services, customers are satisfied, customer defection to the other banks is minimized and customers positively recommend their friends and relatives about the bank.

### **2.3. Empirical Literature**

Ayda (2019) studied on the relationship between relationship marketing and customer loyalty; the mediation effect of customer satisfaction in pharmaceutical sectors of Addis Ababa. The finding show that trust, commitment and customer satisfaction are positively related with customer loyalty and the bootstrapping method shows that customer satisfaction partially mediates the relationship between relationship marketing and customer loyalty. Thus this study recommended that suppliers in the pharmaceutical sector of Addis Ababa are expected to invest more on attracting new customers and retaining the existing ones. They should recognize the importance of relationship marketing and customer satisfaction in creating loyal customers and implement it properly.

Dereje (2017) studied on the effect of relationship marketing components on customer loyalty in the Ethiopian banking industry: the case of commercial bank of Ethiopia and Dashen bank. The findings show that relationship marketing dimensions have an effect on

customer loyalty. All the independent variables are positively and directly related to customer loyalty particularly in Commercial bank of Ethiopia and Dashen Bank S.C and in general in Ethiopian Banking industry. The relationship between relationship marketing and customer loyalty is found to be significant. Therefore, Commercial bank of Ethiopia and Dashen Bank S.Cs should make the whole system on work with customers, not in opposite of customers. And also they are expected to invest more on attracting new customers and retaining the existing ones with regard to relationship marketing to increase customer loyalty.

Fikirte (2017) studied on the effect of relationship marketing on customer loyalty in banking industry in the case of Dashen bank. The findings showed that relationship marketing dimensions have effect on customer loyalty. All the independent variables are significantly association with customer loyalty particularly in Dashen bank and in general in banking industry. And also they are expected to invest more on attracting new customers and retaining the existed ones with regard to relationship marketing to increase customer loyalty.

A study conducted by Girma (2017) on the effect of customer relationship marketing on customer loyalty: The case of Ries engineering-rental (RESCO-rental) indicated that the four variables namely, commitment, empathy, conflict handling and trust aggregately explained or affected 43.7% of variance on customer loyalty in descending order but the rest 56.3% is explained by other factors. Moreover, they are significantly related and contribute differentially to customer loyalty. Commitment is the most important predictor of customer loyalty followed by empathy, conflict handling and trust. This shows that, the company has to be committed enough to have customer loyalty and also need to focus it on its core services so as to gain its customers' trust. It is reasonable to conclude, on this evidence, that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, treating customers as they want to be treated, and handling conflicts effectively and efficiently. This study may be affected by a limitation because it couldn't involve other companies in the rental industry; however, the model allows the study to be a base for future researches

Boke (2015) have conducted a study on the effect of relationship marketing on customer loyalty (evidence from Zemen bank). The aim of this study is to investigate the influence of relationship marketing underpinnings on customers' loyalty by giving insights to Trust, Commitment, Communication and Gratitude and their effect on customer loyalty in the banking industry in Ethiopia. The study also investigated the mediating role of top management commitment between relationship marketing and customers' loyalty. The research design was descriptive and explanatory. Primary data for the study were gathered through questionnaire and semi structured interview from Zemen bank in Addis Ababa city. Findings of this study reveal that there is a significant and strong correlation between relationship marketing and customers' loyalty. Moreover, the study reveals that there is significant effect of trust, commitment, communication, and gratitude on predicting customers' loyalty. Of these relationships, gratitude emerged as the strongest factor which influences customers' loyalty while conflict management remained statistically insignificant and negligible influence on customers' loyalty in the cumulative model. Therefore, banks competitiveness and profitability will depend on their ability to build strong relationship bonds with their customers continuously.

Husnain and Akhtar (2015) conducted a study on Relationship Marketing and Customer Loyalty: Evidence from Banking Sector in Pakistan. The purpose of this study is to provide an insight into the impact of relationship marketing strategy on customer loyalty of retail bank sector in Pakistan and to examines whether these relationship strengthen through improvements in banking relationship. A questionnaire derived from previous studies and relevant literature was completed by 100 university students having accounts in different banks and Convenience sampling used. Multiple regression analysis assessed the impact on customer loyalty of four key construct of relationship marketing (Trust, Commitment, Communication and conflict handling). Results indicate that four variables have significant effect and predict good proportion of variance in customer loyalty. It is reasonable to conclude, on this evidence, that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust, demonstrating commitment to service, communicating with customers in a timely, reliable and proactive fashion, and handling conflict efficiently.

Omidinia and Sepahyar (2014) have conducted a study on the effect of relationship marketing on customers' loyalty in the public and private banks of the Qom province, the case study public and private banks of the Qom province in Iran. The purpose of the study is to assess the relation of the marketing relationship factors and the customer loyalty and factors priority and the difference of these variables in the public and private banks in the province of Qom. Statistical society of the present research consists of 110 customers of a private bank and a public bank in the province of Qom. The medium for data gathering was a questionnaire, and in this research, a statistical society average test and Friedman test have been used to analyze the data, correlation test to study the relation between marketing factors and customers' loyalty, and the Two-sample T-Test to study the differences among the variables in the two types of public and private banks. The study concluded 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.

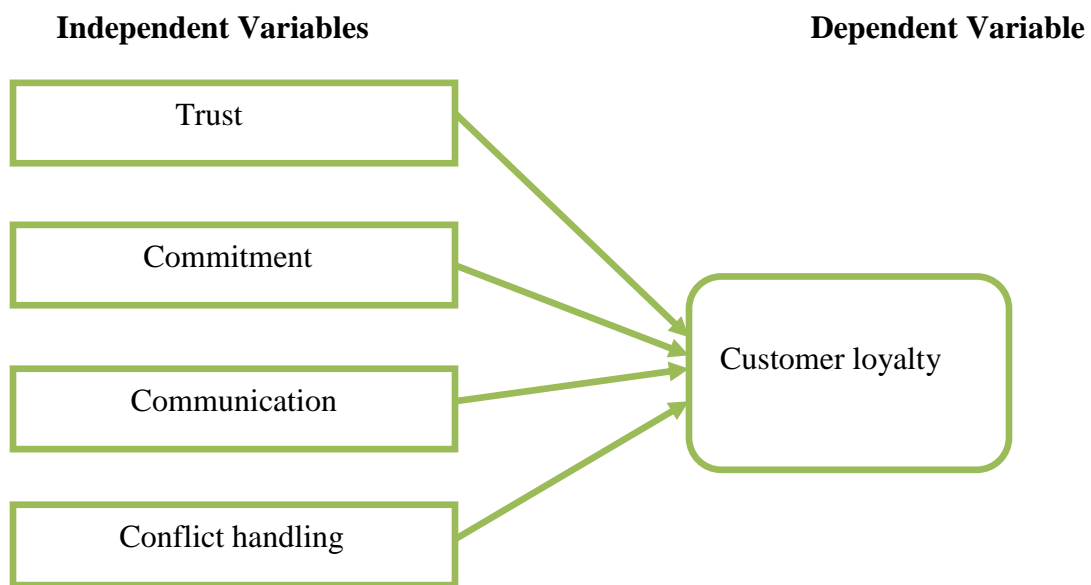
Mubbsher and Manam (2014) conducted a study on impact of service quality on customer satisfaction and customer loyalty in Pakistan. Banks Service quality was studied under different dimensions of service quality. A sample of 270 bank customers was used. Stratified random sampling was used. Data was collected by use of questionnaires which were analyzed by descriptive statistics, correlation and regression. The study found that all dimensions of service quality had a strong positive relationship with customer satisfaction and loyalty.

Ogongo (2014) study on customer retention strategies adopted by commercial banks in Kenya found that the customers would be retained in the bank if the customers were satisfied, if the bank had efficient services, listened and resolved customers' problems and met customers' needs. Similarly, Catalina (2013) conducted a study on relationship marketing practices in India banking sector. The study revealed that a comprehensive approach not only of the clients but also of the employees was important in building long term profitable relationships.

## 2.4. Conceptual Framework

Conceptual framework is a set of coherent ideas or concepts organized in a manner that makes them easy to communicate to others (Schwartz, 2006). Therefore, the following figure (Figure 2.1) presents the conceptual framework that shows the relationship between the independent variables (trust, commitment, communication and conflict handling) and the dependent variable (customer loyalty) of the study.

**Figure 2.1:** *Conceptual Framework of the Study*



**Source:** Adapted from Husnain and Akhtar (2015); Sivesan (2012); Malik, Ali, and Ibraheem (2017).

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

This chapter includes research design, research approach, data sources, target population, sample size determination, sampling techniques, data collection methods, method of data analysis, and ethical consideration. The details are presented below.

### **3.1. Research Design**

The study employed explanatory and descriptive research design. Explanatory research design is the best if the research question is to identify factors associated or to understand the effect of the independent variable on the dependent variable (Oleary, 2004). And descriptive design is also suitable in describing characteristics of the particular individuals or group (Creswell, 2012).

### **3.2. Research Approach**

The researcher used quantitative research approach. The approach refers to the type of data being collected (quantitative data involve numeric scores, metrics, and so on. The quantitative approach helps to quantify or objectively measure certain variables in numeric terms, which makes descriptive analysis easy and manageable (Creswell, 2012). Therefore, throughout the study, the researcher used quantitative research approach to compute and interpret numerical data.

### **3.3. Data Sources and Types**

The study employed both primary and secondary sources of data. The primary data was collected from selected customers of commercial bank of Ethiopia Dilla branch. Secondary data was obtained from documents related to this study such as books, journals and publications. Regarding the types of data, the researcher includes quantitative information. The quantitative data was collected from customers of commercial bank of Ethiopia Dilla branch through questionnaire.

### 3.4. Target Population

Target population is a total group of people from whom the researcher obtains information to meet the research objectives. Therefore, the target population of the study was all the customers of commercial bank of Ethiopia Dilla branch.

### 3.5. Sample Size and Sampling Technique

Since the number of population of the study is unknown, the formula developed by Cochran (1977) was found to be appropriate for determining the sample size.

$$n = \frac{Z_{\alpha/2}^2 p(1-p)}{d^2}$$

**Where**  $n$  = The desired sample size

$Z$  = The statistics for the level of confidence (1.96)

$P$  = The proportion of potential mobile customers (50%)

$d$  = Marginal error between the population and sample size (5%)

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

$$n \approx 385$$

After determining the sample size, this study employed convenient sampling technique. Because, when population elements has no sampling frame and was selected for inclusion in the sample based on the ease of access, convenience sampling is the correct sampling technique (Kothari, 2012). Therefore, the researcher selected participants based on their willingness and available to be studied.

### 3.6. Data Collection Tool

This study employed closed ended questionnaire as an instrument for data collection. Since questionnaire is important for collecting large data set. The questionnaire comprised of two sections. The first section focused on personal information of the respondents while the

second section based on the constructs of the study i.e. the effect of customer relationship marketing on customer loyalty. A five-point scale, ranging from strongly disagree to strongly agree was used in designing the questions. The internal consistency of the research instrument was tested using Cronbach's alpha coefficient.

### 3.7. Reliability and Validity of the Instrument

The questionnaire that was designed for this study was validated. It was taken to the researcher's advisors at Dilla University. The advisor's corrections, suggestions, and observations were considered to ensure the validity of the instrument. After making all the necessary adjustments by the researcher, the advisor approved the instrument is being valid for collecting data in this study.

It is important to make sure that a scale and its items are reliable in any research. Therefore, in order to determine the reliability of the questionnaire, a Cronbach's alpha test was carried out. According to George and Mallery (2003) a reliability of greater than 0.9 is excellent, greater than 0.8 is good, greater than 0.7 is acceptable, greater than 0.6 questionable, greater than 0.5 is poor and less than 0.5 is unacceptable. The overall reliability of the questionnaire is greater than 0.8 which is at good level. Therefore, the reliability test was checked accordingly.

**Table 3.1:** *Reliability test*

<b>Variables</b>	<b>Cronbach's Alpha</b>	<b>Number of items</b>
Trust	0.770	7
Commitment	0.857	7
Communication	0.831	9
Conflict handling	0.814	7
Customer loyalty	0.792	7
Overall	0.813	37

**Source:** Software output, 2020

As showed in Table 3.1, the results of Cronbach's Alpha values of the study variables reveal that the overall reliability coefficient of the study variables is 0.813. Therefore, the result showed that the overall reliability of the questionnaire is greater than 0.8 which is at good level.

### **3.8. Method of Data Presentation and Analysis**

The data that was collected through questionnaire was edited, coded and entered into the computer using Statistical Package for Social Science (SPSS) Software Version 21. The analysis techniques were performed using descriptive statistics such as frequency, percentage, mean, and standard deviation to summarize. Furthermore, inferential statistics such as correlation and multiple linear regressions were used to identify the Impact of Customer Relationship Marketing on Customer Loyalty: A Case of Commercial Bank of Ethiopia, Dilla Branch.

#### **3.8.1. Model Specification**

The study used multiple linear regression model. Before fitting selected variables in to the multiple linear regression model, it is necessary to test multicollinearity problem among continuous variables and check relationship between discrete variables, which seriously affects the parameter estimates. According to Gujarati (2003), multicollinearity refers to a situation where it becomes difficult to identify the separate effect of independent variable on the dependent variable because of existing strong relationship among them. In other words, multicollinearity is a situation where explanatory variables are highly correlated. The important measure that is frequently suggested to test the existence of multicollinearity is Variance Inflation Factor (VIF). Therefore, variance inflation factor (VIF) is used to check multicollinearity of continuous variables. The larger the value of VIF, the more upsetting or collinear is the variable  $X_i$ . As a rule of thumb if the VIF are greater than 10 the variable is said to be highly collinear (Gujarati, 2003).

According to Gujarati (2003), multicollinearity refers to a situation where it becomes difficult to identify the separate effect of independent variable on the dependent variable

because of existing strong relationship among them. In other words, multicollinearity is a situation where explanatory variables are highly correlated. The problem of multicollinearity was measured by Variance Inflation Factor (VIF). VIF is used to check multicollinearity of continuous variables. As  $R^2$  increase towards 1, it is a collinearity of explanatory variables. The larger the value of VIF, the more upsetting or collinear is the variable  $X_i$ . As a rule of thumb, if the VIF are greater than 10 the variable is said to be highly collinear (Gujarati, 2003). Multicollinearity of continuous variables can also be tested through Tolerance. Tolerance is 1 if  $X_i$  is not correlated with the other explanatory variable, whereas it is zero if it is perfectly related to other explanatory variables.

Linearity test was checked by graphically. Plots of the regression residuals through SPSS software had been used in order to determine whether the relationship between the dependent variable and the independent variables is linear.

The normality test shows the frequency distribution of the standardized residuals compared to a normal distribution. Although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed

In this study, multiple linear regression models were fitted to survey data to generate information about Impact of Customer Relationship Marketing on Customer Loyalty. The model to be predicted in this study takes the following structure.

$$Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + \beta_4x_4 + \varepsilon$$

Where: Y = Dependent Variable (Customer Loyalty),  $\chi_1$  is trust,  $\chi_2$  is commitment,  $\chi_3$  communication  $\chi_4$  is conflict handling,  $\beta_0$  is the constant  $\beta_1$ -n is the regression coefficient or change included in Y by each  $\chi_i$  and  $\varepsilon$  = error term.

### 3.8. Ethical Consideration

Some of the expected principles of ethical behavior that are widely accepted within the scientific community are: voluntary participation and harmlessness, anonymity and confidentiality, disclosure, analysis and reporting (Bhattacharjee, 2012). Therefore, the researcher of this thesis attempted to consider these issues in respect of each as follows.

**Voluntary participation and harmlessness:** Subjects in a research project must be aware that their participation in the study is voluntary, that they have the freedom to withdraw from the study at any time without any unfavorable consequences, and they are not harmed as a result of their participation or non-participation in the thesis. To this effect, the researcher gave freedom to the respondents and they exercised freely on the given questionnaire.

**Anonymity and confidentiality:** to protect the subjects' interests and future well-being, their identity must be protected in a scientific study. This is done using the dual principles of anonymity and confidentiality. Anonymity implies that the researcher or reader of the final research report or paper cannot identify a given response with a specific respondent. Confidentiality means the researcher can identify a person's responses, but promises not to divulge (reveal) that person's identity in any report, paper, or public forum.

**Disclosure:** usually, the researcher has an obligation to provide some information about his/her study of potential subjects before data collection to help him/her decide whether or not they wish to participate in the study. For instance, who is conducting the study, for what purpose, what outcomes are expected, and who will benefit from the results. Guided by this ethical principle, the researcher has disclosed about the content and purpose of the study. Moreover, the benefit of the research after finalization has been well-disclosed to the respondents.

**Analysis and reporting:** it has been evident that the researcher also has ethical obligations to the scientific community on how data is analyzed and reported in the study. Accordingly, genuine information has been forwarded not to mislead the scientific community.

## CHAPTER FOUR

### RESULT AND DISCUSSION

This chapter covers data analysis, response rate, results, demographic characteristics of the respondents, and discussions of the study in reference with the research objective and research hypothesis.

#### 4.1. Response Rate

A total of 385 questionnaires were issued. Out of these questionnaires 338 were returned duly completed. This represents 87.8 response rate. This was considered a representative sample for further studies according to Mugenda and Mugenda (2003) who report that a rate of 50% and above is acceptable.

**Table 4.1:** *Questionnaire Survey Response Rate*

Items	Response Rate	
	No.	Percent
Sample size	385	100
Collected	338	87.8
Remain Uncollected	47	12.2

**Source:** Own survey data, 2020

The results of Table 4.1 showed that out of 385 questionnaires distributed to sampled respondents, 338 (87.8%) were collected while 47 (12.2%) of the questionnaire remained uncollected. Therefore, analysis was made based on the responses obtained from 338 questionnaires. This indicates that there were high rate of response.

## 4.2. Background Characteristics of Respondents

This section sought to identify the background characteristics of the respondents. The background characteristics considered in the study were sex, age, educational level, occupation and experience in using the bank.

**Table 4.2:** *Background Characteristics of the Respondents (n=338)*

<b>Variables</b>	<b>Categories</b>	<b>Frequency</b>	<b>Percentage</b>
Sex	Male	240	71.0
	Female	98	29.0
Age of respondent	Less than 25	120	35.5
	25-34	100	29.6
	35-44	78	23.1
	45-54	40	11.8
Educational level	No formal education	11	3.3
	Primary school	19	5.6
	Secondary school	41	12.1
	Certificate	51	15.1
	Diploma	43	12.7
	Degree	157	46.4
Occupation	Masters and above	16	4.7
	Government employee	37	10.9
	Private employee	95	28.1
	Own business	172	50.9
Experience in using the bank	Student	34	10.1
	Below 1 year	243	71.9
	1-5 years	31	9.2
	6-10 years	43	12.7
	11-15 years	21	6.2
	Total	338	100

**Source:** Own survey data, 2020

As can be seen from the results of Table 4.2, the majority of respondents were male which accounted for 71%. Likewise, higher numbers of respondents were first degree holder which accounted for 46.4%. Similarly, almost half of the respondents had their own business. Equally, the majority (71.9%) of sampled respondents who were included in the study used commercial bank of Ethiopia below one year.

### 4.3. Descriptive Summary of the Study Variables

Under this topic, the questions that were collected using a Likert scale were analyzed. To make the analysis easy, the researcher used Al-Sayaad, Rabea and Samrah (2006) proposed techniques of mean score ranges. The ranges of values were presented as disagreeing if the mean score is between 1.0 and 2.6, neutral if the mean score is between 2.6 and 3.4 and agree if the mean score is above 3.4. Based on these classifications, the interpretations of all Likert scale items such as were presented as follows:

**Table 4.3:** *Perception of Respondents on Trust*

No.	Trust	SDA		DA		N		A		SA	
		n	%	n	%	n	%	n	%	n	%
1	I feel safe in all of my transactions with the bank.	4	1.2	12	3.6	26	7.7	130	38.5	166	49.1
2	The bank is consistent in providing quality service.	2	0.6	20	5.9	32	9.5	150	44.4	134	39.6
3	Employees of the bank show respect to customers.	6	1.8	28	8.3	62	18.3	162	47.9	80	23.7
4	The bank fulfills its obligations to customers.	14	4.1	26	7.7	78	23.1	128	37.9	92	27.2
5	I have confidence in the bank's service.	24	7.1	20	5.9	58	17.2	122	36.1	114	33.7
6	The bank is always honest to me.	60	17.8	62	18.3	40	11.8	104	30.8	72	21.3
7	The bank always does what it promised to do.	62	18.3	92	27.2	36	10.7	112	33.1	36	10.7
Overall mean (SD)		3.72 (0.44)									

**Source:** Own survey data, 2020

Regarding the customers satisfaction during their transaction with the bank, as summarized in Table 4.3, 87.6 % of commercial bank of Ethiopia customers agreed that they feel safe in all of their transactions with the bank, while 4.7 % of them disagreed on customers satisfaction during their transaction with the bank. This implies that the majority of commercial bank of Ethiopia customers agreed that they feel safe in all of their transactions with the bank.

Concerning the consistency of the bank during service provision, as presented in Table 4.3, 84.0 % of commercial bank of Ethiopia customers agreed that the bank is consistent in providing quality service, while 6.5 % of them disagreed on the consistency of the bank during service provision. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank is consistent in providing quality service.

In line with the discipline of employees to its customers, the results of Table 4.3 indicates that 71.6 % of commercial bank of Ethiopia customers agreed that employees of the bank show respect to customers, while 10.1 % of them disagreed on the discipline of employees to its customers. This implies that the majority of commercial bank of Ethiopia customers agreed that employees of the bank show respect to customers.

On the subject of the ability of the bank to fulfill its obligations, as presented in Table 4.3, 65.1 % of commercial bank of Ethiopia customers agreed that the bank fulfills its obligations to customers, while 11.8 % of them disagreed on the ability of the bank to fulfill its obligations. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank fulfills its obligations to customers.

With respect to the confidence of customers towards the bank's service, the results of Table 4.3 indicates that 69.8 % of commercial bank of Ethiopia customers agreed that they have confidence in the bank's service, while 13.0 % of them disagreed on the confidence of customers towards the bank's service. This implies that the majority of commercial bank of Ethiopia customers agreed that they have confidence in the bank's service.

Regarding the honesty of the bank, as summarized in Table 4.3, 52.1 % of commercial bank of Ethiopia customers agreed that the bank is always honest to them, while 36.1 % of them disagreed on the honesty of the bank. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank is always honest to them.

Concerning the ability of the bank to keep its promises, as presented in Table 4.3, 43.8 % of commercial bank of Ethiopia customers agreed that the bank always does what it promised to do, while 45.6 % of them disagreed on the ability of the bank to keep its promises. This implies that commercial bank of Ethiopia customers have neutral response on the actions of the bank always does what it promised to do.

In summary, the overall average value of trust is 3.72 with a standard deviation of 0.44. This showed that the mean value is greater than 3.4 which relied on agreement level based on Al-Sayaad et al. (2006) proposed techniques of mean score ranges for five-point Likert scale questions. Therefore, the result revealed that commercial bank of Ethiopia customers has strong trust on commercial bank of Ethiopia.

**Table 4.4: Perception of Respondents on Commitment**

No.	Commitment	SDA		DA		N		A		SA	
		n	%	n	%	n	%	n	%	n	%
1	The bank offers personalized services to meet customer needs.	14	4.1	56	16.6	134	39.6	134	39.6	14	4.1
2	My relationship with the bank is worth my effort to maintain.	16	4.7	42	12.4	138	40.8	142	42.0	16	4.7
3	Customers relationship with the bank is worth my effort to maintain.	4	1.2	2	.6	56	16.6	126	37.3	150	44.4
4	The bank is flexible in serving my needs.	0	0.0	18	5.3	46	13.6	202	59.8	72	21.3
5	My relationship with the bank is very important to me.	10	3.0	50	14.8	54	16.0	150	44.4	74	21.9
6	My relationship with the bank is one that I am very committed to continuing it.	4	1.2	26	7.7	54	16.0	166	49.1	88	49.1
7	The bank makes adjustments to suit my needs.	2	.6	54	16.0	38	11.2	156	46.2	88	26.0
Overall mean (SD)		3.99(0.47)									

**Source:** Own survey data, 2020

With respect to the personalized service the bank provides to its customers, as summarized in Table 4.4, 79.3 % of commercial bank of Ethiopia customers agreed that the bank offers personalized services to meet customer needs, while 4.1 % of them disagreed on the personalized service the bank provides to its customers. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank offers personalized services to meet customer needs.

Regarding the flexibility of the bank during service change, as presented in Table 4.4, 82.8 % of commercial bank of Ethiopia customers agreed that the bank is flexible when its services are changed, while 4.7 % of them disagreed on flexibility of the bank during service change. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank is flexible when its services are changed.

In line with the customer relationship with the bank, the results of Table 4.4 indicate that 81.7 % of commercial bank of Ethiopia customers agreed that their relationship with the bank is worth their effort to maintain, while 1.8 % of them disagreed on customer relationship with the bank. This implies that the majority of commercial bank of Ethiopia customers agreed that their relationship with the bank is worth their effort to maintain.

On the subject of flexibility of the bank during serving customer needs, as presented in Table 4.4, 81.1 % of commercial bank of Ethiopia customers agreed that the bank is flexible in serving their needs, while 5.3 % of them disagreed on flexibility of the bank during serving customer needs. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank is flexible in serving their needs.

With respect to the relationship of the customer with the bank, the results of Table 4.4 indicate that 66.3 % of commercial bank of Ethiopia customers agreed that their relationship with the bank is very important to them, while 17.8 % of them disagreed on the relationship of the customer with the bank. This implies that the majority of commercial bank of Ethiopia customers agreed that their relationship with the bank is very important to them.

Regarding the thing that enables customers to continue as a customer of the bank, as summarized in Table 4.4, 75.1 % of commercial bank of Ethiopia customers agreed that their relationship with the bank is one that they become committed to continuing it, while 8.9 % of them disagreed on the thing that enables customers to continue as a customer of the bank. This implies that the majority of commercial bank of Ethiopia customers agreed that their relationship with the bank is one that they become committed to continuing it.

Concerning the availability of adjustments the bank did in order to suit its customers, as presented in Table 4.4, 72.2 % of commercial bank of Ethiopia customers agreed that the bank makes adjustments to suit their needs, while 16.6 % of them disagreed on availability of adjustments the bank did in order to suit its customers. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank makes adjustments to suit their needs.

In summary, the overall average value of commitment is 3.99 with a standard deviation of 0.47. This showed that the mean value is greater than 3.4 which relied on agreement level based on Al-Sayaad et al. (2006) proposed techniques of mean score ranges for five-point Likert scale questions. Therefore, the result revealed that commercial bank of Ethiopia customers believed that commercial bank of Ethiopia have strong commitment.

**Table 4.5: Perception of Respondents on Communication**

No.	Communication	SDA		DA		N		A		SA	
		<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
1	The bank provides timely and trustworthy information.	4	1.2	52	15.4	50	14.8	114	33.7	118	34.9
2	The bank provides information when there is new banking service.	24	7.1	42	12.4	144	42.6	128	37.9	24	7.1
3	The bank makes and fulfills promises.	10	3.0	10	3.0	40	11.8	132	39.1	146	43.2
4	Information provided by the bank is always accurate	8	2.4	34	10.1	40	11.8	122	36.1	134	39.6
5	The bank provides channels to enable two way communications.	2	.6	70	20.7	48	14.2	166	49.1	52	15.4
6	The bank provides you seven days a week and 24 hours a day to check your balance and make transaction.	20	5.9	124	36.7	46	13.6	100	29.6	48	14.2
7	The bank clearly communicates its customers about the bank policy.	0	0.0	24	7.1	44	13.0	178	52.7	92	27.2
8	The bank clearly communicates its customers about their rights.	2	0.6	12	3.6	48	14.2	150	44.4	126	37.3
9	The bank clearly communicates its customers about their responsibilities.	0	0.0	18	5.3	52	15.4	152	45.0	116	34.3
Overall mean (SD)		3.89(0.39)									

**Source:** Own survey data, 2020

Regarding the capability of the bank to provide timely and trustworthy information, as summarized in Table 4.5, 68.6 % of commercial bank of Ethiopia customers agreed that the bank provides timely and trustworthy information, while 16.6 % of them disagreed on capability of the bank to provide timely and trustworthy information. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank provides timely and trustworthy information.

Concerning the the announcement of the bank for new product release, as presented in Table 4.5, 80.5 % of commercial bank of Ethiopia customers agreed that the bank provides information when there is new banking service, while 7.1 % of them disagreed on the announcement of the bank for new product release. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank provides information when there is new banking service.

In line with the ability of the bank to keep its promises, the results of Table 4.5 indicates that 82.2 % of commercial bank of Ethiopia customers agreed that the bank makes and fulfills promises, while 5.9 % of them disagreed on the ability of the bank to keep its promises. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank makes and fulfills promises.

On the subject of the accuracy of information provided by the bank, as presented in Table 4.5, 75.7 % of commercial bank of Ethiopia customers agreed that information provided by the bank is always accurate, while 12.4 % of them disagreed on the accuracy of information provided by the bank. This implies that the majority of commercial bank of Ethiopia customers agreed that information provided by the bank is always accurate.

With respect to the ability of the bank to provide twoway communication, the results of Table 4.5 indicates that 64.5 % of CBE customers agreed that the bank provides channels to enable two way communications, while 21.3 % of them disagreed on the ability of the bank to provide twoway communication. This implies that the majority of CBE customers agreed that the bank provides channels to enable two way communications.

Regarding the service availability of the bank though out a day and night, as summarized in Table 4.5, 43.8 % of commercial bank of Ethiopia customers agreed that the bank provides you seven days a week and 24 hours a day to check your balance and make transaction, while 42.6 % of them disagreed on service availability of the bank though out a day and night. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank provides you seven days a week and 24 hours a day to check your balance and make transaction.

Concerning the information provision of the bank about its policy, as presented in Table 4.5, 79.9 % of commercial bank of Ethiopia customers agreed that the bank clearly communicates its customers about the bank policy, while 7.1 % of them disagreed on information provision of the bank about its policy. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank clearly communicates its customers about the bank policy.

In line with the communication capability of the bank to announce its customers' rights, the results of Table 4.5 indicates that 81.7 % of commercial bank of Ethiopia customers agreed that the bank clearly communicates its customers about their rights, while 4.1 % of them disagreed on communication capability of the bank to announce its customers' rights. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank clearly communicates its customers about their rights.

With respect to the communication capability of the bank to announce its customers' responsibilities, the results of Table 4.5 indicates that 79.3 % of commercial bank of Ethiopia customers agreed that the bank clearly communicates its customers about their responsibilities, while 5.3 % of them disagreed on the communication capability of the bank to announce its customers' responsibilities. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank clearly communicates its customers about their responsibilities.

In summary, the overall average value of communication is 3.89 with a standard deviation of 0.39. This showed that the mean value is greater than 3.4 which relied on agreement level based on Al-Sayaad et al. (2006) proposed techniques of mean score ranges for five-point Likert scale questions. Therefore, the result revealed that commercial bank of Ethiopia customers they have positive communication with commercial bank of Ethiopia.

**Table 4.6:** *Perception of Respondents on Conflict Handling*

No.	Conflict handling	SDA		DA		N		A		SA	
		n	%	n	%	n	%	n	%	n	%
1	The bank tries to avoid potential conflict.	22	6.5	118	34.9	56	16.6	88	26.0	54	16.0
2	The bank tries to solve manifest conflicts before they create problem.	2	0.6	106	31.4	36	10.7	110	32.5	84	24.9
3	The bank has the ability to openly discuss solution when problems arise.	8	2.4	130	38.5	36	10.7	132	39.1	32	9.5
4	The bank shows a sincere interest in solving customers' problems quickly.	8	2.4	86	25.4	38	11.2	170	50.3	36	10.7
5	The bank clearly communicates to customers regarding how and where to complain in case of problems happen.	4	1.2	108	32.0	48	14.2	148	43.8	30	8.9
6	The bank informs you how to take your compliant forward, if you are still not satisfied.	6	1.8	148	43.8	56	16.6	98	29.0	30	8.9
7	The bank is always asking you about your feeling toward their responses for your complaints.	0	0.0	94	27.8	36	10.7	98	29.0	110	32.5
Overall mean (SD)		3.30(0.49)									

**Source:** Own survey data, 2020

Concerning the ability of the bank to avoid potential conflict, as summarized in Table 4.6, 42.0 % of commercial bank of Ethiopia customers agreed that the bank tries to avoid potential conflict, while 41.4 % of them disagreed on the ability of the bank to avoid potential conflict. This implies that commercial bank of Ethiopia customers have neutral response on ability of the bank to avoid potential conflict.

Regarding the ability of the bank to solve manifest conflicts before they create problem, as presented in Table 4.6, 57.4 % of commercial bank of Ethiopia customers agreed that the bank tries to solve manifest conflicts before they create problem, while 32.0 % of them disagreed on the ability of the bank to solve manifest conflicts before they create problem. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank tries to solve manifest conflicts before they create problem.

In line with the the ability of the to openly discuss solution when problems arise, the results of Table 4.6 indicates that 48.5 % of commercial bank of Ethiopia customers agreed that the bank has the ability to openly discuss solution when problems arise, while 40.8 % of them disagreed on the ability of the to openly discuss solution when problems arise. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank has the ability to openly discuss solution when problems arise.

On the subject of the attitudeds of the bank to solving customers' problems quickly, as presented in Table 4.6, 60.9 % of commercial bank of Ethiopia customers agreed that the bank shows a sincere interest in solving customers' problems quickly, while 27.8 % of them disagreed on the attitudeds of the bank to solving customers' problems quickly. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank shows a sincere interest in solving customers' problems quickly.

With respect to the actions of the bank to communicate customers regarding how and where to complain in case of problems happen, the results of Table 4.6 indicates that 52.7 % of commercial bank of Ethiopia customers agreed that the bank clearly communicates to customers regarding how and where to complain in case of problems happen, while 33.1 %

of them disagreed on the actions of the bank to communicate customers regarding how and where to complain in case of problems happen. This implies that the majority of commercial bank of Ethiopia customers agreed that the bank clearly communicates to customers regarding how and where to complain in case of problems happen.

**Table 4.7:** *Perception of Respondents on Customer Loyalty*

No.	Customer loyalty	SDA		DA		N		A		SA	
		n	%	n	%	n	%	n	%	n	%
1	I consider this bank as a first choice for banking transactions.	38	11.2	2	0.6	198	58.6	66	19.5	34	10.1
2	I do not have an intention to switch to another bank, because I value the bank	2	0.6	8	2.4	78	23.1	134	39.6	116	34.3
3	I would always recommend the bank to anyone who seeks my advice.	4	1.2	84	24.9	38	11.2	144	42.6	68	20.1
4	I always say positive things about this bank to others.	2	0.6	16	4.7	92	27.2	110	32.5	118	3.9
5	I would not change this bank; even close friends suggest switching to another bank.	2	0.6	50	14.8	28	8.3	78	23.1	180	53.3
6	I am satisfied with the banking services I have got.	0	0.0	38	11.2	42	12.4	132	39.1	126	37.3
7	I consider myself to be loyal to the bank.	68	20.1	2	0.6	110	32.5	102	30.2	56	16.6
Overall mean (SD)		3.73(0.27)									

**Source:** Own survey data, 2020

With respect to the bank customers' future bank choice for their banking transactions, as summarized in Table 4.7, 29.6 % of commercial bank of Ethiopia customers agreed that they consider this bank as a first choice for banking transactions, while 11.8 % of them disagreed on the bank customers' future bank choice for their banking transactions. This implies that the majority of commercial bank of Ethiopia customers have neutral response on the bank customers' future bank choice for their banking transactions.

Regarding the customers' interest not to switch to another bank due to the value given to the bank, as presented in Table 4.7, 74.0 % of commercial bank of Ethiopia customers agreed that they do not have an intention to switch to another bank, because they value the bank, while 3.0 % of them disagreed on customers' interest not to switch to another bank due to the value given to the bank. This implies that the majority of commercial bank of Ethiopia customers agreed that they do not have an intention to switch to another bank, because they value the bank.

In line with the actions of the customers towards recommending the bank to anyone who seeks their advice, the results of Table 4.7 indicate that 62.7 % of commercial bank of Ethiopia customers agreed that they would always recommend the bank to anyone who seeks their advice, while 26.0 % of them disagreed on actions of the customers towards recommending the bank to anyone who seeks their advice. This implies that the majority of commercial bank of Ethiopia customers agreed that they would always recommend the bank to anyone who seeks their advice.

On the subject of customers' testimony towards the bank's ability to perform services, as presented in Table 4.7, 67.5 % of commercial bank of Ethiopia customers agreed that they always say positive things about this bank to others, while 5.3 % of them disagreed on customers' testimony towards the bank's ability to perform services. This implies that the majority of commercial bank of Ethiopia customers agreed that they always say positive things about this bank to others.

With respect to customers loyalty to the bank when close friends suggest switching to another bank, the results of Table 4.7 indicates that 76.3 % of commercial bank of Ethiopia customers agreed that they will not change this bank when close friends suggest switching to another bank, while 15.4 % of them disagreed on customers loyalty to the bank when close friends suggest switching to another bank. This implies that the majority of commercial bank of Ethiopia customers agreed that they will not change this bank when close friends suggest switching to another bank.

Regarding the satisfaction level of employes towards the bank service, as summarized in Table 4.7, 76.3 % of commercial bank of Ethiopia customers agreed that they are satisfied with the banking services they have got, while 11.2 % of them disagreed on satisfaction level of employes towards the bank service. This implies that the majority of commercial bank of Ethiopia customers agreed that they are satisfied with the banking services they have got.

Concerning the faith of the cistomers to be loyal to the bank, as presented in Table 4.7, 46.7 % of commercial bank of Ethiopia customers agreed that they consider themselves to be loyal to the bank, while 20.7 % of them disagreed on faith of the cistomers to be loyal to the bank. This implies that the majority of commercial bank of Ethiopia customers agreed that they consider themselves to be loyal to the bank.

In summary, the overall average value of loyalty is 3.73 with a standard deviation of 0.27. This showed that the mean value is greater than 3.4 which relied on agreement level based on Al-Sayaad et al. (2006) proposed techniques of mean score ranges for five-point Likert Scale questions. Therefore, the result revealed that commercial bank of Ethiopia customers were loyalty to commercial bank of Ethiopia.

#### 4.4. The Relationship b/n Independent Variables and Customer Loyalty

To analyze the relationship b/n two variables at a time, the correlation coefficient was used. The possible values of correlation coefficients range from  $-1$  to  $+1$ . A value of  $0$  indicates no linear relationship between two variables (Kothari, 2004). In this section, the independent variables were analyzed one by one using correlation analysis in order to identify their individual relationship with the dependent variable. For this purpose, independent variables such as trust, commitment, communication, and conflict handling were tested their degree of relationship with customer loyalty. To know the strength and type of correlation between variables, the following table set as a rule of thumb for discussion of variables.

**Table 4.8:** *Rule of Thumb for about the Strength of Correlation of Coefficient*

<b>Range of Coefficient</b>	<b>Description of Strength</b>
$\pm.81$ to $\pm 1.00$	Very strong
$\pm.61$ to $\pm .80$	Strong
$\pm.41$ to $\pm.60$	Moderate
$\pm.21$ to $\pm.40$	Weak
$\pm.00$ to $\pm.20$	None

**Source:** Bhattacharjee (2012)

The range of correlation coefficients and its description of their strength were indicated in Table 4.8. Therefore, the individual relationships between two variables at a time were interpreted based on this Table 4.8. That means the correlation between the dependent variable such as customer loyalty and independent variables such as trust, commitment, communication, and conflict handling were correlated and presented in Table 4.9.

**Table 4.9:** Correlation Analysis Result

		<b>Tr</b>	<b>Co</b>	<b>Cm</b>	<b>Ch</b>	<b>Lo</b>
Trust ( <b>Tr</b> )	Pearson Correlation	1	.392**	.252**	.057	.558**
	Sig. (2-tailed)		.000	.000	.294	.000
	N	338	338	338	338	338
Commitment ( <b>Co</b> )	Pearson Correlation	.392**	1	.526**	.141**	.682**
	Sig. (2-tailed)	.000		.000	.009	.000
	N	338	338	338	338	338
Communication ( <b>Cm</b> )	Pearson Correlation	.252**	.526**	1	.261**	.603**
	Sig. (2-tailed)	.000	.000		.000	.000
	N	338	338	338	338	338
Conflict handling ( <b>Ch</b> )	Pearson Correlation	.057	.141**	.261**	1	.556**
	Sig. (2-tailed)	.294	.009	.000		.000
	N	338	338	338	338	338
Loyalty ( <b>Lo</b> )	Pearson Correlation	.558**	.682**	.603**	.556**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	338	338	338	338	338

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

**Source:** Model output, 2020

The results of Table 4.9 showed that there is a statistically significant positive correlation between trust and customer loyalty ( $r = 0.56$ ,  $p < 0.01$ ). The correlation coefficient between trust of customer loyalty was 0.56, indicating a strong relationship. This implied that as trust increase, the probability of customer loyalty also increase

As depicted in Table 4.9, the results of correlation analysis indicated that there is a statistically significant positive correlation between commitment and customer loyalty ( $r = 0.68$ ,  $p < 0.01$ ). The correlation coefficient between commitment and customer loyalty was 0.871, indicating a strong relationship. The direction of the correlation revealed that when commitment increase customer loyalty also increase.

As stated in Table 4.9, the results of correlation analysis indicated that there is a statistically significant positive correlation between communication and customer loyalty ( $r = 0.60$ ,  $p < 0.01$ ). The correlation coefficient between communication and customer loyalty was 0.01, indicating a strong relationship. This implied that as communication increase, the probability of customer loyalty also increases.

The results presented in Table 4.9 showed that there is a statistically significant 0.24 correlation between conflict handling and customer loyalty ( $r = 0.56$ ,  $p < 0.01$ ). The correlation coefficient between conflict handling and customer loyalty was 0.01, indicating a moderate relationship. This implied that as conflict handling increase, the probability of customer loyalty also increase.

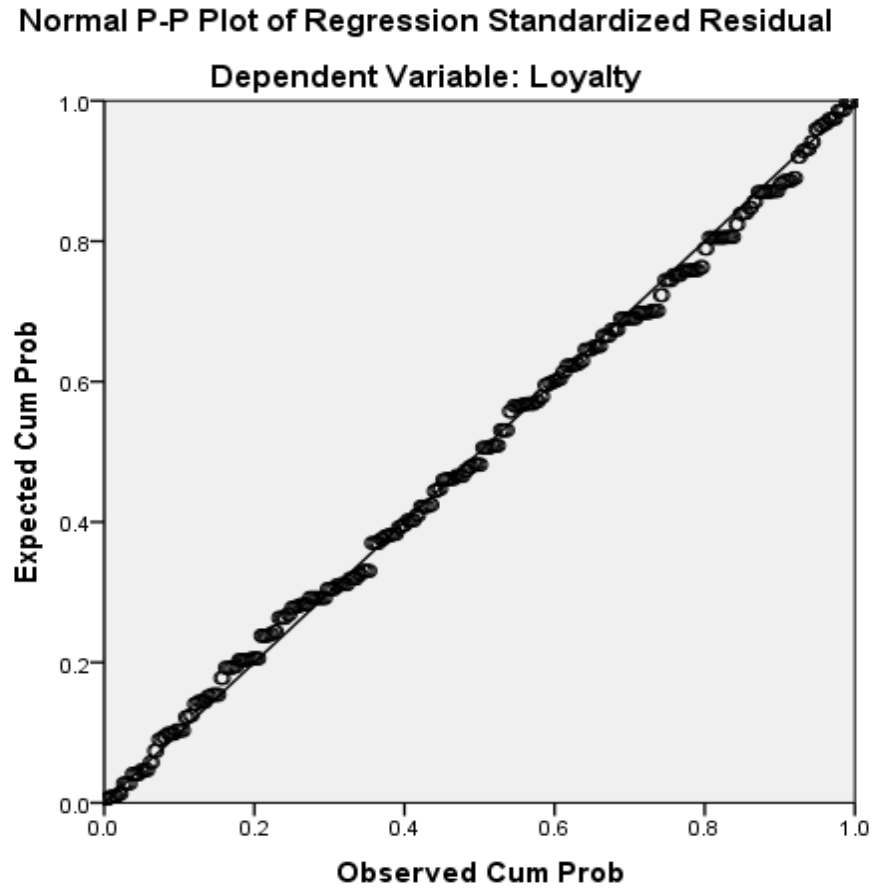
#### **4.5. The Impact of Customer Relationship Marketing on Customer Loyalty**

The impact of customer relationship marketing on customer loyalty was determined using a multiple linear regression model. customer loyalty was used as the dependent variable in the model with impact of customer relationship marketing on customer loyalty being independent variables. Before applying regression analysis to examine the effect of independent variables on the dependent variable, diagnostic tests such as linearity, normality, and multicollinearity tests are made for identifying misspecification of data if any so as to fulfill research quality as follows:

##### **4.5.1. Linearity Test**

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables. To determine whether the relationship between the dependent variable (customer loyalty) and the independent variables (trust, commitment, communication, and conflict handling) is linear; plots of the regression residuals through SPSS software had been used. Therefore, the results of the linearity test were presented as follows:

**Figure 4.1:** The Linearity test of Standardized Residual



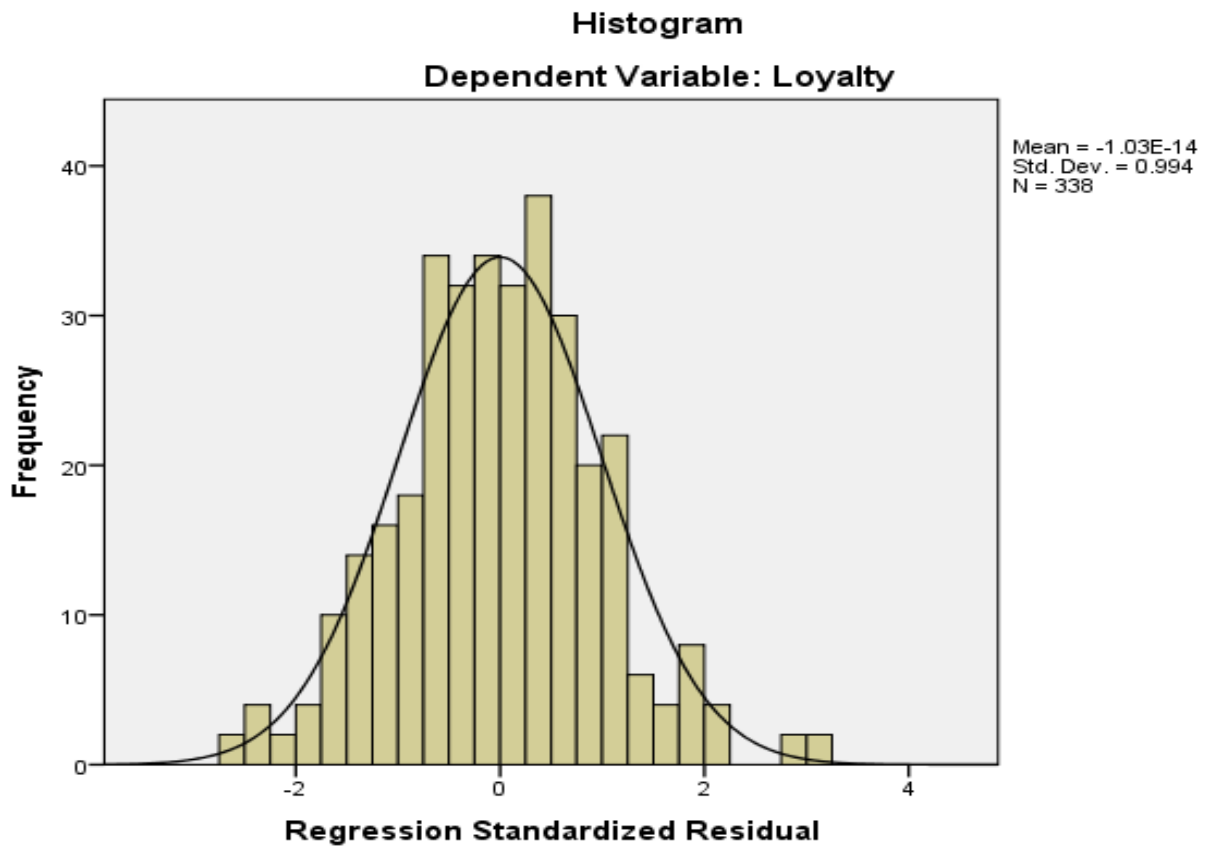
**Source:** Model output, 2020

The scatter plot of residuals shows no large difference in the spread of the residuals as can be seen from left to right on Figure 4.1. This result suggests that the predicted relationship is linear. Similarly, the figure shows the distribution of residuals around its mean of zero. Hence the linearity assumption is fulfilled as required based on the above figure. Therefore, it is possible to conclude that the inferences that the researcher make about the population parameter from the sample is valid.

### 4.5.2. Normality Test

The other important diagnostic test conducted in this paper is the normality assumption. Normality test is used to determine whether a data set is modeled for normal distribution or not. The Histogram result is presented as follows:

**Figure 4.2:** Frequency Distribution of Standardized Residual



**Source:** Model output, 2020

As can be seen from Figure 4.2, the frequency distribution of the standardized residuals compared to a normal distribution. Although there are some residuals (e.g., those occurring around 0) that are relatively far away from the curve, many of the residuals are fairly close. Moreover, the histogram is bell shaped which lead to infer that the residual (disturbance or errors) are normally distributed. Thus, no violations of the assumption normally distributed error term.

### 4.5.3. Multicollinearity Test

Under this section, multicollinearity test was checked. Multicollinearity indicates a linear relationship between explanatory variables which may cause the regression model biased (Gujarati, 2004). If an independent variable has an exact linear combination of the other independent variables, then we say the model suffers from perfect Collinearity, and it cannot be estimated by regression analysis. Therefore, the following table presents the results of the multicollinearity using variance inflation factor (VIF) and tolerance.

**Table 4.10:** *Multicollinearity Assumption*

Independent variables	Collinearity Statistics	
	Tolerance	VIF
Trust	.843	1.186
Commitment	.651	1.535
Communication	.686	1.459
Conflict handling	.932	1.073

**Source:** Model output, 2020

The results of Table 4.10 presented the results of multicollinearity test. If there is high correlation between any two independent variables among trust, commitment, communication, and conflict handling, the regression model assumes redundancy of one of these variables that the significance of it becomes too low and its coefficient also be negatively affected. Therefore, the problem of multicollinearity is checked using Tolerance and VIF. The result showed that a tolerance of  $>.10$  and a  $VIF < 10$  are considered as good enough to minimize the effect of multicollinearity (Miller & Whicker,1999). This implies that the regression model is not affected by higher correlation between two independent variables.

#### 4.5.4. Regression analysis

This section presents the multiple linear regression result of that made to examine the effect of independent variables on customer loyalty. Accordingly, the regression result was made and coefficients of the variables were estimated via SPSS software version 21. The regression result in Table 4.11 demonstrates both coefficients of explanatory variables and the corresponding significant values.

**Table 4.11:** *Results of Multiple Linear Regression Analysis*

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	SE	Beta		
1	Constant	.745	.083		9.016	.000
	Trust	.208	.016	.332	12.720	.000
	Commitment	.220	.017	.382	12.888	.000
	Communication	.143	.020	.206	7.115	.000
	Conflict handling	.236	.014	.430	17.317	.000
	F-statistic	352.559				
	Sig.	0.000				
	R-square	0.809				
	Adjusted R-square	0.807				

**Note:** B= Regression coefficient (Estimate), Std.Error = Standard Error, Dependent variable = Loyalty

**Source:** Model output, 2020

The regression results showed that the computed F-statistic (352.559) was significant at one percent. This justifies the suitability of the regression model in determining the impact of customer relationship marketing on customer loyalty. The  $R^2$  value of 0.81 implies that about 0.81 percent of the effect of customer loyalty has been explained by impact of customer relationship marketing on customer loyalty. The remaining 19.10 percent of variance in customer loyalty was not accounted by the independent variables considered in the model. Based on Table 4.10, using “ $\beta$ ” (unstandardized) coefficients, the model used to examine the impact of customer relationship marketing on customer loyalty was:

$$Tr = 0.745 + 0.21 * Tr + 0.22 * Cmt + 0.14 * Cmn + 0.24 * Ch + \varepsilon$$

The regression equation is interpreted in the following few paragraphs. Among four variables which were included in the model, all have found to be significant effect on customer loyalty. These are impact of customer relationship marketing on customer loyalty. The interpretation is in the following paragraphs.

**Trust:** According to the results of Table 4.11, trust has impact of customer relationship marketing on customer loyalty and statistically significant effect on customer loyalty ( $\beta = 0.21$ ,  $p < 0.01$ ). The result of the regression coefficient indicates that on average, a one unit increase of trust brings a 0.21 units increase in customer loyalty. The finding of Husnain and Akhtar (2015) also approved that that customer loyalty can be created, reinforced and retained by marketing plans aimed at building trust. In order to increase the levels of trust, companies must focus on keeping promises to their customers and consistently carry their best interest at heart.

**Commitment:** Based on the results of Table 4.11, commitment has positive and statistically significant effect on customer loyalty ( $\beta = 0.22$ ,  $p < 0.01$ ). The result of the regression coefficient indicates that on average, a one unit increase of commitment will increase the value of customer loyalty by 0.22 units. Similar to this finding, Girma (2017) disclosed that commitment is the most important predictor of customer loyalty. This shows that the company has to be committed enough to have customer loyalty.

**Communication:** As presented in Table 4.11, communication has positive and statistically significant effect on customer loyalty ( $\beta = 0.14$ ,  $p < 0.01$ ). The result of the regression coefficient indicates that on average, a one unit increase of communication brings a 0.14 units increase in customer loyalty. In connection to this finding, Ndubisi, (2017) stated that communication refers to the ability to provide timely and trustworthy information. When there is effective communication between an organization and its customers, a better relationship will result and customers will be more loyal.

**Conflict handling:** On the bases of Table 4.11 result, conflict handling has positive and statistically significant effect on customer loyalty ( $\beta = 0.24$ ,  $p < 0.01$ ). The result of the regression coefficient indicates that on average, a one unit increase of commitment will increase the value of customer loyalty by 0.24 units. In corresponding to this finding, Ogongo (2014) approved that the customers would be retained in the bank if they were satisfied, if the bank had efficient services, listened and resolved customers' problems and met customers' needs.

**Table 4.12:** *Summary of hypothesis testing*

No	Hypothesis	Result
1	<b>H<sub>01</sub>:</b> Trust has no significant effect on customer loyalty	Rejected
	<b>H<sub>a1</sub>:</b> Trust has significant effect on customer loyalty	Accepted
2	<b>H<sub>02</sub>:</b> Commitment has no significant effect on customer loyalty	Rejected
	<b>H<sub>a2</sub>:</b> Commitment has significant effect on customer loyalty	Accepted
3	<b>H<sub>03</sub>:</b> Communication has no significant effect on customer loyalty	Rejected
	<b>H<sub>a3</sub>:</b> Communication has significant effect on customer loyalty	Accepted
4	<b>H<sub>04</sub>:</b> Conflict handling has no significant effect on customer loyalty	Rejected
	<b>H<sub>a4</sub>:</b> Conflict handling has significant effect on customer loyalty	Accepted

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

In this chapter summary of major findings, conclusion and recommendations of the study were presented. The chapter started from summary of major findings followed by presentation on conclusion of the study. Finally, it forwards recommendations for the identified gaps by this study.

#### 5.1. Summary of Major Findings

The main purpose of this study was examining the impact of customer relationship marketing on a customer loyalty in commercial bank of Ethiopia at Dilla branch. A total of 338 sampled customers were participated in responding to the questionnaire and the collected data was analyzed using descriptive statistics such as frequency, percentage, mean, and standard deviation. Additionally, inferential statistics such as correlation and multiple linear regression analysis were applied. Based on the results of the study, a summary of the major findings was identified as follows:

- The results of the descriptive analysis indicated that respondents were agreed on trust ( $M = 3.72$ ,  $SD = 0.44$ ), commitment ( $M = 3.99$ ,  $SD = 0.47$ ), communication ( $M = 3.89$ ,  $SD = 0.39$ ), conflict handling ( $M = 3.30$ ,  $SD = 0.49$ ) and customer loyalty ( $M = 3.73$ ,  $SD = 0.27$ ).
- The results of the correlation analysis indicated that trust ( $r = 0.56$ ,  $p < 0.01$ ), commitment ( $r = 0.68$ ,  $p < 0.01$ ), communication ( $r = 0.60$ ,  $p < 0.01$ ), conflict handling ( $r = 0.56$ ,  $p < 0.01$ ) has positive and statistically significant relationship with customer loyalty. The result implies that they have moderate and strong relationship to the dependent variable.
- The  $R^2$  value of the regression model was 0.809, indicating that 80.9% of variance in customer loyalty was accounted by trust, commitment, communication, and conflict

handling. The remaining 19.1% of variance in customer loyalty was not accounted by trust, commitment, communication, and conflict handling.

- The ANOVA table indicated that the multiple regression model itself is statistically significant or not significant. Accordingly, it is found that the model is statistically significant trust, commitment, communication, and conflict handling were included ( $F=352.559$   $p<0.001$ ). Therefore, the overall equation was found to be statistically significant.
- The result of the multiple linear regression models indicated that five variables were included in the model and predictors have found to be significant effect on the customer loyalty. These variables are trust, commitment, communication, and conflict handling.

## **5.2. Conclusion**

Customer relationship marketing had significant effect on customer loyalty in the study area. Providing quality service, showing respect to customers, fulfilling customers' needs, honesty, and keeping promises have a significant effect on customer loyalty. In the same manner, offering personalized services, worth the customers' effort, and be flexible in serving customers' needs have a significant effect on customer loyalty. Besides, providing the timely and trustworthy information, make and fulfill promises, clearly communicate with customers about bank policy, customer rights and obligation have a significant effect on customer loyalty. Likewise, try to avoid potential conflict, having the ability to openly discuss solution when problems arise, shows a sincere interest in solving customers' problems quickly, clearly communicate to customers regarding how and where to complain in case of problems happen, inform how to take complaint forward and always asking about customers' feeling toward their responses for their complaint have a significant effect on customer loyalty.

## 5.4. Recommendations

In order to improve customer loyalty in the study area, the following recommendations are forwarded based on the major findings and conclusion.

- Trust is found to be a factor that influences the customer loyalty in the study area. Therefore, to retain and develop loyal customers, banks should be trustworthy and providing individualized attention to customers. Additionally, the bank should periodically work to promote integrity and generosity. Both features are necessary for developing trust. Moreover, customers are the reason for the survival of the banks. So, commercial banks of Ethiopia, Dilla branch are expected to invest more on attracting new customers and retaining the existed ones.
- Commitment had effect on the customer loyalty. Therefore, the bank should focus on commitment that ultimately leads to different types of loyalty behaviors like word of mouth. Therefore, the bank should focus on building and sustaining the association among (benefits commitment), than concentrating just on benefit offerings simply.
- Communication has positive and significant effect on customer loyalty. Therefore, relationship with customers can be improved by explaining to employees, especially in the frontline and knowing how much each customer is worth to the business. The more employees work together to keep existing customers satisfied, the lesser customer attrition will be. In addition, Banks should develop customer relationship program that will help them build and support positive customer relationships. Since the banks are providing services to customers, it is a must to give high value for good relationship.
- Conflict handling is found to be a factor that affects customer loyalty. Therefore, the bank should resolve conflicts in a manner that will eliminate unimportant loss and inconvenience to their customers.

## **5.5. Direction for Future Research**

The current study focused on the impact of customer relationship marketing on customer loyalty in banking sector. Therefore, it is difficult to say all the customer relationship marketing dimensions are included. So, concerning future research can be explored by adding more relationship marketing dimensions like value, empathy, cooperation, and others which could influence customer loyalty.

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# APPENDICES

## Appendix A: Questionnaire

**Dilla University**  
**College of Business and Economics**  
**Department of Management**

Dear Respondents,

This questionnaire is intended to collect data on “**Impact of Customer Relationship Marketing on Customer Loyalty at Commercial Bank of Ethiopia in Dilla branch**”. The data is going to be used as an input for the thesis to be conducted to fulfill the requirements for an MBA Degree in Business Administration. With your active participation, the outcome of this research would lead to recommendations. The researcher hereby assures you that the information that you provide will be kept confidential and used only for academic purposes.

Thank you for your cooperation!

### **General Instructions:**

Please indicate your choice by circling on the appropriate alternative for your responses that provided to each question for closed-ended questions and fill the blank spaces for open-ended questions.

### **PART I: Background Profile**

1. Sex
  1. Male
  2. Female

2. Age
  1. Less than 25 years
  2. 25-34
  3. 35-44
  4. 45-54
  5. 55-64
  6. Above 64 years
  
3. Educational level
  1. No formal education
  2. Primary school
  3. Secondary school
  4. Certificate
  5. Diploma
  6. Degree
  7. Masters and above
  
4. Occupation
  1. Government employee
  2. Private sector employee
  3. Own business
  4. Student
  5. Others (Specify) \_\_\_\_\_
  
5. For how long you have been a customer of the bank?
  1. Below 1 year
  2. 1-5 years
  3. 6-10 years
  4. 11-15 years
  5. 16-20 years
  6. Above 20 years

## Part II: Customer Relationship Marketing Practice of the Bank

**Instruction:** The following set of statements relate to your perception about customer relationship practice of the bank. For each statement, indicate your level of agreement or disagreement by *encircling* the numbers in front of each item. The meaning of the numbers is shown below.

**Keys:** 1 = Strongly Disagree

2= Disagree

3 = Undecided

4 = Agree

5 = Strongly Agree

### 1. Trust

No	Statement	1	2	3	4	5
1.	I feel safe in all of my transactions with the bank.					
2.	The bank is consistent in providing quality service.					
3.	Employees of the bank show respect to customers.					
4.	The bank fulfills its obligations to customers.					
5.	I have confidence in the bank's service.					
6.	The bank is always honest to me.					
7.	The bank always does what it promised to do.					

## 2. Commitment

No	Statement	1	2	3	4	5
1.	The bank offers personalized services to meet customer needs.					
2.	The bank is flexible when its services are changed.					
3.	The bank offers personalized services to meet customer need.					
4.	The bank is flexible in serving my needs.					
5.	My relationship with the bank is very important to me.					
6.	My relationship with the bank is one that I am very committed to continuing it.					
7.	The bank makes adjustments to suit my needs.					

## 3. Communication

No	Statement	1	2	3	4	5
1.	The bank provides timely and trustworthy information.					
2.	The bank provides information when there is new banking service.					
3.	The bank makes and fulfills promises.					
4.	Information provided by the bank is always accurate					
5.	The bank provides channels to enable two way communications.					
6.	The bank provides you seven days a week and 24 hours a day to check your balance and make transaction.					
7.	The bank clearly communicates its customers about the bank policy.					

8.	The bank clearly communicates its customers about their rights.					
9.	The bank clearly communicates its customers about their responsibilities.					

#### 4. Conflict handling

No	Statement	1	2	3	4	5
1.	The bank tries to avoid potential conflict.					
2.	The bank tries to solve manifest conflicts before they create problem.					
3.	The bank has the ability to openly discuss solution when problems arise.					
4.	The bank shows a sincere interest in solving customers' problems quickly.					
5.	The bank clearly communicates to customers regarding how and where to complain in case of problems happen.					
6.	The bank informs you how to take your complaint forward, if you are still not satisfied.					
7.	The bank is always asking you about your feeling toward their responses for your complaints.					

### Part III: Customer Loyalty

**Instruction:** The following set of statements relate to your perception about your loyalty. For each statement, indicate your level of agreement or disagreement by *encircling* the numbers in front of each item. The meaning of the numbers is shown below.

Keys: 5 = Strongly Agree 4 = Agree 3 = Undecided 2= Disagree 1 = Strongly Disagree

No	Statement	1	2	3	4	5
1	I consider this bank as a first choice for banking transactions.					
2	I do not have an intention to switch to another bank, because I value the bank					
3	I would always recommend the bank to anyone who seeks my advice.					
4	I always say positive things about this bank to others.					
5	I would not change this bank; even close friends suggest switching to another bank.					
6	I am satisfied with the banking services I have got.					
7	I consider myself to be loyal to the bank.					

Thank you again for your cooperation!

## Appendix B: Reliability Output

### Scale: Trust

#### Case Processing Summary

		N	%
Cases	Valid	38	100.0
	Excluded <sup>a</sup>	0	.0
	Total	38	100.0

a. Listwise deletion based on all variables in the procedure.

#### Reliability Statistics

Cronbach's Alpha	N of Items
.770	7

#### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I feel safe in all of my transactions with the bank.	20.39	18.678	.566	.725
The bank is consistent in providing quality service.	20.58	18.142	.742	.689
Employees of the bank show respect to customers.	20.58	18.142	.742	.689
The bank fulfills its obligations to customers.	20.45	21.821	.345	.769
I have confidence in the bank's service.	20.45	21.984	.269	.787
The bank is always honest to me.	20.66	21.420	.323	.777
The bank always does what it promised to do.	19.79	20.333	.514	.738

## Scale: Commitment

### Case Processing Summary

		N	%
Cases	Valid	38	100.0
	Excluded <sup>a</sup>	0	.0
	Total	38	100.0

a. Listwise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.857	7

### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The bank offers personalized services to meet customer needs.	26.42	13.331	.415	.862
The bank is flexible when its services are changed.	26.18	14.100	.300	.873
The bank offers personalized services to meet customer need.	26.21	14.171	.364	.866
The bank is flexible in serving my needs.	26.39	10.191	.858	.797
My relationship with the bank is very important to me.	26.39	10.191	.858	.797
My relationship with the bank is one that I am very committed to continuing it.	26.39	10.191	.858	.797
The bank makes adjustments to suit my needs.	26.58	11.061	.662	.831

## Scale: Communication

### Case Processing Summary

		N	%
Cases	Valid	38	100.0
	Excluded <sup>a</sup>	0	.0
	Total	38	100.0

a. Listwise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.831	9

### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The bank provides timely and trustworthy information.	32.58	19.494	.287	.842
The bank provides information when there is new banking service.	32.34	21.799	.045	.851
The bank makes and fulfills promises.	32.84	15.272	.924	.764
Information provided by the bank is always accurate	32.32	19.033	.548	.815
The bank provides channels to enable two way communications.	32.84	22.028	-.068	.883
The bank provides you seven days a week and 24 hours a day to check your balance and make transaction.	32.84	15.272	.924	.764
The bank clearly communicates its customers about the bank policy.	32.84	15.272	.924	.764
The bank clearly communicates its customers about their rights.	32.84	15.272	.924	.764
The bank clearly communicates its customers about their responsibilities.	32.45	18.146	.454	.824

## Scale: Conflict handling

### Case Processing Summary

		N	%
Cases	Valid	38	100.0
	Excluded <sup>a</sup>	0	.0
	Total	38	100.0

a. List wise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.814	7

### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
The bank tries to avoid potential conflict.	24.18	15.127	.788	.769
The bank tries to solve manifest conflicts before they create problem.	24.32	17.789	.283	.825
The bank has the ability to openly discuss solution when problems arise.	24.58	12.088	.839	.730
The bank shows a sincere interest in solving customers' problems quickly.	24.58	12.088	.839	.730
The bank clearly communicates to customers regarding how and where to complain in case of problems happen.	24.58	12.088	.839	.730
The bank informs you how to take your complaint forward, if you are still not satisfied.	24.18	15.127	.788	.769
The bank is always asking you about your feeling toward their responses for your complaints.	25.68	17.465	.010	.913

## Scale: Loyalty

### Case Processing Summary

		N	%
Cases	Valid	38	100.0
	Excluded <sup>a</sup>	0	.0
	Total	38	100.0

a. Listwise deletion based on all variables in the procedure.

### Reliability Statistics

Cronbach's Alpha	N of Items
.792	7

### Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
I consider this bank as a first choice for banking transactions.	25.79	12.927	.340	.797
I do not have an intention to switch to another bank, because I value the bank	24.55	13.011	.307	.804
I would always recommend the bank to anyone who seeks my advice.	24.50	10.419	.928	.692
I always say positive things about this bank to others.	24.50	10.419	.928	.692
I would not change this bank; even close friends suggest switching to another bank.	24.61	12.245	.399	.790
I am satisfied with the banking services I have got.	24.50	10.419	.928	.692
I consider myself to be loyal to the bank.	26.03	13.216	.153	.850