The Effect of Relationship Marketing on Customer Loyalty In The Case of Selected Private Banks in Ethiopia
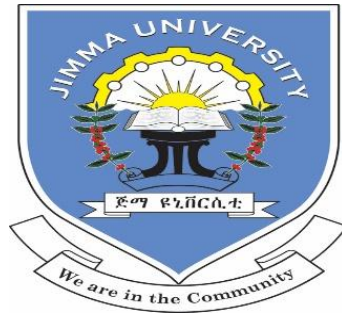
A Thesis Submitted to Research and Postgraduate office for the Partial Fulfillment of the Requirements for the Award of the Degree of Master of Business Administration (MBA)

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JIMMA UNIVERSITY

COLLEGE OF BUSINESS & ECONOMICS

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Declaration

I here by declare that this thesis is my original work and has not been presented for a degree in any other university or college. It has been submitted in partial fulfilment of the requirements for the degree of Master of Art in **Management Jimma University**. And that all sources of materials used for the thesis have been duly acknowledged.

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Dedication

This thesis is dedicated to God Almighty, my Savior and protector to my wife, my children, my families and all of my parents and my staff members for their constant physical, emotional and financial support throughout my educational career and life. And also my dedication goes to my advisors for their approach and priceless guidance during my education and preparation of this research.

LIST OF ACRONYMS AND ABBREVIATIONS

CC   Correlation Coefficient

DV   Dependent Variable

IV   Independent Variable

NBE   National Bank of Ethiopia

OLS   Ordinary Least square

RA   Regression Analysis

RM   Relationship Marketing

SRS   Simple Random Sampling

VIF   Variance of Inflation Factor

ACKNOWLEDGMENT

Abstract

This research was conducted to investigate the effect of customer relationship marketing on customer loyalty in case of selected private banks. The data was collected through the five type likert scales using questionnaires. The questionnaire were physically distributed to 228 Wogagen, Dashen and Awash Banks' customers and interview questions were distributed to managers and supervisors of selected branches from the three banks. Descriptive statistics analysis tools such as percentages, mean and standard deviation and the inferential statistics methods like correlation analysis and linear regression model were used to present and explore the overall characteristics of the data and to extract important information from the data. The linear regression model result showed that the factors like trust, communication, commitment and conflict handling were statistically significant at 5% of level of significance and all of them had positive effect on customer' loyalty and correlation of all the pillars with customer loyalty were significant and strong positive. Communication and trust were the most crucial factors as compared to the other two, so the banks must check and upgrade the communication skill and work hard to upgrade its trust too in order to increase the profitability of banks to the optimum. The concerned bodies must give due attention towards the determinant factors in order to upscale the marketing relationship of the three private banks at study area. Further research on relationship marketing should be done by adding more pillars of relationship marketing.

Key Words: Customer Loyalty, Linear Regression Model, and Marketing Relationship

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CHAPTER ONE

INTRODUCTION

Under this chapter the background of the organization, background of the study, statement of the problem, organization of the study, objectives of the study, significance of the study and scope and limitations happened in this study are discussed in detail. The background of the organization discussed on the three banks information included in the study, background of the study emphasized mainly on concern of the study, the statement of the problem state the gap that the study going to fill and the scope and limitation of the study also presented sequentially under this chapter.

1.1 Background of the study

Today businesses follow different marketing strategies to survive in the strongly competitive world by identifying, Acquiring and Retaining most economically important customers and developing ongoing and long-lasting relationship with them (Roger, 2013).As a result of globalization of businesses and the evolving recognition of the importance of customer retention, customer loyalty, market economies and customer relationship economies, there has been a shift in marketing paradigm that emphasized long term and close relations with customers. Therefore, transaction-based marketing that focus only on the selling of the product and only devoting effort to attracting new customers shifted to interactive marketing that focus on the establishment of sustainable and long term relations with customers which recognize retaining companies' existing customers and attracting new profitable customers (Walsh et al. ,2009).

Walsh et al. (2010) viewed that relationship marketing as a strategy to attract, maintain and enhance customer relationships in order to acquiring new customers and retaining existing customers. It is a core strategy used by firms to establish, maintain and enhance profitable relationships with clients, while ensuring benefits for both the firm and its clients. Based on the empirical literature evidences, the fundamental customer relationship marketing variables that can possibly influence customer loyalty and retention include communication,

competency, social and financial bonding, empowerment, conflict handling mechanisms, trust, commitment, ethical behavior and technology. Each of these variables comprises organizational activities, actions and methods that are necessary to establish and maintain organization–client relationships and thus possibly ensure long-term relationships and higher customer retention levels. Therefore, the correct adaptation of these variables in an organization is vital to ensuring customer loyalty that influences customer's commitment and decision to repeatedly re-buy or re-patronize product and service provided. With increasing competition, banking sector around the world is always in search of finding solutions to sustain and increase the efficiency of their businesses.

Commercial banks worldwide started restructuring and re-engineering their business processes to cut costs and become more efficient and competitive. Smart banks are now changing their business practices by refocusing their efforts on external and internal environment i.e. customers and employees. In past, creating and maintaining a good relationship with the customer was comparatively easy than today because of small businesses and identifiable customers. Today, the extended size of the businesses and the wide range of customers have compelled organizations to explicitly manage good customer relationships if they want to be successful. This need led to the adaptation of customer relationship marketing concept in banking sector (Walsh *et al.* , 2009).

Satisfaction is a person's feelings of pleasure or disappointment that result from comparing a product's perceived performance (or outcome) to expectations. If the performance falls short of expectations, the customer is dissatisfied. If it matches expectations, the customer is satisfied. If it exceeds expectations, the customer is strongly satisfied or delighted. Customer assessments of product performance depend on many factors, especially the type of loyalty relationship the customer has with the brand. Consumers often form more favorable perceptions of a product with a brand they already feel positive about. On the other hand, the study outlined that customers were benefited from banks which focused on relationship marketing in their countries i.e. customized offerings, empathy, appreciation, friendliness, communality as well as experiencing feelings of trust in the firm and customer satisfaction. As a result, commercial banks which focused on relationship marketing gain higher sales of deposit products, higher profitability, lower costs of acquiring new clients and word-of-mouth

recommendations. Lastly, the study identified trust, commitment, communication, conflict handling and competence as fundamental variables for relationship marketing and as main tool to gain competitive advantage in customer attraction and retention (Rootman. et al, 2010).

1.2 Background of the Organization

Awash bank (AB) was established by 486 founding shareholders on November 10, 1994 G.C with a paid-up capital of birr 24.2 million. It was the first private commercial bank established in Ethiopia following the post 1991 financial deregulation and the declaration of market oriented economic policy. It started banking operation on February 13, 1995 G.C. At the end of June, 2018, the number of shareholders and it's paid up capital increased to over 3,700 and birr 2.9 billion, respectively. The bank has 366 branches at the end of 2018 (Awash bank corporate profile, 2018). Awash bank, despite a stiff competition, has shown a continued progress in building a stronger and safer Bank that is capable of delivering improved returns for its Shareholders over the years. In recent years, the Bank has increased its income, earning per share and dividend paid out with a track record of creating shareholders value. A milestone performance was recorded in all spheres of operations including, deposits, loans and advances, income, branch networks and above all gross profit (Annual report, 2019).

The paid-up capital reached Birr 4.38 billion from Birr 2.94 billion of last year same period; that is, an increment of Birr 1.44 billion and earnings per share (EPS) has shown an amazing growth from 543 in 2018 to 632 in 2019 for a par value of Birr 1,000, which is one of the highest figures in the private financial industry. As a result of rising cost of operation, upward revision of fringe benefits of employees and overall enhanced operation of the Bank, total expense has surged from Birr 3.44 billion in 2017/18 to Birr 4.71 billion in 2018/19. Of the total expense items, interest expense, personnel expense and depreciation and impairment of property, plant and equipment took the highest share. Total deposit as at end of June 30, 2019 stood at Birr 62.46 billion and that was the highest ever registered in the history of our Bank. The deposit balance grew by Birr 16.56 billion or 36% as compared to last year same period (Annual report, 2019).

Dashen Bank was established as per the intent of the new policy and the Ethiopian investment code. It came into existence on September 20, 1995 according to the commercial code of

Ethiopia, 1960, and the licensing and supervision of banking business proclamation No. 84/1994. Despite strenuous environment, during the reporting period (23rd Annual report, 2019), the Bank has managed to expand its channels both digitally and conventionally. Using these channels our Bank has mobilized a record high incremental deposit of Birr 8.7 Billion, and the cumulative deposit of the Bank has reached Birr 44.7 Billion registering a 24% growth to that of the previous year. The total outstanding loans and advances of the Bank stood at Birr 32.4 Billon, which exhibited a 40% percent year on year growth as 2018 and 2019 compared (23rd Annual report, 2019).

Wegagen bank is privately owned shared company which started operation in June, 11, 1997 G.C. with a subscribed capital of birr 60 million and paid-up capital of birr 30 million. It came into being thanks to 16 visionary founding members who recognized the critical role that financial institutions would play to create a sustainable economic development and raised initial capital of 30 billion birr. As at June 2019, the paid capital of the bank reached birr 2.5 billion with the number of shareholders 3285 (Annual report, 2019). Since its establishment Wegagen decided to join the competition in full force, setting new standards for service delivery and customer handling. Most importantly Wegagen, however young, turned out to be the pioneer in adaptation of information technology. With its innovative business strategies and prompt responses to customer demand, Wegagen became the modern bank attracting a massive base of customers. It also built the widest network of International correspondent Banks all over the world enabling out international trade with smoother transactions (Annual report, 2019).

1.3 Statement of the Problem

Relationship marketing is a contemporary issue and to create long-term relationships with customers and the key to stability in an increasingly dynamic market. Relationship marketing has become the main strategy to retain customers for companies (Kotler & Armstrong, 2010). The application of relationship marketing is crucial in these days. Because a fierce competition all over the world and the effect of globalization, being reluctant to accept relationship marketing will cost the organization a big deal of lose in many directions; losing a potential customers and market share, letting down the reputation of the organization, lagging behind industry leaders, shortage of information from customers that could give big advantage, failure of employees to understand customers nicely and many more was the

negative impact banks as their very survival depends on the ability to attract and retain valuable customers; it is not yet changes their process to do so (Mattewas and Bharat,2012). As a result, this research seeks to make a contribution towards the filling of this gap. Practically the study identify a gap in relation to how selected private banks are attracting new customers; satisfy and retain existing profitable of customers by giving a reliable service by developing and maintaining long-term ongoing relationship marketing with them in city branches (districts).

Taking into consideration the preceding discussion and the subsequent benefits that can be obtained from customer loyalty, little research has been conducted to obtain a better understanding of customer relationship marketing and customer loyalty in the banking industry in Ethiopia especially in the banks this research is going to done such as Awash bank, Dashen bank and Wegagen bank. Thus study was conducted to analyze the influence of customer relationship marketing on customer loyalty by taking five independent variables like; commitment, communication, conflict handling, trust and competency and measure their influence on dependent variable, customer loyalty from three selected private banks, mentioned above in Ethiopia which has potential market power in banking industry today in Ethiopia.

Undeniably, a number of researches have been conducted to unveil the causes of customer loyalty (Morgan et al 2004; Moorman et al 2005). Numerous researchers used customer satisfaction as cornerstone to attain the loyalty (Kishada & Wahab, 2013; Fornell and Wernerfelt, 1987). Ethiopian author, (Meskerem, 2017) worked on the study of same topic in selected eight private banks in Ethiopia. Samuel Addis (2016) has also performed in this case at Dashen bank in 2016. Both Ethiopian authors try to saw the relationship between relationship marketing & customer loyalty in different manner. However, this study has used a very powerful statistical model called linear regression which has capability of identifying important factors influencing the customer loyalty in the three banks and the result can be also be extended to be utilized for other private banks which have same relationship marketing problems.

Research Questions

The study was conducted with the aim of providing answers to the following basic research question:

1. What is the influence of communication on customer loyalty?
2. How does commitment have influence on customer loyalty?
3. How does trust have influence on customer loyalty?
4. How does conflict handling have influence on customer loyalty?
5. What is the influence of competence on customer loyalty?

1.4.1 General Objectives of the Study

The general objective of the study was to examine the effect of relationship marketing on customer loyalty by taking evidence from selected branch of private banks.

1.4.2 Specific Objectives of the Study

➢ To investigate the effect of trust on customer loyalty in selected private banks in Ethiopia.

➢ To investigate the effect of communication on customer loyalty in selected private banks in Ethiopia.

➢ To investigate the effect of commitment on customer loyalty in selected private banks in Ethiopia.

➢ To examine the effect of conflict handling on customer loyalty in selected private banks in Ethiopia.

➢ To determine the effect of competence on customer loyalty in selected private banks in Ethiopia.

1.5 Research hypothesis

In this study there were five hypotheses expressed using the null hypothesis without indicating the direction of relationship.

H_{01}: Trust has no a significant effect on customer loyalty

H_{02}: Communication has no a significant effect on customer loyalty

H_{03}: Competence has no a significant effect on customer loyalty

H_{04}: Commitment has no a significant effect on customer loyalty

H_{05}: Conflict handling has no a significant effect on customer loyalty

1.6 Significance of the Study

Relationship marketing is one of the strategic tools of maintaining a sustainable long-term relationship with customer to gain a competitive advantage in financial sector through fostering customer loyalty, attraction of new customer, customer satisfaction, customer retention and finally contributes to the financial strength of commercial banks.

Therefore, the result of the study is significant for:-

✓ To have a detail understanding about customer RM practice in selected private banks and it's important for maintaining, and attracting new customers.

✓ The finding of the study was also help in identifying possible gaps of relationship marketing practice of selected private banks and its contribution on customer loyalty;

✓ The study was serving as a good base for the forthcoming researchers who want to do a further research on this topic in selected private banks.

✓ Lastly, could also contribute to the existing body of knowledge regarding marketing management and can serve as insight or input for further research on the area more specifically on economy aspect of marketing management.

1.7 Scope of the study

The study was limited to assessing the impact of customer relationship marketing on customer loyalty in private banks. Hence, due to time and financial constraints in taking large sample size, it was difficult and unmanageable to include all branches found in the country. The study was confined to the impact of relationship marketing on customer loyalty in selected private banks and due to time and budgetary constraints the researcher tends to undertake the research activity only in Addis Ababa. This study was used both quantitative and qualitative research method in course of researching both primary and secondary data that was used. As the secondary sources various publications, books and journals 'were addressed.

1.8 Limitation of the study

Some limitations of the study were:

- In this study, only three private banks were considered. if more banks from both government owned and each private banks had included, the study may get more detailed information that would indicate the characteristics of all banks so that the findings would have been generalized to the whole banks found in Ethiopia. However, due to time and cost constraint the study focused on three private banks and the finding cannot be generalized in a broader context.

- The high confidentiality of the banking system was another obstacle that hinders us from getting more information in detail on amount of daily transactions, liquidity position of the banks and the overall work manner at each banks and so on especially during interview with managers and supervisors. The researcher tried to manage the limitation of the study by taking large sample size which was adequate to represent the whole population and by checking the internal reliability of the available data using Cronbach's Alpha statistics.

1.9 Organization of the paper

The research paper had five chapters, chapter one includes background of the study, statement of the problem, research questions, objectives of the study, significance of the study and scope of the study. Chapter two covers relevant literatures. Under chapter three, the methodology part of the study was described in detail. The findings discussed in chapter four. Finally, in chapter five summary, conclusions, and recommendations were forwarded based on the study findings.

CHAPTER TWO

LITERATURE REVIEW

This part of the study presents review of related literature specifically section one presents theoretical framework of the study, whereas section two presents empirical review, section three presents conclusion of literature review and research gap and based on the literature reviewed, the selected conceptual framework is presented in last part of the chapter.

2.1 Theoretical Framework of the study

Prior studies: The concept of relationship marketing is first introduced in studies by Berry (1983). Since then, scholars have been paying much attention on it, especially on the facet of its impacts on customers through a key question: How does relationship marketing impact on customer loyalty? Studies on This issue were established in three different approaches. The first one approaches from the perspective of fundamental factors of relationship marketing, analyzing its impact on customer loyalty. First, Morgan & Hunt (1994), do the research "Commitment-Trust theory of relationship marketing" by quantitative method interviewing 204 tires retailers, with a view to explore the nature of relationship marketing and two essential variables to relationship marketing success. This article was published on Journal of Marketing and has been cited many times in later studies, for instance Ndubisi (2007) "s study in banking sector in Malaysia.

To examine the implication of relationship marketing strategy on customer loyalty, he used quantitative method, from which he collected 222 responses and findings of four fundamental Factors of relationship marketing. Those „underpinnings", namely trust, commitment, communication, competency and conflict handling, have a considerable influence and are able to predict the extent of customer loyalty. The second view approaches from relationship marketing plans with the assumption that these tactics have effect on customer loyalty. According to Akrofi (2012)'s study on Asian Journal of Business Management, those tactics above are service quality, price perception, value offers, and brand image. Through the quantitative survey sample in two cities of Ghana, Accra and Kumasi, Akrofi proved that the proposed model is accurate; nevertheless, the study can be more developed with further research on other tactics frameworks.

2.1.1 Concepts of Customer Relationship Marketing

Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relationship exchanges (Mishra &Liy, 2008).Customer relationship marketing is one of the best contemporary marketing strategies for all companies to satisfy their customer needs and wants. In customer point of view, trust, commitment, mutuality and long-term relationship with customer which are very essential factors to satisfy their customer needs and wants. Customer relationship marketing concerns attracting, developing, and retaining customer relationship (Berry and Parasuraman, 2012).

Relationship marketing is a new approach in the banking industry to build close and long-term relationships with its customers in order to provide an understanding of the customer and their satisfaction considering the increasing competition. The variety of goods and products causes that our customers are faced with many choices (Tahmasbi, Ashtiani, Noroozi, 2007). In the other hand, companies have found that the cost of attracting new customers is five times more valuable than retaining existing customers. Therefore, the loss of a customer, not only the loss of a sale item, but more significant since the loss of total purchases that the customer is able to do in life (Kotler, 2013).

Relationship marketing contains all steps that company takes to identify and provide better services to our valuable customers. The relationship marketing is the process to identify and create new value for customers, in which the mutual benefit has been considered. This benefit is shared with customer during his life. Kotler and Keller (2011) indicated that relationship marketing was mainly to match the customers 'needs and the service promise, so that the customer loyalty would increase Taleghani*et.al.* (2011). Barry (1983) defined that the relationship marketing is attracting, maintaining and enhancing relationships with customers. Customer is the only profitability source of companies in the present and future. However a good customer that makes the greater benefit it is possible to lost, the competition over access to customers is intense. Companies should emphasis to maintaining current customers and create long-term and profitable relationship (Gary &Byun, 2001). The main point is to retain customers by providing superior customer value, satisfaction (Kotler& Gray, 2009).

2.1.2 Relationship Marketing in Banking Sector

In the increasingly competitive global financial world, relationship marketing has been advocated as an excellent way for banks to establish a unique long-term relationship with their customers. Most of the core product/service in commercial banking is fairly generic, and it is difficult for most banks to compete purely on this core service. Thus, recognition of the importance of relationship marketing, especially in financial services sector (Alexander and Colgate, 2011; Ennew et al., 2010) has grown in recent years. Berry and Gresham (1986) noted that the practice of a relationship approach is most appropriate when the consumers require personal services and/or selling'. This is certainly the case for a range of the more complex products in financial services sector, where the majority of customers still prefer to make buying decisions supported by the expertise of staff with appropriate knowledge (Dibba and Meadows, 2011). Prior to considering the case analysis and in order to obtain maximum insight from it, it is helpful to consider the literature on relationship marketing in banking.

Research on relationship marketing in the banking industry emerged in the early 2010s (Perrienet.al., 1994; 1996; Kotler, 2013). Today, in the new competitive environment, the development of close, long-lasting relationships with selected target customer has been often advocated in the international literature as a major strategic tool to limit competition in markets and to defend bank profitability in the long run (Peterson, 1999; Rajan, 1992; Sharpe, 1990). Boot and Thakor(2011) also add that a relationship orientation can alleviate these competitive pleasures because a relationship banking orientation can make a bank more unique relative to competitors. Thus a more competitive environment can encourage banks to become more client-driven and customize services, thus focusing more on relationship banking. Despite the absence of a unique definition of what relationship banking is, there is general consensus among authors that it is a great deal more than a way of selling; relationship banking represents a strategic choice with serious managerial implication. This means that its establishment requires the implementation of several elements (mission, policies, programs, strategies, organizational changes) that foster a customer-oriented culture, encourage mutual and continuous investment in the relationship and create a climate of trust and loyalty (Perrien et.al., 2015; Ricard and Perrien, 2015).

According to Moriarty, relationship banking involves more than an emphasis on total customer profitability and cross-selling; it includes an acknowledged perception of mutual interdependence between the bank and the customer…The perceived interdependence of both parties is often based on mutual trust and openness, shared objectives, and a commitment to doing business with each other on long-term basis‖ (Moriarty, 1983). Boot (2000) also defines relationship banking as the provision of financial services by a financial intermediary that invests in obtaining customer-specific information, often proprietary in nature and evaluate the profitability of these investments through multiple interactions with the same customer over time and/or across products‖ (see Boot 2014). The combination of these definitions allows examining the principle elements characterizing relationship banking, which can be summarized as follow:

- ✓ It is a personalized process as it is based on ongoing interaction between two parties and on a deep knowledge of customer's financial needs
- ✓ It is a long-term process: relationship banking implies multiple interactions with the same customer over time and/or across products, aiming at increasing customer loyalty and stabilizing the bank profitability in the long run
- ✓ It must be profitable for both parties: a relationship can develop only if both the bank and the customer realize it adds value and seeks to foster their commitment and trust
- ✓ It involves a number of client-specific information, often proprietary in nature
- ✓ It tends to be asymmetric; according to the literature, in banking relationship the overall quality and effectiveness of the relationship generally rest on the service providers. According Dibb and Meadows (2010) cited by Perrien and Ricard (2015) 's research about relationship marketing in commercial banking a range of issues must be addressed if the effectiveness of a relationship strategy is to be ensured:
- ✓ The organization's structure must be designed or modified to fit the decentralized structure required by a relationship strategy
- ✓ The influence of human resources management policies on the effectiveness of relationships must be considered, particularly in view of potential gaps between sellers and buyers perceptions.

- ✓ The best way to provide relationship managers with information and data about their customers must be identified, so that the best efforts are made to understand those customers and their environments

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

Relationship marketing strategies are successful when customers are satisfied and expectations and requirements to customers are tailored and delivered. Customers were satisfied only when their expectations are met or if the supplier delivers more than expected. In the banking industry, the service or product delivered is in many cases complex, the client's perception or understanding of the products might be hard to make clear. Also, as the result (financial gain or loss) is realized first after the service has been delivered, making the products more tangible by enhancing transparency and reducing complexity is important for the banks. In practice there are two ways for the company's representative of doing this, raising the trust, commitment, and bond between the customer and the supplier as well as raising the comprehensibility of the products being sold. Furthermore banks must possess the ability not only to gather and collect market information, they must be able to transfer and communicate this information with their customers. When properly done, mistrust and customer dissatisfaction could be avoided (Gidhagen and Thunman, 2009).

2.1.3 The Importance of Relationship Marketing in Banks

According to private banks activation, competition development and communication and information development at international level, today absorption and maintenance of customers in the country banking industry has been complicated by many degrees that itself led to reduction of banks interest (Rezvani et.al, 2011).Today's banks should see their function in the customer reflection and try to understand wants and desires of customers to attract customer satisfaction. Today, in marketing, the cost of losing a customer is equal to the loss of benefits which the bank obtains from the customer service and this is an alarm for a bank. In addition, benefit of services that could gain from new clients was losing. Therefore, customer orientation is a very sensitive element that we need to consider.

For banks, to maintain customers and constant communication with customer is essential to the different forms. This connection can be through the head or each employee of office. All banks try to attract customers through advertising and other means of communication. When the customer of bank faces with a problem in a branch of the hurdles, tries to provide the needs in other bank. Therefore, regarding to the intense competition in banking, a bank that can provide customer satisfaction, was more successful (Ebrahimi & Roodani, 2009).

2.1.4 Impact of Customer Relationship Marketing on Banks

According to the ICRM group certain factors lead to the proper building of customer relationships that ensures a proper relationship between the banker and the customer. Most often than not, there have been attempts to ensure good relationships between the bankers and customers but these have seen only one aspect of where customer database is kept to identify their profile and contacts. However it is not enough to establish a firm relationship that will build customer comfort confidence and for that matter loyalty. It is therefore important that management consider the strategy of adopting good relationship marketing strategies and identify the needs of customers and meet them (ICRM, 2010).

2.1.5 Customer Retention

Customer retention is increasingly thought of as an important managerial issue, especially in the context of saturated market or lower growth of the number of few customers (Ghavami&Olyaei, 2009). Cohen *et al.* (2006) have noted that customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment. Thus, organizations need to focus on existing customers in order to ensure that they continue purchasing and continue supporting the product (Berndt et al., 2009). Thus, at this time, close relationship with customers will require a strong coordination between banks and its marketing departments to provide a long-term retention of selected customers (Chary and Ramesh, 2012). Rust and Zahorik (1993) as cited by Cohen et al. (2010), the financial implications of attracting new customers may be five times as costly as keeping existing customers. Doing so significantly helps to reduce the cost of the organization. According to Rouholamini & Venkatesh (2011), several research show that customer acquisition costs 5 to 7 times higher than customer retention costs. Thus, since revenues increase with incremental improvements in customer retention, the ultimate goal of a professional services firm should be to retain customers

(Crutchfield, 2011). However, this is only achieved when you are providing excellent customer service, which then turns in to Customer loyalty (Ghavami & Olyaei, 2009). Thus, retaining an existing customer has beneficiary to the organization than attracting new once. Villanueva and Hanssens (2009) cited by Parker et al. (2009) clearly stated the following five customer retention benefits. Those benefits are:-

1. It is cheaper to retain customers than to acquire them.
2. The costs of serving long-life customers are less than those of serving new customers.
3. Long-life customers improve the reputation of the company and attract new customers through word-of-mouth advertising.
4. Long-life customers are less price sensitive than new customers and are therefore more willing to pay higher prices in some cases.
5. Long-life customers are more likely to buy more from the company so the company can increase their share-of-wallet through up-selling and cross-selling.

Therefore, the above benefit proof that long-life customers are means of profit to the organization and they can attract potential customers through their formal and informal communications.

2.2 Empirical review

In this section previous research studies conducted on the effect Relationship Marketing and Customer loyalty and the components of relationship marketing and its effect on customer loyalty.

2.2.1 Relationship Marketing and Customer loyalty

Relationship marketing is a core strategy used by firms to establish, maintain and enhance profitable relationships with clients, while ensuring benefits for both the firm and its clients (Grönroos ,1994). Walsh, Gilmore and Carson (2004: 469) define relationship marketing as the activities implemented by banks in order to attract, interact with, and retain more profitable clients. Customer loyalty refers to a firm's zero defections 'of profitable consumers or no switches from profitable consumers to competitors (Reichheld, 2011). Menon and O'Connor (2007: 157) define customer retention as the longevity of a consumer's relationship with a firm. Based on the literature, the variables that can possibly influence banks' relationship marketing and customer retention includes, trust, commitment, competence,

communication, conflict handling, empowerment, personalization, fees, ethical behavior and technology.

2.2.2 Relationship marketing components

2.2.2.1 Trust

Hunt and Morgan (2005) contend that trust exists when one party has confidence in the partner's reliability and integrity. 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 strongly valued that parties will desire to commit themselves to such relationships (Ting, 2004) and are likely to stay loyal.

Trust attracts new customers on each individual network and helps in retaining customers for a longer period. To support this notion, trust has been posited as a major determinant of customer loyalty. Thus, creating trust in customers' minds is of great importance for companies to achieve customer loyalty (Ball, Coelho, & Machás, 2004). Trust plays a significant role in interactions; it actually drives word of mouth and customer loyalty. Developing, improving and practicing trust are considered important aspects of investing in a dyadic and affective relationship between the parties in the relationship. Increased trust between the customer and the business is cited as critical for relationship success (Kara, Lonial, Tarim, &Zaim, 2005). In collectivist societies like Uganda, trust is normally the basis for sharing and accepting information and drives competition. In interactions, the relational exchange is characterized by relationships based on trust. Customers prefer to continue interacting with organizations and services they trust. Trust is thus construed an important factor that determines relationship commitment and customer loyalty.

(Harrison, 2000) urges financial institutions to increase their trustworthiness in the eyes of their customers in order to improve relationship with them. Trust can be built by exchanging information, handling foreseen problems and conflicts, and flexibly adjusting products to the customers 'demands. A relationship built on trust produces certain benefits, including savings on relationship termination cost, relationship benefit, effective communication, shared values and useful construct for the likelihood of customer loyalty and increasing future purchase frequency of customers. In this study trust variable is measured by factors such as bank security in

transactions, bank service quality, reliability promises of bank, staff behavior towards clients, safeguard their funds, and their account and transaction information.

2.2.2.2Commitment

While some scholars contend that there is no difference between commitment and loyalty (Henning and Klee, 1997) the majority of researchers suggest that these two constructs are related but different and that commitment is vital in building successful relationships, which ultimately leads to loyalty (Berry, Carbone, & Haeckel, 2002). Indeed, affective commitment in interactions creates emotional attachment which results in loyalty.

Although loyalty simply was considered as repeat purchase at the beginning, some researchers realized that repurchase alone is not sufficient evidence of loyalty (Newman & Patel, 2004). Loyalty should be conceived as the commitment to the product/service/firm stimulated by certain positive attitudes. Commitment indicates the motivation to maintain a relationship. When customers are committed, their turnover decreases (Gounaris, 2005). Commitment has therefore been considered as one of the key factors affecting customer loyalty (Rauyruen& Miller, 2007). Positive intentions to maintain and strengthen a business relationship and thus stay loyal are created by commitment. A number of relationship marketing studies have shown that these two constructs of commitment and loyalty seem to be crucial in influencing one another (Evanschitzky, Iyer, Plassmann, Niessing, & Meffert, 2006; Fullerton, 2005). Relationships are built on the foundation of mutual commitment, and the Ngoma & Ntale, Cogent Business & Management (2019), 6: 1580123 commitment level has been found to be the strongest predictor of the voluntary decision to pursue and stay in a relationship (Ibrahim & Najjar, 2008).

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 of deposit product frequency. In the marketing literature commitment defined as an enduring desire to maintain a valued relationship.(Wilson, 2015) observed that commitment was the most common dependent variable used in bank-customer relationship studies. Since, commitment is higher among individuals who believe that they receive more value from a relationship; strongly committed customers are willing to demonstrate higher levels of commitment due to the value they placed on the existing relationship derived from past

positive experience. Thus, committed customers are expected to be loyal to the organization resulting in positive relationship between commitment and customer loyalty. Consequently, strongly committed firms are expected to continue to enjoy the benefits of such reciprocal exchanges.

2.2.2.3 Communication

Communication is defined as 'all formal and informal exchanges that make meaningful and timely information exchange between buyer and seller' (Ranjbarian&Barari, 2009). Also communication is defined as the formal as well as informal exchanging and sharing of meaningful and timely information between bank employees and customers (Sin et al, 2002).Communication refers to the ability to provide timely and trustworthy information. Today, there is a new view of communications as an interactive dialogue between the company and its customers, which takes place during the pre-purchasing, purchasing, and post purchasing stages. Communication in relationship marketing means keeping in touch with valued customers, providing timely and trust worthy information on service and service changes, and communicating proactively if a delivery problem occurs. It is the communicator's task in the early stages to build awareness, develop customer's preference, convince interested customers, and encourage them to make the purchase decision.

Communications also tell dissatisfied customers what the organization is doing to rectify the causes of dissatisfaction. When there is effective communication between employees and its customers, a better relationship will result and customer was more loyal (Ndubisi, 2009). Bidirectional communication leads to a strong relationship satisfying both parties, which in turn leads to increased loyalty and purchase of deposit products. Communication is a vital component in business relationships establishment (Andersen, 2008). Communication is important in marketing relationships; it plays a central role in providing an understanding of the exchange partner's intentions and capabilities thus forming round work for building trust among exchange partners. In this study Communication is measured with factors such as timely and reliable information, providing information on new services and promises and accuracy in information.

2.2.2.4 Competence

Competence is defined by perceptions of each of the party relationship amount of skills; abilities and knowledge needed the opposite party to effective function (Smith and Barclay, 1996). In this study competence is measured with factors such as necessary knowledge and skill about bank service, market trends, consulting and planning about the investment to customers and effective advertising.

2.2.2.5 Conflict Handling

Conflict in our lives is obvious. In general conflict is considered as a harmful, destructive experience by people, but it is more natural and invasive phenomenon in their understanding (Boonsathorn, 2007).Conflict can be healthy and normal in an organizational perspective, lack of tension is ultimately dull and stagnant and unlikely to foster creativity and growth. 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 all a time, but it is so important that the particular banks put in place effective conflict resolution or problem solving mechanism.

A major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but may be minor issues if not handled carefully will result in defection. A more excellent approach, for example proactive in planning and implementations includes, identifying potential conflicts, solving conflict before they manifest, avoiding potential conflict and blocking them. Those efforts could bring the better relationship and loyalty to the particular bank or service firm (Ndubisi, 2009). Ndubisi and Wah (2009) found a significant relationship between conflict handling and customer loyalty, indirectly through trust and perceived relationship quality. As mentioned earlier, the ability of the product or service provider to handle conflict well will also directly influence customer loyalty. Clow& Kurtz (2010) identified and explained the four types of conflict faced by customers.

2.2.3 Customer Loyalty

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. Customer satisfaction and loyalty are strongly correlated. Customer satisfaction with a bank relationship is a good basis for loyalty (Leverin and Liljander, 2009).

Lacey (2009) undertaken research and concluded customers are vital sources for future revenue streams and marketing intelligence to the firm and loyal customers are willingly share insight about their needs and provide the opportunity for firms to tailor products, pricing, distribution channels, and marketing communications. This author also indicated that relational outcomes reflect the combination of marketing resources that contribute to a more efficient and effective marketing enterprise, including personal referrals, sharing personal information, engaging infirm-sponsored marketing research activities, providing complaint feedback, being more open to firm promotions and increasing purchasing activities. Results of PantouvakisandLymperopoulos (2008) support that in order for service company services strategies and tactics to yield desired results; attention should be given to the increasing loyalty of customers.

Knowing the buying motivations of customers has been an important part of understanding customer loyalty and brand switching behavior. Oliver (1997) describes four levels of loyalty based on these components:

1.   Cognitive one brand is preferable based on superior brand attributes.
2.   Affective liking towards brand has developed over the course of multiple purchase situations that were satisfying.
3.   Co native Affective stage with the express intention to re-buy.
4.   Action Cognitive 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 was created when consumers intentionally immerse themselves in a social system that rewards brand patronage. As Oliver (1997) lists the requirements for this state to occur are the following.

1. The product must be perceived as superior by a large enough segments of the firm's customers in order to be profitable.

2. The product must be subject to respect (or focused commitment).

3. The product must have the ability to be embedded in a social network.

2.2.4 Customer Loyalty in the Service Provider Organizations

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

The study conducted by Huseyinet al (2006) has shown that customers are looking for banks that keep their promises, instill confidence in the customer about the way they handle transactions, provide prompt service and have employees that are competent and always willing to help the customer. They also argued that due to the strongly interactive nature of the employ customer relationship, including input from employees on what constitutes service excellence was beneficial for banks and need to reassess what customers expect from them in terms of products and services and thus, provide client specific services is very important.

As Balakrishnan and Els (2008) states service initiates aimed at customer relationship management often look at four areas such as satisfaction, retention, loyalty and lifetime profitability. They also suggest a fundamental criterion for the success of customer initiative schemes is making sure that customer perceived value is met or better still, whether it is exceeded and organizations should evaluate future service schemes with respect to cost and results. They also pointed out that in a competitive environment where the customer has myriad choices and few switching costs, loyalty could from the organization point of view decrease costs and increase revenues.

The findings of Ndubisi (2009) suggested that the greater the trust in the bank, the higher the level of the bank is commitment, the more reliable and timely its communications and the more satisfactorily it handles conflicts, the more loyal its customers will tend to be. Effective communication affects customers to stay with a provider of banking services. Loyalty can be nurtured by providing timely and reliable information, for example about the uses and benefits of new banking services or about the status of transactions. It can also be reinforced by the provision of honest information on what the bank is doing about existing problems and what it does to anticipate potential ones.

2.3 Conclusion of Literature Indicating Research Gap

Undeniably, a number of researches have been conduct to unveil the causes of customer loyalty (Morgan et al 2004; Moorman et al 2005). Numerous researchers used customer satisfaction as cornerstone to attain the loyalty (Kishada&Wahab, 2013; Fornell and Wernerfelt, 1987). In previous studies, relationship between relationship marketing and customer loyalty has been determined but in different fashion. However, none of the study has tested these relationships in such integrated fashion as have been proposed in the present study while applying the moderating role of customer expertise.

2.4 Conceptual Framework of the study

Callaghan et al. (2010) cited by Kojo, disclosed that trust, reciprocity, empathy, bonding and responsiveness are dimension of customer relationship management. Kojo applied the above dimension to measure customer relationship marketing. However, according to Das (2009), any discussion on RM would be incomplete without referring to CRM. Therefore, this shows that CRM and RM have a strong similarity. Sin et al., 2005 cited by Das (2009)

support the above argument as CRM and RM are focused on individual buyer-seller relationships, accept that these relationships are longitudinal in nature, and that both parties benefit in the process. Das added that CRM can be regarded as, to some extent, a subset of RM.

Figure 2.1 conceptual framework of the study
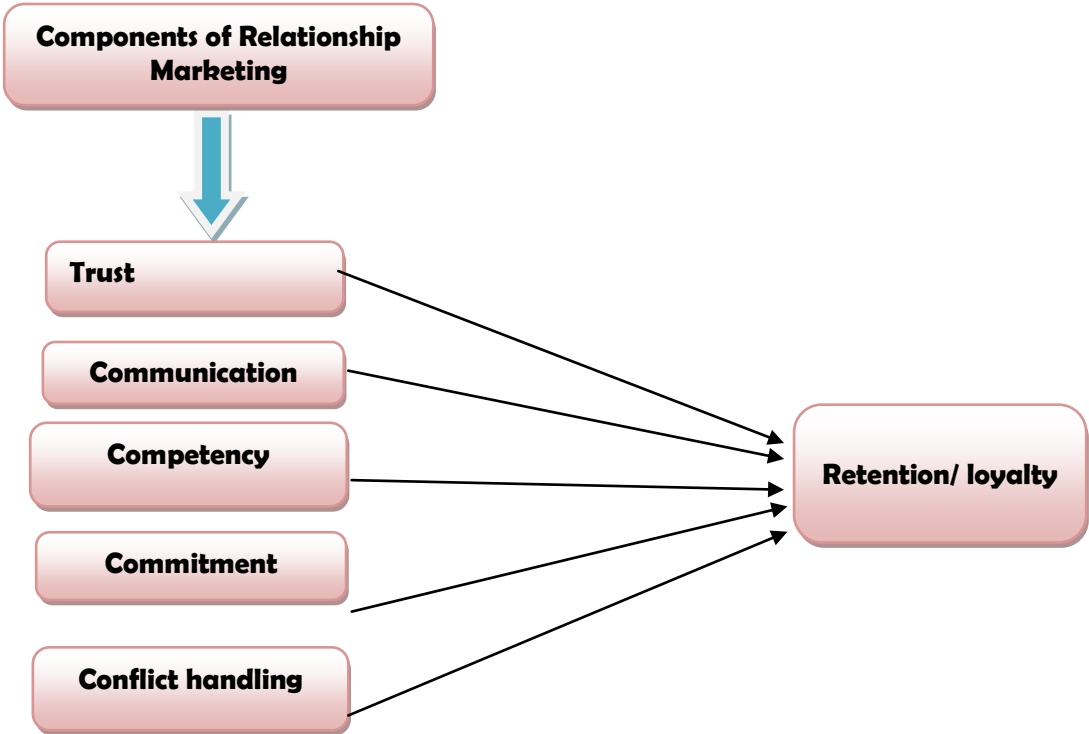
CHAPTER THREE

RESEARCH DESIGN AND METHODS

In scientific study research methodology is the backbone of the research because the research questions and objectives of the research get their answer using the methodology used in the research. The main topics included under this chapter are research design, sampling and sampling procedure, data collection methods like descriptive and inferential statistics.

3.1 Research Design

According to Chopra *et al.* (2012), research design is the conceptual structure within which research is conducted. They specifically indicated that a research design is the arrangement of condition for collecting and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. A research design is the arrangement for a precise statement of goals and justification. This study was established causal relationship between variables. It was causal research type, causal research to explain the relationship between the dependent and independent variables.

3.2 Research Approach

Research approaches are plans and the procedure for research that spans the step from broad assumption to detailed methods of data collection, analysis, & interpretation. (Creswell, 2003). This study was used mixed methods research because the research was incorporate elements of both qualitative and quantitative approach. In any research, quantitative, qualitative or mixed methods approach can be applied to study the topic. Quantitative research design is used to examine the relationship between variables and test theory. The main emphasis of quantitative research is on deductive reasoning, which tends to move from the general to the specific. It is provided to be suitable for the research's that used structured questionnaires to collect data depends on small sample size & results are presented and analyzed using statistical method. It plays greater emphasis on the numerical data and statistical test to achieve conclusion that can be generalized (Saunders, 2012).

Qualitative research approach is applied for exploring and understanding the meaning of individuals or groups ascribe to a social or human problem. Followers of this approach support honors an inductive style, a focus on individual meaning and the importance of rendering the complex (Creswell, 2014). Mixed methods research approach involve collecting and integrating both quantitative and qualitative data and using distinct design that may involve philosophical assumptions and theoretical frameworks in order to provide more complete understanding of a research problem .

3.3 Sampling and Sampling Procedure

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

3.3.1 Sampling Techniques

The key tools for data collection are questionnaires that were administered through the help of customers of selected private banks in Ethiopia, Addis Ababa city districts. Sampling technique is a method of selecting sample from entire population. I have distributed structured questioner that address the corporate customers of the selected three banks, after getting reliable information and their list from the managers at each branch, and through the mangers themselves.

3.3.2 Sample Size Determination

The researcher used simple random sampling technique to select district of private bank branches from where the sample respondents of 228 samples was addressed. The data were collected by using simple random sampling technique method from where three selected bank and four districts of the selected banks namely north, south, west and east Addis Ababa region. Approximately there are about 1,125 corporate customers at the three selected private banks.

$$n = \frac{Z^2{}_{\alpha/2}\,pq}{d^2}, \quad n = \frac{(1.96)^2}{(0.064)^2}(0.6)(0.4) = 228, \text{ approximately (Daniel, 1999)}$$

Where n the total number of sample required

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

        p=the population variability (p=0.3)

        q=the probability of the population not to be occurred (q=1-p=0.7)

        d=the maximum allowed error i.e. (e =0.064)

Accordingly 228 sample was randomly selected from grade three & grade four branches for each bank as a sampling unit, and 228 customers selected from every selected bank in four districts each through simple random sampling as shown in table 3.1below and the data was collected from only grade four and grade three bank branches; since this have relatively most of the corporate customers of the banks under consideration. Rather than generalizing the result based on the response of the customers only, interview method was employed simultaneously from 16 branch managers of the selected bank branches in four districts that were used to collect the response of the customers. This was done to strengthen the data that were collected from customers, so that consolidating the response of the managers and customers has made the finding of the study concrete.

3.4 Source of Data

The source of data for the research was primary source. Primary method of data collection was made using five point likert scale questionnaires and other demographic variables from 228 samples obtained using sample size determination formula. The banks' branch managers were also interviewed on the relationship marketing in the banks to investigate and strength the customers' argument about the banks' relationship marketing system.

3.5 Unit Analysis

The corporate customers were taken as a unit of analysis for the study, and that customer who directly receive bank services were our target. Many research results on relationship marketing in the services industry have used customer as the unit of analysis (Olsen, 1995) though, relationship marketing is analyzed from customer's attitude, experience in the banking service. Therefore, using customer's as unit of analysis was suitable since their expectation about services provided by the banks are taken in to consideration.

3.6 Data Collection Methods

The study depends on the primary data that was collected through standard questionnaires and interviews. As an Instrument of data collection structured questionnaires were developed. Questionnaires were applied usually for descriptive, which identify and describe the variability in different phenomena or explanatory research, which examine and explain relationships between variables (Saunders, Lewis, & Thornhill, 2009). The questionnaire and interview were prepared in line with the objectives of the study mentioned above and it was organized in two sections. The first section designed to obtain the demographic information of the respondents and the overall existing customer relationship marketing practice in selected private banks. The second section was inquired how respondents (both customers and branch managers) perceive the relationship marketing components, and relationship with customer retention and its impacts.

3.7 Method of Data Analysis

With regard to data analysis, the study was carried out using descriptive statistical analysis, correlation and multiple regression analysis. The qualitative data was analyzed by consolidating the responses of the branch managers. Descriptive statistics used mainly to organize and summarize the demographic data and likert scale variable of the respondent as well as the first research objective and correlation coefficients. It was used to show the relationship between components of relationship marketing and customer retention in the bank. The descriptive statistics was used to describe the overall sample data situation in the banks, the linear regression model used to show the direction of relation between loyalty and all independent variables. In general data collected was analyzed using both descriptive and inferential analysis. The Statistical Package for Social Scientists (SPSS) 20.0 version was used in data analysis.

3.9. Statistical Model Specification
3.9. 1Multiple Linear Regressions

Multiple linear regressions are regression model that have more than one regress or (independent) variable. The primary objective of regression is to develop a regression model, to explain the relation between one or more variables in a given population. Multiple linear regressions contain two or more independent variables and one dependent variable. The general model for multiple linear regression analysis in which a response is related to a set of quantitative independent variables (X_i's) and dependent variable (Y).

Multiple linear regression analysis is used to estimate models to describe the distribution of a response variable with the help of a number of independent (predictors). In multiple linear regression analysis, we have several explanatory variables (X's) and one dependent variable Y, and assume that the relationship between Y and X's is linear, then the model that indicate the linear relationship between Y and X's is given by:

$$y_i = \beta_0 + \beta_1 x_{1i} + \cdots \ldots \ldots \ldots + \beta_k x_{ki} + \varepsilon_i \quad i = 1,2 \ldots \ldots \ldots \ldots n$$

Where, y_i is the ith observation of response variables.

Where, y_i is the observation of response variable

$x_{1i} \ldots \ldots \ldots \ldots x_{ki}$ are predictor variables corresponding to i^{th} observation,

β_0 is the value of mean response when all predictor variables are set to zero

$\beta_1 \ldots \ldots \ldots \ldots \beta_k$ is the change in average response for each unit change in corresponding predictor variable.

This method is used to investigate the relationship between the project success and factors.

Mathematical model mathematically, the model is stated as follows:

$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + - - - + \beta_k X_{ki}$ i=1, 2. . .n

Where β_0 is the and $\beta_1, \beta_2 \ldots \ldots \ldots \ldots \beta_k$ are coefficient of the variable $X_1, X_2, \ldots$, Respectively.

In this research five independent variables and one dependent variable were used.

That means Y=$\beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon_i$

i=1, 2. . . 5

Where   Y=Loyalty of customers

X's areX1 trust, X2commitment, X3communication, X4conflict handling and X5competence.

CHAPTER FOUR

RESULT, PRESENTATION AND ANALYSIS

4.1 Introduction

This study aimed to identify the effect of relationship marketing pillars on customer loyalty by taking evidence from some selected branch of private banks in Ethiopia. Questionnaire was used as a data collection tool and 245 questionnaires were distributed to three private bank customers. Since there was expectation of non-response rate 245 questionnaires were distributed even if the sample size (228) of the study was adequate. The response rate was 96.3%i.e 236questionnaires returned out of 245 and 8 papers were not returned and out of retuned questionnaires the researcher only used 228 subjects since it was adequate sample size. From the total returned questionnaires eight subjects were not included in the study since 228 sample sizes was enough and adequate for our study as described above.

This chapter presents the results of the data analysis using descriptive and inferential statistics analysis methods. In this first part descriptive statistics analysis results on demographic variables were analyzed and briefly discussed using percentages and frequencies. In the second part of descriptive statistics the mean and standard deviation were used to analyze and discuss. The third part of the chapter dealt with the analysis of different responses obtained from the questionnaire using inferential statistics like correlation, multiple linear regression models analysis to check whether candidate independent variables such as trust, communication, conflict handling, commitment and competence have significant effect on customers loyalty at the three private banks. The other point included in this chapter was the interview response obtained from banks branch managers and supervisors in the three private banks.

4.2. Demographic characteristics of respondents

The following section presents demographic profile of respondents' like gender, age, year of relationship with banks and the duration of time that the customers had with the banks at the three private banks. As the table below depicted there were three private banks that were considered in this study; Wegagen, Dashen, and Awash bank, and a total of 228 respondents' information about the marketing relationship were collected assessed in their respective banks. According to the descriptive statistics result, 113 (49.6%) of the respondents were taken from Awash bank, 76 (33.3%) of them were from Dashen bank, and 39 (17.1%) of them were from Wegagen bank. Of the total number respondents about 50% of them were from Awash bank.

Regarding the age distribution of the respondents in the study sample observation, 39 (17.1%) of them were less than 25 years old, 62 (27.1%) of them were from age of 25 to 35 years old, 73 (32%) of them were in the age interval from 36 to 45 years whereas the rest 54 (23.7%) were above 45 years old. From the result one can understand that most of the banks customers were found in the age interval from 25-45 years which was the adults and working age category. The gender distribution of the customers in the three private banks was also analyzed and the result showed that there was a little difference in the number of male and female customers in the three banks of the study sample, in this regard 126 (55.3%) of the respondents were male customers and the rest 102 (44.7%) were female customers. Even if the gender distribution varies from one private bank to the other and from district to district in the same bank of different branch bank the overall distribution was similar.

The other important demographic factor considered in this study was the educational level of the respondents in the three private banks in which it was categorized into five categories; below diploma, diploma, degree, masters, PhD and others. Based on the result of descriptive statistics analysis most of the participants included in the sample were below diploma, diploma and degree holders and small number of the respondent were masters and PhD holders. 77(33.8%) of the respondents were below diploma, 66 (28.95%) of them were diploma holders, 64 (28.1%) of them were degree holders, 18 (7.89%) of them were master holders and the rest 3 (1.3%) were PhD holders. Most of the customers' education level

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included in this study was diploma holders and below diploma i.e about 62.75% of them were included under in this category. The other important factor considered in this research was the duration of time that customers spent in the three private banks as a customer and the researcher classified the duration of time into four categories: less than one year, from one to three years, four to six years and above six years. The analysis result showed that, 30 (13.15 %) of the respondents (customers) stayed or spent less than one year as a customer, 59 (25.87%) of them were customers of the banks who stayed or served for one to three years, 75 (32.9%) of them were used the bank for four to six years and 64 (28.1%) of them had been the banks customers for more than six years. Overall there was almost similar number of customers was observed in the above four categories except the first category (less than one year).

The other important variable considered as a factor affecting marketing relationship between banks and customers was the distance between the customers' home and the branch bank location. Based on the customers response, 80 (35.1%) of the respondents' home was less one kilometer far from their banks, 69 (30.3%) of them 1-3 kilometer far from the their banks, 55(24.1%) of them four to six kilometer far the banks and the rest 24 (10.5%)of the customers above six kilometer far from the bank (see table 4.1).

Table 4:1. Demographic Characteristics of Respondents

Variable with its Category		Frequency	Percent
Banks	Awash bank	113	49.6
	Dashen bank	76	33.3
	Wegagen bank	39	17.1
Sex	Male	126	55.3
	Female	102	44.7
Age	Less than 25	39	17.1
	25-35	62	27.2
	36-45	73	32.0

	Above 45	54	23.7
Education Level	Less than diploma	77	33.8
	Diploma	66	28.95
	Degree	64	28.07
	Masters	18	7.89
	PhD and above	3	1.3
Duration of time as a customer in the banks	Less than one year	30	13.15
	1-3 years	59	25.87
	4-6 years	75	32.9
	Above 6 years	64	28.1
Distance from customers home to bank branches	less than 1km	80	35.1
	1-3 km	69	30.3
	4-6 km	55	24.1
	above six km	24	10.5

From table 4.1 above one can observe that most of the customers have used the private banks for four to six years implied that the customers were persistence in using the banks which might be justification of how the private banks handle their customers properly and also depicted marketing relationship was good in banks.

4.3 Descriptive statistics

The following topics mainly focused on analysis part of the descriptive statistics on five pillars of RM but before start analysis of each pillar checking test of reliability of the likert scale data is mandatory so that we can manage the quality of the research as a whole with existed limitation of the study. Cronbach's alpha is most commonly used to assess the internal consistency of a questionnaire (or survey data) and reliability of the data that obtained using multiple likert-scales type items. The table below depicted the reliability statistics result having Cronbach's alpha coefficient. As a rule, if Cronbach's alpha score is above 0.7 there is high internal consistency in the data. In this study the value of Cronbach's alpha(α) was 0.837 (table 4.3.1), which showed high internal consistency and the questionnaire was reliable so the researcher can proceed to analyze the data.

Table 4.2 Reliability Statistics using Cronbach's alpha (α)

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.837	0.839	5

In this study the main interest was to investigate the important factors related to loyalty of customers that could directly or indirectly affect the loyalty of customers in the three banks. Trust of customers for the bank, commitment, communication, conflict handling, and competency were assumed to be influencing factors affecting loyalty in the banks. All of the related factors were obtained using five likert scale classification scheme based on customers perception on the five pillars of marketing relationship. The five likert scale variables were categorized into strongly agree, agree, neutral, disagree and strongly agree which were classified under ordinal scale variable so the mean and standard deviation were used to analyze the customers' information. Mean and standard deviation are important descriptive statistics methods parts used to check the minimum, maximum, average value of observation and how the values are far apart from each other in the given sample or population data set.

4.4 Inferential statistics result

4.4.1 Correlation analysis

Correlation is a statistical term used to measure the strength of linear relationship between the variables, especially between dependent and independent variables. The diagonal elements in correlation matrix table are always 1 since the correlation of any variable with itself is equal to unity. The off diagonals depicted the relationship between two variables. In this research the main interest was to identify the linear relationship between the dependent and each of the independent variables so that we can confirm with result of descriptive statistics and linear regression model output. The value of correlation coefficient greater than 0.65 (in both negative and positive direction) considered as strong relation between the variables whereas correlation coefficient less than 0.65 (both direction) considered as somewhat weak relation between the variables but not always strict rule and the strength of relation increasing as it approaches to one

from both positive and negative size and we approach to zero it considered no relation between the two variables. Table 4.8 presented the correlation coefficient analysis result.

The correlation coefficient between customer loyalty and trust was 0.747with statistically significant value which showed strong association between customer loyalty and trust. The correlation coefficient between customer loyalty and competence was 0.750 with statistically significant and strong association. In similar manner the correlation coefficients between customer loyalty and communication, conflict handling and commitment were; 0.873, 0.758 and 0.415 respectively with all statistically significant.

4.4.1.1 Correlation analysis between the customer loyalty and trust

The result of Pearson correlation test between the dependent variable, customer loyalty and the independent variable trust showed that, there is a positive relationship between the two variables at the 1% significance level of (R=0.75**), (P<0.01). According to MacEachron (1982) measure of association, the magnitudes of relationship between the two variables were strong. Based on the result obtained from Pearson correlation there was a positive and significant association between the dependent variable customer loyalty and independent variable trust.

4.4.1.2 Correlation analysis between the customer loyalty and commitment

Pearson correlation test was conducted to know the degree of association between the dependent variable customer loyalty and the independent variable commitment. Hence, the result of the analysis showed that, the variables were positively correlated to one another at a significant level of 1% (R=0.42**), (P<0.01). The result of the study showed that, customer loyalty and the independent variable commitment had a positive association.

4.4.1.3 Correlation analysis between the customer loyalty and communication

The result of Pearson correlation test between the dependent variable customer loyalty and the independent variable communication showed that, there is a statistically significant positive relationship between the two variable at 1%level(R=0.875**), (P<0.01). As compared to other pillars correlation coefficient of communication is the highest.

The researcher beforehand hypothesized that, there is no direct relationship between the dependent variable and the predictor, but the result confirmed with the hypothesis on different direction.

4.4.1.4 Correlation analysis between the customer loyalty and conflict handling

The Pearson correlation result of the analysis between predicted variable, customer loyalty and the predictor variable conflict handling showed that, there is significant positive relationship between the two at a statistical level of 1% (R=0.758**), (P<0.01).From the relationship marketing constructs observed so far, conflict handling is the second highly correlated variable with customer loyalty next to communication dimension in this study. From the MacEachron, (1982), tables of correlation magnitude we can infer that, the degree of association between these two variables (.i.e. customer loyalty and conflict handling) was strong and significant.

4.4.1.5 Correlation analysis between the customer loyalty and competence

The last pillar of MR in customer loyalty factor predictors was competence. Accordingly, the test result of the study showed that, there is a significant positive relationship between the two variables at a level of 1% (R=0.75**), (P<0.01). Compared to the rest relationship marketing pillars, competence is proved to be the third in terms of its degree of correlativity with the customer loyalty. Armed with correlation result obtained, between the predicted variable, customer loyalty and the predictor variable of competence, we proved that there is positive and strong relationship between them.

Table 4.3 Pearson correlations coefficient using two tailed test

	trust	Competence	Communication	Conflict	Commitment	loyalty
Trust	1	0.79**	0.59**	0.42**	0.096	0.75**
Competence	0.79**	1	0.65**	0.41**	0.119	0.75**
Communication	0.59**	0.65**	1	0.792**	0.397**	0.87**
Conflict	0.420**	0.403**	0.79**	1	0.52**	0.76**
Commitment	0.096	0.12	0.397**	0.54**	1	0.42**
Loyalty	0.75**	0.75**	0.87**	0.76**	0.42**	1
Total	228	228	228	228	228	228

4.4.2 Model assumption test

Linear relationship between the dependent variable (y) and explanatory variable (X)should be continuous variable and normally distributed for each value of explanatory variable (x), standard deviation of y should be approximately the same for each value of x, and all the observations should be independent.In this study customer loyalty was used as dependent variable which was obtained after likert scale responses were transformed into continuous variable by using variable transformation method in SPSS software in order to make it fulfill the assumption of linear regression model. The independent variables (x's) were: trust indicator, competence indicator, communication indicator, conflict handling indicator, and commitment indicator obtained after all of them transformed into continuity form of the variable using variable transformation method from each of their indicators using SPSS software variable computing application just like the dependent variable.

The variables, both dependent and independents in this linear regression model were likert scale variable which were ranked based on respondents perception and each of them had their own numbers of indicators and strongly related ones were merged together into single predictor variable into five pillars. The dependent variable was customer loyalty and the five independent variables were used to predict this outcome variable as shown in the table presented after all the linear regression model assumption checked.

4.4.2.1 Normality model assumption

Normality model assumption used to check whether the residuals are normally distributed or not. To test this assumption histogram or predicted probability plot (P-P plot) used. The importance of conducting test for normality is to check whether the population from which the sample data came is normally and independently distributed with mean zero and constant variance. The fulfillment of this assumption used to estimate the parameter of the population from sample data. The following two charts showed p-p plot and histogram.
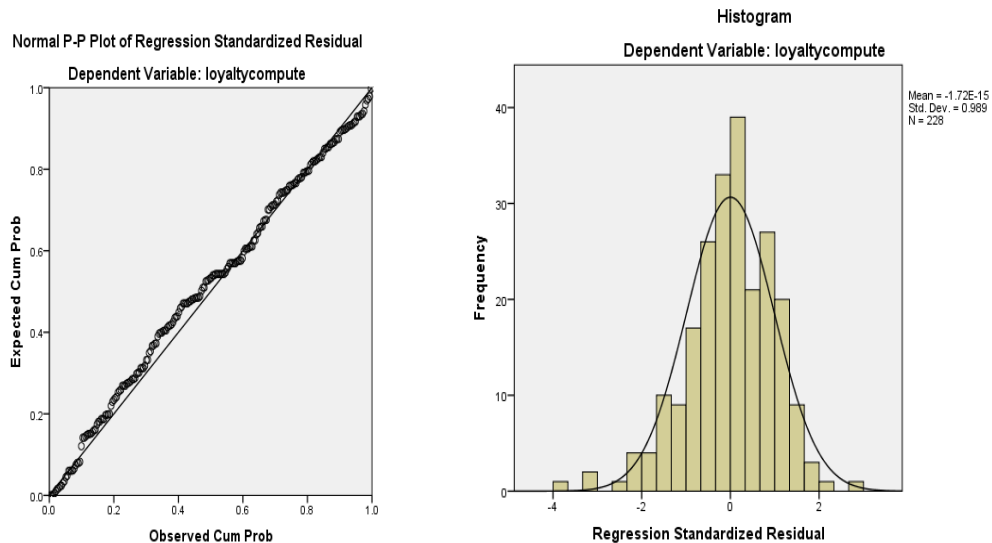
Fig. 4.1 Histogram and p-p plot

The above charts depicted that the normality assumption satisfied especially in the p-p plot the dots are almost exactly locate on the regression line, so the assumption was satisfied. This assumption can be checked by looking at the P-P plot for the model. The closer the dots lie to the diagonal line, the closer to normal the residuals are distributed. The assumption of normality is not always satisfied with hundred percent precision but it can be tolerated since the assumption has robustness nature.

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4.4.2.2 Linearity assumption

Linearity means that the predictor variables in the regression have a straight-line relationship with the outcome variable and it is checked using a scatter plot of dependent variable against independent variables. Linearity is the first and most important test that has to be checked in linear regression model since unless there is linear relationship between dependent and independent variables one cannot fit the linear regression model and estimate the model parameters. The following charts depicted the existence of linearity between dependent and independent variables.
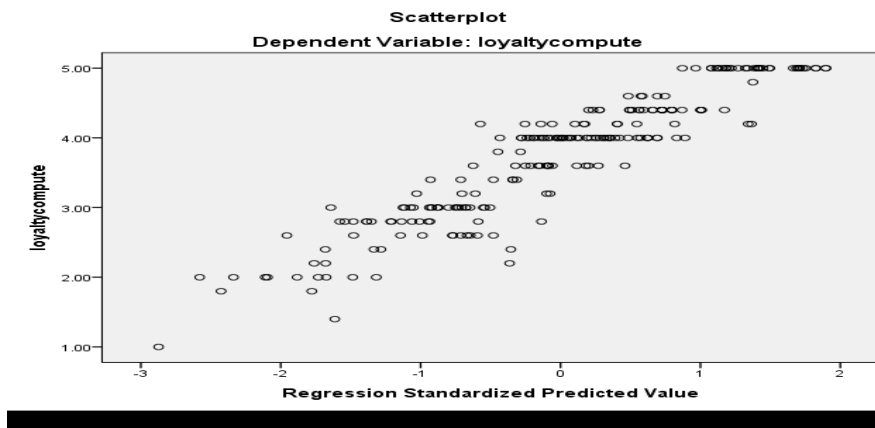
Fig. 4.2 Scatter plot

As shown in the chart there is linear relationship between dependent and independent variable since straight line pattern depicted from left to right rather than evenly distributed situation, so the assumption is valid and we can proceed to fit the model.

4.4.2.3 Homoscedasticity test

Assumption of variance of the residuals is constant and also called homoscedasticity can be checked using plot of standardized residuals vs standardized predicted values. If no obvious signs (evenly distributed) of cone-shaped tool (funnel) observed, suggesting the assumption of homoscedasticity met. In the chart displayed below there is no obvious signs of cone-shaped tool (funnel) observed an indication of validity of homoscedasticity assumption.
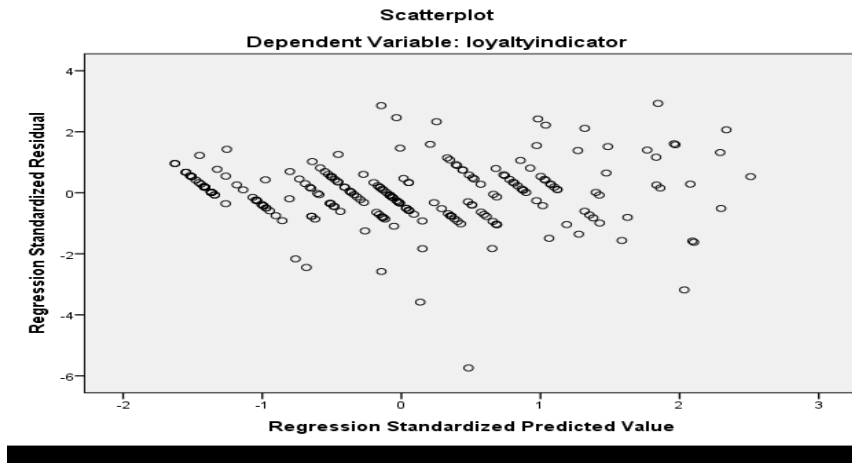
Fig 4.3 Homoscedasticity test

Look at the above chart, there no obvious signs of cone-shaped tool (funnel) observed so the assumption is satisfied.

4.4.2.4 Multicollinearity test

Multicollinearity test is used to check whether predictor variables are highly correlated with each other. The variance inflation factor (VIF) values are used to test multicollinearity assumption. This test is very important to identify existence of significant correlation between independent variables (IV). If there is high correlation between any two independent variables in the model only one of them is used in the linear regression model since they have the same information for the dependent variable. If VIF from collinearity statistics is less than ten indicating absence of multicollinearity problem (Table 4.9 below).

Table 4.4 Multicollinearity test

Variables	Collinearity statistics	
	Tolerance	VIF
Trust	0.2	5.11
competence	0.17	5.92
communication	0.24	4.15
conflict	0.29	3.46
Commitment	0.68	1.46

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The table above depicted the multicollinearity diagnosis test and the result showed that there was no multicollinearity problem between any two independent variables. In the table above collinearity statistics i.e values of tolerance and VIF depicted that there was no problem of multicolinearity since all the predictor variables' variance inflation factors (VIF) were less than 10 which is justification of no multicolinearity problem (no significant association among IV) so the assumption is valid. Now we proceed to fit and interpret linear regression model.

4.4.3 Linear regression analysis

The main purpose of linear regression model is to determine how the average value of the dependent variable, y varies with the value of a predictor x or to assess how accurately an independent variable predicts a dependent variable. Specifically, it enables us to determine the proportion of the variation in the dependent variable that can be accounted for by the variation in the independent variable. In other words, it can tell us the probability that the relationship that we observe between two variables in a given sample also obtains in the population as a whole.

In linear regression model after we obtained the analysis result, the significant factors and insignificant factors are identified; all the assumption of linear regression model checked the next step is interpreting the results since already the assumption are checked. The multiple linear regression model result in table 4.10below showed all the independent variables except competence were statistically significant at 5% level of significance since the p-values were less than 5%, implied that out of five predictor variables four of them had a significant effect on the customers loyalty in the study area. Based on analysis result, in order to be the customers loyal to their banks they must be trust their banks, there must have good communication with the banks employees, the conflict occurred among the customers and the banks' workers must be handled and solved on time and also the commitment of workers in the banks should be reliable.

In general the multiple linear regression models applied to see the effect of five independent variables on customers loyalty at the three private banks after the predictors transformed into quantitative variables using data computing methods from SPSS software and four of them resulted in statistically significant effect on outcome with all positive effect but one predictor was statistically insignificant (see table 4.10below).

Table 4.5 Linear regression model analysis loyalty as dependent variable

Variables in the model	Unstandard. Coefficients		Standard .Coeffi.	T	Sig.	95CI for B	
	B	SE	Beta			LB	UB
(Constant)	-1.971	0.24		-8.25	0.00	-2.442	-1.5
Trust	0.61	0.11	0.3	5.562	0.00	0.394	0.8
competence	0.12	0.06	0.11	1.937	0.054	-0.002	0.2
communication	0.573	0.07	0.43	8.811	0.00	0.445	0.7
Conflict	0.212	0.05	0.19	4.304	0.00	0.115	0.3
Commitment	0.118	0.04	0.1	3.356	0.001	0.049	0.2
Dependent Variable: loyalty							

The table below showed the summary of model adequacy checking methods like R-square, Durbin Watson test, and ANOVA table. From ANOVA table the overall model was significant since we rejected the null hypothesis implied that at least one independent variable is significant using F-statistics. The computed R^2 value for our model was 0.869 (R^2=0.869) showed fitness of good of model and the explanatory power of our model (86.9%) about eighty seven percent of the model is explained by the predictors.

Table 4.6 Model Summary and ANOVA Table

Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
0.934	0.872	0.869	0.3258	1.0967	
ANOVA Table					
Source of variation	Sum of Squares	df	Mean Square	F	Sig.
Regression	160.682	5	32.136	302.765	0.000
Residual	23.564	222	0.106		
Total	184.246	227			

The first independent variable in multiple linear regression model was trust of customers (table 4.10 above) which was statistically significant at 5% level of significance as p-value was 0.000 was less than 5%, so the trust that the customers had towards the bank had a significant effect on the loyalty of customers for their banks based on linear regression analysis result so in order the customers to be loyal to their banks they must had trust in their banks.

The coefficients of the variable trust in the regression model output was 0.61 which can be interpreted as the value of trust increased by one unit on its given range (1to5) the customers' loyalty increased by 0.61 times keeping the effect of all other factors in the model constant. This finding is in line with research finding By Mudassir Husnain & M Waheed Akhtar (2015) depicted that the relationship between trust and customers' loyalty was positive and significant ($\beta=0.130, \rho<0.05$). The β value shows that if one unit increases in trust customer loyalty will be increased by 13 percent. According to research study published on international journal of economics, commerce and management (May, 2015) admitted that trust is key in relationship marketing and that the bank staffs are knowledgeable about the services offered by their banks. It was further agreed that the banks are transparent in providing quality services; there is trusted relationship between the banks and the customers; the banks win customers' trust by offering competitive services; customers' trust increases customers' commitment; and that high level of customers' trust enhances bank competitiveness, so our finding is agree with the previous research findings.

The other significant factor in the model was commitment with the regression coefficient of 0.118, implied that as the commitment increased by one unit on its range (again 1 to 5) the loyalty of the customer increased by 0.118 times keeping all other independent factors in the model constant. The result obtained on commitment from the model showed positive coefficient which is in line with the existing reality and the researcher justified within their findings and the interview results of collected from the managers and supervisors in line with this. Study By Mudassir Husnain& M Waheed Akhtar (2015) on relationship between commitment and customer loyalty showed that there is positive and significant relation ($\beta=0.645, \rho<0.05$) meaning one unit increase in commitment then customer loyalty will be increased by 64.5 percent and commitment directly and positively affects customer loyalty. Morgan & hunt, 1994 explained that relationship between commitment and trust are prerequisite of relationship

marketing success and these commitment and trust further leads to cooperation. The study result by Ndubisi (2005) showed that the four underpinnings identified on the study namely trust, commitment, communication, and conflict handling of relationship marketing are directly associated with customer loyalty and same is true in this study result that all the four factors were statistically significant mentioned also significant in our study

The other two independent variables in our multiple linear regression models which were statistically significant were communication and conflict handling (table 4.10above) as the p-values 0.000 were less than the level significance at 5% level with positive beta coefficients. As the result showed communication and conflict handling had direct effect on the loyalty of customers since the regression coefficients depicted were positive values. The results from communication and conflict handling were statistically significant and with positive coefficients at 5%, so these two predictors were crucial for marketing relationship in the private banks at the study area. So the stakeholders and other concerned bodies should give especial attention in order to more improve the communication skills of workers and the conflict handling management of experiences of managers and other workers at the human resource department. One important result by Dwyer *et al.,* 1987; Hennig-Thurau*et al.,* 2002 showed that loyalty is described as much by trust than predicted and much more by communication, in banking sector in the study area since the coefficients of multiple linear regression model was largest in trust's coefficient than communication as well the effect of trust was greater than that of communication this is in line with our result. The study by Cherinet Boke (2015) stated that conflict management can influence customers' loyalty as individual effect.

In similar manner the interview result obtained from managers also confirmed with the analysis result. The managers said the banks are very active in communications with customers especially with value creating customers and handling conflict occurred in the banks and keeping the confidentiality of the transaction in the banking system. They also confirmed that the banks were wise in communications so as to win the high competition in the business area. In today's technology and globalization world, they would be out of the market if they cannot build good marketing relationship. Competence was the other factor considered which effect customer loyalty but it was statistically insignificant at 5% level of significance since p-value (0.054) is greater than the level of significance. Competence was not included in the linear regression

model since it was not significantly affecting customer loyalty as a result it was not part of our model.

The multiple regression model obtained from analysis of the five independent variables on loyalty of customers in the aforementioned model is given below by:

$$Y=-1.971+0.61x_1+0.573x_2+0.212x_3+0.118x_4$$

Where x_1 is trust, x_2 is communication, x_3 is conflict handling and x_4 commitment after all of them were transformed into scale variables.

4.5 Result from Interview of managers and supervisors

The last topic under result and discussion part was description of interview responses collected from three private banks' branch managers which used to strengthen the analysis results obtained in the descriptive and multiple linear regression models. The interview result gathered and compiled from managers written here under in short and also triangulated with the result of linear regression model and descriptive statistics analysis result parts.

The managers were asked for the question "Do you know about Relationship Marketing (RM)? If yes, what do you know?" accordingly; most of the managers agreed and confirmed the existence of relationship marketing in their respective banks even if the system was not as such developed and encourages their customers in all aspects as per the modern business activities system. The managers said that regarding to the five pillars of RM the banks are working properly so that the customers are interested in all aspect and working with them in the future even if still they couldn't satisfy their customers fully. The result obtained from descriptive statistics analysis showed similar implication with the response gathered from managers since the mean values of most of RM pillars were skewed (bend) towards agree and strongly agree options. For the question, what relationship marketing efforts have you noticed in your local market, if any? They explained that recently they are establishing local relationship marketing in order to attract more new customers. They are adopting new banking system which has potential for enhancing service excellency and attractive banking system that used to manage the customers service time. This scenario also matches with the customer's responses on the

questions whether banks are update their system and they inform whether new branches are opened nearby. The regression model result also in line with the aforementioned interview and descriptive statistics result as four pillars of RM were statistically significant with positive effect on customer loyalty.

For the question, would you consider employing relationship marketing in your bank? Why? They said yes, because relation marketing is an interesting and it will be used as core agent in the current business activities to win very tough competition in the business world. For the question, what proportion of your new customers are individuals switching from competitors? If known, why do these customers change banks? They said some of the customers are switching competitors because of large number of choices that they have in free market economy of the country. In our multiple linear regression model result the competence pillar was statistically insignificant which support the interview result obtained from bank managers and supervisors. For the question, how do you resolve conflicts occurred with your customers? They said that they had good system to solve and handle conflict occurred among the customers and workers or in between the customers themselves. Arbitration and mediation system of conflict handling were some of conflict solving methods in their banks. This response also in line with result in linear regression model that conflict handling pillar was statistically significant having positive beta coefficient. So the response given by the mangers and regression model results were in line to each other. The descriptive statistics result also justified this interview result that the mean value of conflict handling pillar was the highest of all of the other pillars under descriptive statistics data analysis.

For the question, what are some of the reasons that customers no longer conduct business with your bank? Are you aware of any indicators for this? The banks' branch managers stated that the main reasons were lack of foreign currency, liquidity problem and there are some hindering bank rules and regulation. The legal system from federal government and National Bank of Ethiopia regulation and directives are also somehow an obstacle that hinders our customers from doing business for long period. However, the reason raised by the banks' managers are somehow different from the five pillars which were analyzed using linear regression model even if the significant variables had no direct link with this particular question. For the question, do you prefer to work with a few selected "value-creating" customers or try to encourage as many new

customers as possible? Why? Most of them said that they want to do business with few selected value creating customers since in every business time factor is determinant to win the competition. Hence, preferring few selected value creating customers can bring significant change in business with short period of time but this is not always good in business since those customers with low capacity or low business might change their banks due to lack of attention from the bank. Even though most of the private banks' interest is doing business with few selected value creating customers, the reality on the ground is not as the mangers argued.

The final question for mangers was, do you change your working procedures in order to adapt to your customers needs? Please explain why, by giving examples where applicable. Most of them said yes exactly. Unless the bank fulfilled the customers' needs and interest, the bank can easily lost its customers to competitors. Stiff competition in banking industry and business world is increasing from time to time in connection to unlimited customer need. Hence, in order to cop up with the current competition and go with customer's needs, they must be equipped with sophisticated technology. The banks must also change their working procedures to stay in the business and win this competitive business world.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Under this chapter summary of major findings of the study and other research findings related to the current research had been discussed briefly in order to strengthen the research output. The findings of the study from each part of the analysis have been presented in short and precise manner so that the main findings are easily understandable. The conclusions from both descriptive and inferential statistics parts were included by taking main findings concerning the objective of the research. Finally recommendations from conclusion forwarded to the concerned body so that the challenges related to marketing relationship minimized to some extent and will also be alleviated if possible.

5.1 Summary of the findings

In this section major findings from descriptive and inferential statistics were presented as follows:

- Mean and standard deviation were used as descriptive statistics in this study and the analysis results and findings were presented one by one. When we start from demographic variables' age of customers was one of the factors and the result showed that most of the banks customers were found in the age interval of 25-45 years which is the adults' and working age category.

- About 62.75% of the customers included in this study were categorized under diploma holders and below diploma holders. Overall, there was almost similar number of customers observed in the four categories of duration time in the banks except the first category. From analysis result of descriptive statistics it was observed that most of the customers included in the study had used the private banks for four to six years.

- From descriptive statistics analysis results on trust indicators mean of 4.08 for the first indicators, feel no risk when dealing with bank and standard deviation of 0.995 obtained and for the second indicators, whether staffs identify customers' needs by studying profiles or not mean of 3.23 and standard deviation 1.235 were obtained.

- The descriptive statistics result of competence indicator on availability of free ATM card at the private banks had average of 2.95 and standard deviation of 1.315. The responses for the indicator, providing free soft drinks at banks tend to disagree and strongly disagree options since the mean was 2.22. The interview responses collected from bank managers and supervisors also in line with descriptive statistics result obtained from the above indicators since almost all of the managers' response from related questions raised for them were similar with the aforementioned mentioned indicators result.

- The two indicator of competence in data analysis parts were whether information given to customer, if new branches nearby opened or not and whether banking system extends banking hours to cater customers' need and interest which had means of 3.89 and 3.77 and standard deviations of 1.132 and 1.228 respectively. These results were in line with the interview results gathered from managers and supervisors in the three banks. Analysis result obtained from the six competence indicators showed that grand means of the indicators was 3.22, showing that the responses given by the customers about competence indicators was around the neutral value (code 3).

- The descriptive statistics results on communication pillar of the first indicator had mean of 2.22 and standard deviation of 1.36. Whereas, the second indicators' had mean of 4.07. Mean of 4.07 showed that most of the respondents were highly agree and agree on whether their banks provide information for the customers to check their account since the mean value was skewed to agreement (agree and strongly agree) whereas the standard deviation was the second least from the six indicators. Regarding the banks activity in calling to customers for checking cheques issued to them, inviting customers to discuss on buildup of relationship with the bank, whether the bank strongly valued customers and devoted to respond their questions or not and communicating customers on time when there is policy change in the bank had mean of 4.17, 3.98, 4.07, respectively, and all of them had relatively large mean. The means of indicators of communication showed that most of the respondents had agreed and strongly agreed on the four indicators of communication pillar. Information collected from the managers and supervisors of the banks in relation to communication also highly justified the respondents' agreement; most of the managers agreed on the

existence of relationship marketing in their banks even if the system was not as such developed and encourages their customers and it was similar with the response gathered from customers as the descriptive statistics showed. The managers and supervisors explained that they are recently establishing local relationship marketing in order to attract more new customers to their banks by including new system. The new system developed according to the manager is attractive that would use to manage the customers time, and increase ways of communication.

- Analysis results obtained from conflict handling issues had large mean i.e most of the respondents were strongly agreed that the conflict handling system in the three private banks were good and it would be important for the banks' marketing relationship. The responses obtained from managers and a supervisor is also similar with analysis results in descriptive statistics. As to the managers' response and reaction on such questions they replied that their banks had high experience in handling conflict that occurred among customers themselves and between the staffs and customers.

- Descriptive statistics results on commitment pillar had mean of 2.36 for the first indicators. This shows that responses of most of the customers were tend to highly disagree, disagree and neutral options. The second indicators' had mean of 3.76 depicted that most of the responses of the customers tends to agree option, mean of 3.15 for the third indicators showed large number respondents responded neutral option of the scale and the last indicator had mean of 2.1, showing large number of respondents response classified under disagreed option. The grand mean is 2.84 which indicate the tendency of most of the respondents were neutral on the question of commitment.

- The correlation coefficient was one of the inferential statistical methods used to analyze the data in this study. The correlation coefficient between customer loyalty and trust was 0.747, which was statistically significant at 1% and showed that there was strong association between customer loyalty and trust. The correlation coefficient between customer loyalty and competence was 0.750 and statistically significant at 1% level. In similar manner, the correlation coefficients between customer loyalty with communication, conflict handling and commitment were; 0.873, 0.758 and 0.415 respectively. All the three pillars are at 1% level.

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- All the correlation coefficient of predictor variables with customer loyalty was positive and strong except commitment (positive weak). The result observed in linear regression model analysis for all of the pillars had positive beta coefficients and statistically significant at 5% level of significance except competence.

- Linear regression model results of trust and commitment on customer loyalty were statistically significant with positive coefficients at 5% level. The model result showed that these two factors were crucial for marketing relationship in the study area. The interview result obtained from managers is also similar with the analysis result. The managers said, the banks were very careful in protecting the transactions of the customers and keeping the confidentiality of the cash in the banking system. The managers also confirmed that the banks were committed enough to win the high competition in the business area in today's technology and globalization world. Otherwise, they would be out of the market due to lack of building good marketing relationship.

- Linear regression model results of communication and conflict handling on customer loyalty were statistically significant with positive coefficients at 5% level of significance, so the two predictors were determinant factors for MR in the private banks at the study area. In similar manner the interview result obtained from managers also justify the analysis result. The managers said, the banks were very active in communications with customers especially in handling conflict occurred in the banks and keeping the confidentiality of the transaction in the banking system. Different literatures on relationship marketing are often suggesting that MR is a solution for attaining long term customer relationship through satisfying them and generating profit. This study has confirmed that marketing relation component, such as trust, commitment, communication, and conflict handlings were significant predictors' of customer loyalty in the banks sector in the study area.

5.2 Conclusion

The main objective of the study was to identify the effect of relationship marketing on customer loyalty by taking evidence from some selected private banks in Ethiopia. Practically the study tried to identify a gap in relation to how selected private banks are attracting new customers; satisfy and retain existing profitable of customers and banks. This study is important to provide better understanding of customer RM and customer loyalty in the banking industry in Ethiopia especially in the three private banks. This study is conducted to analyze the influence of customer relationship marketing on customer loyalty by taking commitment, communication, conflict handling, and trust as independent variables and measure their influence on dependent variable, customer loyalty. Few researches have been done on relationship marketing even in Ethiopia. However, this study has used a powerful statistical model called linear regression which has capability of identifying important factors' influencing the customer loyalty. In this study mean and standard deviation were used as descriptive statistics and multiple linear regressions model and correlation analysis were used as inferential statistics. The conclusions drawn from both descriptive statistics and inferential statistics were presented as follows:

- From descriptive statistics analysis result on trust indicators mean of first indicators was 4.08 implied that most of the customers agreed and strongly agreed that they feel no risk when dealing with bank and standard deviation of 0.995 implied the responses obtained from the respondents was not far apart from each other. The mean of availability of free ATM was small implying that most of the respondents' attitude towards availability of free ATM card was below the median or tend to disagree and strongly disagreed options.
- From the results on the first two indicators of competence using mean of indicators implied that, most of the customers are agreed and strongly with regard to updated information given to the customers and working time extended if customers were interested to get service even if the work time was not sufficient. but the analysis result obtained from all the six competence indicators showed that grand mean was 3.22 which implied the responses given by the whole customers about competence indicators was around the neutral value or impartial to decide as agree or disagree.

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- Most of the indicators classified under commitment pillar of marketing relationship were around neutral value which implied the respondent were not as such agree and strongly agree on commitment of the bank, but the interview gathered from managers and supervisors were highly skewed to strongly agree side or option.

- Most of the respondents were agreed on the conflict management system of the three private banks under investigation, and large means were obtained. From descriptive statistics results analysis the highest grand mean was obtained from conflict handling pillar whereas the smallest from competence, so it was concluded that conflict handling play the significant role in marketing relation as compared to the competence pillar of customer loyalty in the sample data.

- All the correlation coefficients were strongly and significantly associated with customer loyalty, and communication pillar had the highest correlation coefficient value. Hence, communication pillar associated linearly and strongly with customer loyalty in the three private banks as compared to the other four pillars.

- It is deduced that trust and communication of customers were key in relationship marketing, and there exists trusted relationship and good communication between the three private banks in study area and their customers. Customer trust and communication can be enhanced through offering competitive services and also offering services to customers beyond their expectations.

- From the tests results and findings using regression model all predictors including trust, commitment, communication, competence and conflict handling, had positive and significant effect on customer's loyalty.

- The results obtained using communication and conflict handling pillars were statistically significant with positive coefficients, so these two predictors were crucial for marketing relationship in the private banks at the study area but competence was not a key predictor as it was insignificant in linear regression model.

- Regression model result depicted that as the trust of customers increased by one unit on its given range, the customer loyalty is increased by 61%. Whereas as communication increased by one unit has born customer loyalty increased by 57% keeping the effect of all other predictors constant in the model. This implied that,

communication pillar had more effect on customer loyalty than the conflict handling pillar according to the result.

5.3 Recommendation

The following recommendations were forwarded to the concerned bodies based on analysis result and conclusions drawn from results.

- ➱ Communication is very crucial factor in today's business world and the study findings also assured the reality, so the private banks in the study area must check and upgrade the communication skill of their workers so that the communication gap could be filled and the marketing relationship would be increased to the optimum.

- ➱ The mean of availability of providing free ATM was small, implied that most of the respondents' attitude towards availability of free ATM card at the private banks was low, so the private banks should give due attention in facilitating free access of ATM for their customers as much as possible so that the customer can easily get ATM card and consequently the number of customers in the banks increased.

- ➱ Conflict handling pillar had highest mean whereas competence pillar had the smallest in descriptive statistics analysis result. so the researcher recommend that the private banks should keep up improving conflict handling tasks and should work hard on the competence related facilities in order to cop up with their competent private and government banks in the business.

- ➱ The analysis result obtained from the six competence indicators showed that grand mean was around three implied the customers were impartial to decide as high competition or no competition in banks, so the private banks should work hard to enhance systems encourage competition so as to stay in the business and win the existing competition.

- All the correlation coefficients were strong positive and significantly associated with customer loyalty. Communication pillar had the highest correlation coefficient with positive value out of the five pillars, so due attention should be given to scale up communication skill of workers by providing training in order to enhance the success of the business in the three private banks.

- Based on the manager interview responses, the researcher recommended that the private banks should treat customers with respect to income. And, the banks should carefully segment customers depending on their income and deposit balance, and give due attention for customers' who have higher income since when compared to customers who have lower income, higher income customers had greater tendency to upgrade banks profitability.

- The three private banks should build strong relationship strategies on relationship marketing since the four pillars such as trust, conflict handling, commitment, and communication had positive and strong relationships with customers' loyalty.

- Communication and conflict handling were statistically significant with positive coefficients having larger effect as compared to the other two significant predictors. So the stakeholders and other concerned bodies should give especial attention in order to improve the communication skills of workers and the conflict handling management of experiences of managers and workers at the human resource department.

5.4. Recommendation for further research

➤ Further research on relationship marketing should be done by adding more pillars of relationship marketing. Technology that the banks are using, boards capacity and directors' nomination procedures and education level of workers using advanced models must be included in the pilars.

➤ The upcoming researchers who have interest to do research on RM should incorporate both private and governments' banks so as to facilitate comparisons and more broad and reliable conclusion and recommendations could be obtained from the result.

➢ This study was conducted only in one city of the country; Addis Ababa, Ethiopia more studies comprises of more geographical areas and cross national comparison is required. This study focused on just one service sector, future studies may advance these efforts by examining different service types in different sectors of the economy.

➢ Relationship characteristics such as, strength of relationship, intensity of the relationship and socio-demographic factors may also provide exciting results if they are included in the model. Future studies might productively consider such factors to check their effects in order to increase validity of the study and it is also recommended to replicate study on larger scale with more representative sample.

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APPENDIX I

Customer Questionnaire

This questionnaire seeks to ask for your view concerning the use of customer relationship marketing in the banking industry for customers' loyalty towards Daehen Bank, Wegagen Bank and Awash Bank. You will reasonably contribute enormously to this study if you honestly respond to the questions that follow. The questionnaires expected to be returned as soon as possible. There is no need of writing the name and personal address of the respondents in order to keep the responses confidential and never be exposed for anything (Any information provided was treated with utmost confidentiality). Thank you for your kind and honest response in advance.

Part 1: Demographic Profile (please your choice the one that describe you)

1. Specify your bank (the bank that you are using now)--------------

2. Your Age group? 1. below 25 years 2. 25-35 years 3. 35-45 years 4. Greater than 45 years

3. Gender? 1. Male 2. Female

4. Education level of customer? 1. Illiterate 2. Elementary 3. High school 4. Diploma Degree 5 Masters above

5. For how long have you used bank transaction activities within your bank? 1. < 1 year 2. 1-3 years 3. 3-5 years 4. Greater than 5 years

6. Marital status of the customer 1.Single 2. Married 3.Divorced 4. Widowed

7. Religion of the customer 1. Orthodox 2. Muslim 3.Protestant 4. Other

8. Your ethnic group. ……..

Part II: In your point of view, how satisfied are you with the following provisions at your banks? Please tick the level ofsatisfaction you are having from the banks below the numbering rate given:Strongly agree, Agree, Disagreeand Strongly disagree

No	Questions	S. agree	Agree	Disagree	S. disagree
1	The staffs are identifying customer needs by studying their profile every time				
2	The staffs are usually calling customers regularly on their account information				
3	The bank provides up to date information to you for review on your accounts				
4	The bank is having telephone calls and text message to verify cheques that have been issued to you				
5	Providing ATM's at filling stations and malls for easy cash withdrawals				
6	Providing free ATM charges for customers of your bank				
7	Providing free drinks at banking halls for waiting customers				
8	The bank system extends banking hours to provide for customer needs				
9	There is information to the customer for the new branch nearby				
10	There are better problem resolving habits in the bank system				
11	There is a formal channel for any complain and was solved timely				
12	Are you fully satisfied about the service of the bank				
13	The politeness of frontline staff of your bank are working well to satisfy customers				
14	The relationships youhave with the bank encourages you to refer someone to your bank?				
15	The bank provides quality of services to you				
16	Are started using this bank since there is friendship relationship with certain banks' employees				
17	I chose my bank (Dashen, Wegagen or Awash) because of lack of information regarding alternative attractive offers				
18	I think one's relations with the bank will lead to a person's loyalty with the bank?				
19	The bank provides timely and trustworthy information				
20	The bank tries to avoid potential conflict				
21	The bank tries to solve manifest conflicts before they create problems				
22	The bank has the ability to openly discuss solutions when problems arise				
23	I consider the bank as first choice among other bank in Ethiopia				
24	The bank that first comes to my mind when making purchases decision on bank services				
25	The bank is very concerned with security for my transactions				

26	The bank fulfill its obligations to customers				
27	Staffs are loyal to their customers				
28	Managers are loyal to their customers				
29	The banking system is reliable				

APPENDIX II

Managers interview questions

1. Do you know about Relationship Marketing (RM)?If yes, what do you know?

2. What relationship marketing efforts have you noticed in your local market, if any?

3. Would you consider employing relationship marketing in your bank? Why?

4. What proportion of your new customers are individuals switching from competitors? If known, why do these customers change banks?

5. How do you resolve conflicts with your customers? Please give an example if possible.

6. What are some of the reasons that customers no longer conduct business with your bank? Are you aware of any indicators for this?

7. Do you prefer to work with a few selected "value-creating" customers or try to encourage as many new customers as possible? Why?

8. Do you change your working procedures in order to adapt to your customers needs? Please explain why, giving examples where applicable.

APPENDIX III

Descriptive statistics result table of the five MR pillars

Trust					
Variable	N	Min.	Max.	Mean	Std. Deviation
feel no risk when dealing with bank	228	1	5	4.08	0.995
staffs identify customers' needs by studying profiles	228	1	5	3.23	1.295
bank safeguarding and transparent in taker of customers deposit	228	1	5	1.82	0.988
transaction and account related information protected	228	1	5	4.25	0.897
Competence					
staffs are knowledgeable about all products	228	1	5	2.97	1.257

clarification about bank products by employees	228	1	5	3.45	1.291
providing free ATM card for customers	228	1	5	2.95	1.315
providing free soft drinks at banks	228	1	5	2.22	1.236
bank system extends banking hours to cater customers' need	228	1	5	3.89	1.132
Information to customer will be given if new branches nearby opened	228	1	5	3.77	1.228
Communication					
staffs are calling customers on their account regularly	228	1	5	2.22	1.236
Bank provide information for customers to check their acct	228	1	5	4.07	0.979
the calls to customers for checking cheques issued	228	1	5	4.04	1.155
inviting customers to discuss about in build up of relationship	228	1	5	3.98	1.082
strongly value customers and devoted to respond their questions	228	1	5	4.07	1.006
when there is policy change the bank communicate customers on time	228	1	5	4.17	0.933
Conflict handling					
bank encourages customers to raise complaints	228	1	5	3.64	1.298
staffs at the bank are good in listening and solving problem	228	1	5	3.82	1.177
better problem solving habits in the banks are available	228	1	5	3.98	1.082
Commitment					
the bank is very committed to solve customers' problem	228	1	5	2.36	1.365
the bank is very committed to handover any activity in the bank	228	1	5	3.76	1.303
the bank is committed to make available any document for customers	228	1	5	3.15	1.435
the bank is committed to pay interest on time	228	1	5	2.10	1.18
Overall satisfaction					
fully satisfied with the services of the bank	228	1	5	3	1.316
courteousness of frontline staffs satisfies customers	228	1	5	3.9	1.128
the relationship I have with the bank encourages me to refer someone to the bank	228	1	5	3.68	1.343
the bank provides me quality services	228	1	5	3.73	1.275
i am using the bank since there is a friendship relationship with bank	228	1	5	3.71	1.268

staffs					
I chose the bank because of lack of information about other alternative banks	228	1	5	2.48	1.381
one's relation with the bank will leads to a person loyalty with the bank	228	1	5	3.93	1.138
the bank has a reputation for using highly skilled employees	228	1	5	3.36	1.378
the bank regularly visit its customers	228	1	5	2.5	1.372
Loyalty					
Staffs are loyal to their customers	228	1	5	3.34	1.235
Managers are loyal to their customers	228	1	5	3.54	1.058
The banking system is reliable	228	1	5	3.69	1.354