

ST. MARY'S UNIVERSITY  
SCHOOL OF GRADUATE STUDIES



THE EFFECT OF RELATIONSHIP MARKETING ON CUSTOMER LOYALTY IN  
BANKING INDUSTRY IN THE CASE OF DASHEN BANK

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MARCH 2017

ADDIS ABABA, ETHIOPIA

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A RESEARCH PAPER SUBMITTED TO ST.MARY'S UNIVERSITY, SCHOOL OF  
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## DECLARATION

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

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## **ENDORSEMENT**

This thesis has been submitted to St. Mary's University, School of Graduate Studies for examination with my approval as a university advisor.

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ADVISOR

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SIGNITER & DATE

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## ACRONYMS

1. **CRM** Customer Relationship Management
2. **RM** Relationship Marketing
3. **SPSS** Statistical Package for the Social Sciences
4. **DB** Dashen Bank

## **ABSTRACT**

*The survival of any organization depends on its customers. Customers are the source of profits to be earned by a profit making organization. Due to the more and more aggressive competition in today's business, many companies are required to build long-term profitable relationship with customers and to achieve customer loyalty. Thus, this research is designed to explore the effect of relationship marketing on customer loyalty within the Dashen Bank using the five constructs dimensions of relation marketing such as Trust, switching cost, perceived service quality, perceived value and satisfaction. A cross sectional design mainly quantitative approach was used to the research question. In order to undertake this research, sample size of 111 out of 33 Branch in Addis Ababa which represents 30% of the total Dashin banks, is drawn with a total sample size of 400 Primary type of data was collected with the help of pretested questionnaires. The collected data was analyzed using SPSS. Binary logistic regression analysis is carried out to see the association between each independent variable with outcome variable and then variables that showed significant associations is included in a single model and multiple linier regressions is performed to identify the most significant predictors. 95% CI and P-value (0.05) was used to assess the degree of statistically significance. The findings showed that relationship marketing dimensions have effect on customer loyalty. All the independent variables are significantly association with customer loyalty particularly in Dashen bank and in general in banking industry. And also they are expected to invest more on attracting new customers and retaining the existed ones with regard to relationship marketing to increase customer loyalty.*

**Key words:** *Relationship Marketing, Customer Loyalty, Trust, Switching Cost, Perceived Service Quality, Perceived Value and Satisfaction*

## **CHAPTER ONE**

### **INTRODUCTION**

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

During the 20th century relationship marketing began to dominate the marketing field. At that time relationship marketing became a major issue in marketing and managing business (Egan, 2001). Relationship marketing has been developed over the years as stimulating area of marketing that emphasis on creating and maintaining long-term relationships with customers and other parties. In the competitive market, organizations are not only concerned on providing quality products or services but the key concern is to communicate with customers and understand their requirement to satisfy and retain them with a profitable relationship (Tseng, 2007). Relationship marketing strategy plays a decisive role in interacting and retaining customers, especially in service industries because of the intangible nature of service and high level of interaction with customers. Nowadays most organizations are implementing customer relationship marketing as a strategy to gather and use data for increasing customer value, company profit and to improve customer satisfaction and retention (Aaltonen, 2004).

Today, we live in a competitive world where customer demands from businessmen or organizations products/service more than before. No business can live on without satisfied customers unless it is a government-owned monopoly. It must be noticed that customers' needs and demands is increasing rapidly. Therefore companies are looking for strategies to go beyond the needs and expectations of their customers. During the past years, a new viewpoint has been formed in this respect and that is customer relationship management. If this new viewpoint is understood and enacted properly it will change all parts of an organization (Hasanzadeh, 2010). In view of customer importance as one of the bases of an organization's life and CRM emphasis on service improvement, customer satisfaction, costs reduction, mutual relationship between company and even millions of customers. Customers' place and value is very vital in today's competitive atmosphere and therefore marketing experts encourage companies to look for newer

and more effective methods. Products variety presents providing many choices for customers. Companies have learned that losing one customer is not only losing one sale item, but also it means losing all purchases of the customer that he/she could have made during his life, so company should emphasis on retaining its customers Kotler and Armestrong, (2002).

One of the challenges for banks is how to differentiate themselves from their Competitors. Differentiation based on price and cost strategies is normally short-lived, and the only real way to differentiate is through relationships and service propositions Ghemawat, (1999). The responsibility of the marketing function includes the notion that the most should be made of existing customers, which is essential for long-term profitability. “The challenge to the banks is to own the relationship with the client and use this as a competitive advantage over other banks” (Abratt & Russell, 1999: 5). To establish and maintain a competitive advantage, banks need to retain customers through strong relationships Barnes & Howlett, (1998).

A good standard of measuring the quality of a relationship is loyalty Reichheld, (1996; 2001). True loyalty is based on a partnership, which is based on mutual interest and shared goals. Loyalty ensures that the relationship is retained during the best of times as well as the worst. “For loyalty, it is not only how satisfied you keep your customers, but how many satisfied customers you keep” Reichheld, (2001: 127). One of the objectives of the relationship banking strategy has been to establish a high level of customer loyalty. Customer loyalty results in numerous benefits, which include increased profits and customer retention Abratt & Russell, (1999); Iniesta & Sánchez, 2002; Bennett & Durkin, (2002).

Studies of the impact of relationship marketing on customer loyalty outcomes lean to approach the way customers encounter a problem with regard to the services provided by the banks. A small group of studies treat that customer loyalty is a function of trust, commitment and conflict handling. The evidence is almost uniformly consistent in indicating that customers are loyal when the banks relationship marketing is good. A relative handful study of Ndubisi (2006), have specifically examined that relationship marketing such as trust, commitment and conflict handling have a direct effect on customer loyalty. This study shows the effect of relationship marketing including other underpinning such as understanding on customer loyalty in the case, of Dashen Bank.

## 1.2 Statement of the Problem

During the past decade, the financial service sector has undergone drastic changes, resulting in a market place which is characterized by intense competition, little growth in primary demand and increased deregulation. Government of Ethiopia has privatized quite a number of banks which further increased the competition and complexity among the banks. Finding a place in this heating sun became vital to the long-range profitability and ultimate survival of the banks. This can be done both by retention of customers and attracting new ones.

Additionally, financial sector has facing a number of factors, particularly on the light of intense competition, financial crisis and global economy Chaudhuri and Halbrook, (2002). Financial institutions managers are under pressure not only to maintain customer satisfaction while sustaining lower costs, but also to maintain market leadership. The traditional product-oriented system is becoming increasingly customer- oriented in accordance with basic principles of relational marketing, which focuses on customer loyalty Gilmar,(2007). Practically ,banks committed and often inherited relationships between customer and banks were becoming increasingly scarce (Lee and Feick, 2001). A success marketing component requires a better understanding and frequently monitoring product and service attributes which increase customer loyalty. Customer loyalty to bank products comes out over time of continuity in patronage such as services quality and satisfaction Yi & Jeon, (2003). Banks all over the world realize that no bank can offer all services and be the best leading bank for all customers. To improve the quality of their own services, banks have to create the customer relationship that delivers value beyond the provided core product Zineldin, (1996).

As the financial marketplace becomes more dynamic and competitive, banks also need to focus on retaining existing clients through effective relationship marketing. In this context, the benefits of long-term retention of existing customers, such as increased profitability, reduced costs in relation to the individual customer and word of mouth referrals from satisfied customers, become important (Gilmore, 2003). Retaining customers requires careful and creative work and planning which satisfies customers. Service becomes more efficient when employees learn about what

customers expect and how best to meet customer needs Clow and Kurtz, (2003). Although, zero defections should be the goal of all organizations, in reality but this probably will not be achieved. It requires finding out switching factors, calculation of customers life time value Clow et al, (2003), customers loyalty rate, and building lasting consumer relationship management (Kotler P. et al., 1999). Due to the above mentioned reasons, it is imperative to apply the modern paradigm shift in marketing called relationship marketing. (Grönroos<sup>0</sup> pointed out that relationship building and management are a vital corner stone for service industries (Gronroos, 1994). This is achieved by a mutual exchange and fulfillment of promises. Such relationships are usually but not necessarily long-term. Most previous studies also tried to investigate on impact of relation marketing on customer loyalty Kasaye E, 2015 Shifera B, (2011).Despite these promising results findings from previous studies have limitations. Many studies lack of information on the specific components of relation marketing and do not include important covariates for adjustment.

So, the aim of this study is to investigate the relationship marketing dimensions such as Trust ,switching cost, , customer perceived quality, customer perceived value , satisfaction and gratitude at Dashin bank in order to assess whether these dimensions have had the intended strengthening effect on customers 'loyalty or not.

### **1.3 Objective of the study**

#### **1.3.1 General objective**

The general objective of this study is to explore the effect of relationship marketing on customer loyalty within the Dashen Bank

#### **1.3.2 Specific objectives**

These specific objectives is the following.

- To identify the effect of trust on customers' loyalty towards their bank.

- To assess the effect of switching cost on customers' loyalty towards their bank.
- To determine effect of perceived quality on customers' loyalty towards their bank.
- To identify the effect of perceived value on customers' loyalty towards their bank.

#### **1.4 Research question**

The research has tried to give answers to the following research questions.

- What is the effect of trust on customer's loyalty towards their bank?
- What is the effect of switching cost on customer's loyalty towards their bank?
- What is the effect of perceived quality on customer's loyalty towards their bank?
- What is the effect of perceived value on customer's loyalty towards their bank?

#### **1.5 Scope of the Study**

Conducting a research in all banking industries is not an easy task; it requires much money, time and effort. Considering money, time and availability of the data for the study, therefore, this study was delimited geographically of Dashen Bank. In terms of the constructs showing in the research framework, only five ways of relationship marketing underpinnings (trust, switching cost, perceived quality, perceived value and customer satisfaction ) were focused and their impact on customer loyalty. Other elements or underpinning's measurements of relationship marketing are beyond this study.

#### **1.6 Organization of the paper**

This study was arranged in to seven chapters. The first chapter dealt with introduction part of the study which consists of background of the study, statement of the problem, objectives of the study, research hypothesis, and significance of the study, scope and limitations of the study, ethical consideration. The second chapter dealt with review of related literature about customer relationship marketing and customer loyalty, the third chapter dealt with methodology of the



study which includes research strategy and design, data type and data source, sampling method and sampling size, method of data collection instruments, methods of data processing and analysis. The fourth chapter presented the result of the study, the fifth consisted of the discussion part and the sixth and the seventh comprised summary, conclusion and recommendation and list of reference materials used for the study, sample questionnaire, are attached as appendices at the end.

## CHAPTER TWO

### THEORETICAL REVIEW

#### 2.1.1 Definition of Terms

Conceptual definition of terms were used where, concepts, terms/ variables are defined from different theoretical perspectives. Accordingly some of the variables that are frequently used in this research paper were defined as follows:

**Customer Loyalty:** broadly refers to customer behaviors that indicate a desire to better an ongoing relationship with a company (Palmatier et al., 2006).

**Customer satisfaction:** It is defined as is a psychological state that results from consumer experiences after consumption (Pleshko, &Heiens, 1996).

**Customer perceived value:** is defined as “the consumer’s overall assessment of the utility of a product based on perceptions of what is received and what is given” (Zeithaml, 1988, p. 14).

**Relationship Marketing:** Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relationship exchanges (Mishra &Liy, 2008).

**Service quality:** is defined as the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Chumpitaz et al., 2004).

**Switching Cost:** is a onetime cost that customers associate with the process of switching from one service provider to another (Porter, 1980).

**Trust :**is defined as the willingness to rely on an exchange partner in whom one has confidence (Moorman et al., 1993; Orth&reen , 2009).

Relationship marketing is a new phenomenon which is developed in the 21<sup>th</sup> century and all marketers and managers use it, but they define differently. The dramatic change from transactional marketing to relationship marketing increases its significance and contribution in the customer relationship marketing (Lindgreen, 2001). In the recent time relationship marketing has become known as most important strategic element of business. It has direct impact on firm's strategic performance and also relationship marketing is more effective when the relationships are more critical to customers. Moreover effectiveness is greater when relationships are built with an individual than a firm (Robert and Daunt, 2006).

Customer loyalty is defined as the behavior where consumers have it in mind to repurchase or repatronage favored products or services continuously (Oliver, 1999). Loyalty is important for an organization and it is equally important to customers as well because customers are willing to invest their loyalty in products or services that are expected to bring greater value compared to the organization's competitors (Reichheld, 1996). When a customer has developed loyalty towards the products or services provided by a certain organization, it has directly minimized the time consumed in searching, locating and evaluating the same services provided by other competitors. Customer loyalty can be measured by behavioral and attitudinal elements or both (Day, 1969; Grisaffe, 2001; Russell-Bennett, Mccoll-Kennedy and Coote, 2007). As a result, customer loyalty can be a major source of sustained growth and profit and a strong asset to an organization (Anderson and Mittal, 2000).

According to Zeithaml (1988), the definition of value results from the comparison between the benefits obtained and sacrifices made. Value is considered as a subjective and personal concept toward the products, services and relationships (Parasuraman, Zeithaml and Berry, 1985). Customer perceived value is described as the perception of quality, mindset, benefits gained and the financial value of the products or services (Bishop, 1984; Velimirovic, Velimirovic and Stankovic, 2011).

Oliver and DeSarbo (1988) state that perceived value reflected the relation of the consumer's outcome or input to that of the firm's outcome or input in equity theory. The equity concept is related with customer perception and evaluation of what is right, fair and worth in price and

value in obtaining the product or services (Bolton and Lemon, 1999). In another word, customer perceived value is the result from a calculation of the rewards and expenses related with what the firm is offering. Customers feel fairly treated if the calculation of the outcome to input is equally measurable to what the firm is offering and receiving (Oliver and DeSarbo, 1988). As supported by previous research and studies, perceived value is a main element of customer loyalty in a majority of organizations in the service industry such as telecommunication (Bolton and Drew, 1991), airline travel, tourism and retail (Sirdeshmukh, Singh and Sabol, 2002). Chang and Wildt (1994) indicate that customer perceived value is inter-related to purchase intention. Higher perceived value will lead to repurchasing intention towards the services and products offered which develops customer loyalty in the long run.

Mayer, Davis and Schoorman (1995) refer trusting beliefs to the trustworthiness of the firms and consumer's perceptions towards the abilities, integrity, honesty and goodwill showed by the organization in handling the transactions in the e-commerce service context (McKnight et al., 2002; Kim and Benbasat, 2003). McKnight et al., (2002) further explains that trusting intentions means the customer is willing to trust or depend on the organization.

Referring to previous studies, most of the researchers agreed that trusting beliefs have a positive relationship in influencing trusting intentions (McKnight et al., 1998, 2002; Kim and Benbasat, 2003). In general, researchers have commonly classified trust as trusting beliefs (Ganesan, 1994; Gefen and Silver, 1999) and trusting intentions (Hosmer, 1995). This study will discuss whether trust-related behavioral intentions will lead to more frequent visits or repeat patronage of a bank's products or services.

## **2.2. Relationship Marketing Dimensions**

### **2.2.1. Relationship between Customer Loyalty and Perceived Value**

Oliver and DeSarbo (1998) state that customers are motivated to feel justifiably treated if they perceive that the ratio of their outcome to input is comparable to the ratio of outcome to input experienced by the company. In the other words, customers often measure a company's ratio of outcome to input by making comparisons with its competitors' offers in the market.

Holbrook (1994) states customer value as the fundamental basis for all marketing activities. The higher the customer value, the higher the chances of a customer repurchasing the product or services because a high perceived value is one of the primary motivations for patronage.

Sirdeshmukh et al. (2002) stated that customer value is a super ordinate goal and customer loyalty is a subordinate goal for the businesses as it is a behavioral intention. Previous empirical research also identified perceived value as a major cause of customer loyalty in most service industries such as telephone services (Bolton and Drew, 1991), airline travel, tourism and retail services where a significant relationship was found between the variables (Sirdeshmukh et al., 2002). Furthermore, Chang and Wildt (1994) also found that customer perceived value is one of the key contributors to purchase intention because higher perceived value of a service provider will create the behavioral intention to purchase and patronize the product or services offered which will directly increase the firm's sale and revenue.

### **2.1.2. Relationship between Customer Loyalty and Trust**

According to Fukuyama (1995) and Dasgupta (1998) trust is a fundamental aspect in many business relationships especially in those containing an element of risk. Most researchers agreed that trusting beliefs directly influenced trusting intentions (McKnight et al., 2002; Kim and Benbasat, 2003). Trust is an important factor in affecting relationship commitment and customer loyalty (Aydin and Ozer, 2005) besides perceived value and satisfaction. Trust is considered a component of customer loyalty that has an influence on building customer loyalty (Aydin and Ozer, 2005; Chen and Xie, 2007; Du Plessis, 2010).

Strong customer trusting behavior will enable the customer to make a confident prediction about the service provider's future transactions hence influencing customer loyalty and attitude. Trust influences loyalty by affecting the customer's perception of congruence in values with the service provider, which is significantly related to the customer's satisfaction and loyalty. The development of trust is further considered as an important result of investing in affective relationship between the parties in the relationship. A customer will continue maintaining a good business relationship with a specific business or service provider if he finds that the benefits

received is exceeding the effort in obtaining benefits. Thus, both parties in the relationship have a certain costs or effort, but also expect benefits (Rootman, 2006).

The benefits that customers seek through the relationship are satisfaction, value and quality but what the business eventually looks forward to is creating and maintaining a long-term customer loyalty and higher organization profitability (Wetsch, 2005).

### **2.1.3. Service Quality and Customer Satisfaction**

In banking industry, service quality is one of the most important aspects of the premium customer experience. Most organizations monitor their services quality on a regular basis to ensure maximum customer satisfaction and to improve customer retention and loyalty.

Customer satisfaction is attained by properly meeting the customer demands and expectations and providing services which are up to the market standards (Gitomer, 1998). A positive consumption experience of the customer ensures that overall his feelings for the products or services consumed are positive. However customer satisfaction does not guarantee repurchase, customer retention, or loyalty.

Service quality has been suggested as a strong predictor of customer retention and customer satisfaction by many organizational researchers. Service quality is a driver of the customer satisfaction that impacts customer loyalty (Cronin et al., 2000). Service quality is a key factor for customer satisfaction. It is an important tool for banks for augmenting their income and market share (Muyeed, 2012)

### **2.1.4. Service Quality and Customer Loyalty**

A strong relationship between customer loyalty and service quality has been confirmed by many researchers (Anderson & Mittal, 2000; Bloemer & De Ruyter, 1999; and Oliva et al., 1992). Evidences of strong and direct relationship between customer loyalty and service quality have also been given by Heskett et al. (1997). While Bloemer and De Ruyter (1999) have stated that service quality results in customer loyalty; whereas if level of customers' is also tends to be relatively high, it may also act as a vital promoter of customer loyalty. However in today highly

dynamic and competitive environment attaining higher levels of customer satisfaction and customer loyalty, especially in the services sector, may be a tough task for many organizations.

Also notably many researchers have proved willingness to recommend and repurchase intention as dimensions of the customer loyalty. Further they found that service quality has a strong positive impact on these dimensions of customer loyalty (Ehigie, 2006; Wong & Sohal, 2003; Bloemer et al., 1998; and Bitner, 1990).

### **2.1.5 Interrelationship between Customer Satisfaction and Customer Loyalty**

It is logic that satisfied buyers will probably return for future purchases and eventually become loyal. This is the formal concept and the basis for thought in marketing. “In fact, this relationship between satisfaction and loyalty has been shown to be the case throughout much of the literature. Recent studies support this strong correlation between satisfaction and loyalty. Additionally, in the financial services industry, it is shown that satisfaction should be treated as one of the main predictors of loyalty “(Al-Wugayan, Pleshko, & Baqer, 2008).

### **3.1 Methodological I review**

- According to study conducted by Muhammad Z, Kashif S, Saleem P (2010) the result shows that the customer trust has significant association with customer loyalty.
- Similarly the study conducted by S.Sivesan and S.Achchuthan (2012) showed that trust dimension of RM is highly correlated with customer loyalty.
- The study conducted by Shiferaw Bekele (2011), on the impact of relationship marketing on customer loyalty in the case Abyssinia Bank, he also found that trust dimension has a significant positive relationship with the dependent variable customer loyalty.(unpublished source from Addis Ababa University).
- The study conducted by S.Sivesan and S.Achchuthan (2012) showed that, commitment dimension of RM is highly correlated with customer loyalty.

### **3.2 Empirical review of the literature**

In order to substantiate the result of the present study, the researcher also tried to include the following empirical studies.

Every firm without good marketing team and strategies is bound to fail. In order to be competitive and profitable in the industry, bankers should acquire and retain profitable customers. Definitely this is done with relationship marketing. Relationship marketing is a philosophy of doing business, a strategic orientation that focuses on keeping and improving current customers rather than acquiring new customers (CherinetBokeChakiso, 2015). According to Rahim et al (2012), consumer satisfaction is a critical focus for effective marketing programs and Service quality of an organization is becoming an important competition factor in the business field (Veldhuisen, 2011).

A study done in Nigeria banking industry showed that there is a significant relationship between customer satisfaction and customer loyalty .A one percent shift in customer satisfaction will cause a 61.7% shift in customer loyalty and the study concluded that customer loyalty is a function of customer satisfaction (Ibojo, 2015).

Evidences entail that service quality is an excellent technique for enhancing customers' loyalty to the organization in today's competitive environment. Findings indicate that service quality have significant and positive association with satisfaction and loyalty of customers towards their respective financial service providing organizations (Khan & Fasih,2014).

Service quality has been admired by the organizational researchers all around the globe as a competitive weapon which differentiates the organization from its rivals in a much positive way by enabling the service organizations to delight the customers through the provision of premium quality services on consistent basis and subsequently enhance their satisfaction and loyalty to the organization (Naik et al., 2010)



It has been witnessed that in today's market-driven system, customers are not loyal to one particular financial institution. Today all what they need is quality of products and services which satisfy their requirements effectively. Hence the major need of today's financial institutions is to find the ways to create satisfied and happy client-base (Khan &Fasih, 2014).

Therefore, these financial institutions must consider above discussed antecedents of customer satisfaction in order to have happy customer base which subsequently enhances their financial performance and profitability

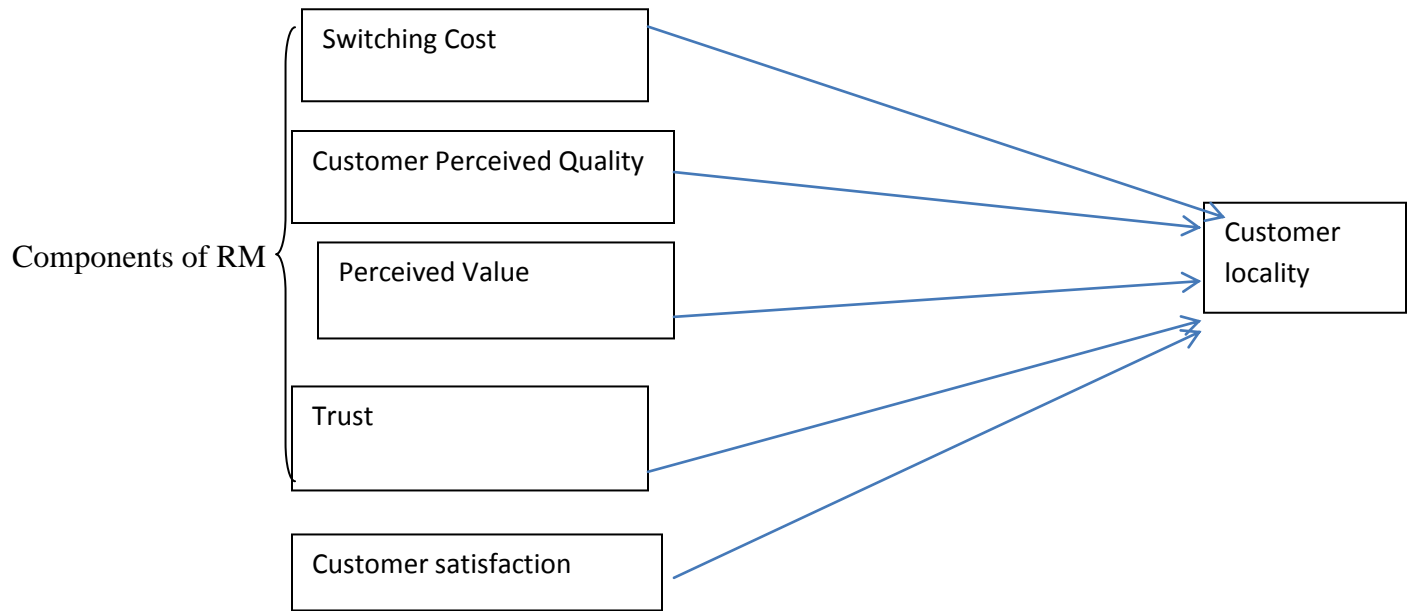
### **3.3. Conceptual frame work of the Study**

In increasingly competitive markets customer loyalty is seen as the key factor in winning market share and developing sustainable growth for over longer period of time(Afsar et al., 2010). The dependent variable of this study 'customer loyalty' is influenced by the five independent variables namely perceived value, perceived service quality, trust, switching cost and satisfaction. Success of the organization depends on the image of the product she offers.

Customer satisfaction is the most important factor that affects customer loyalty (Hoq et al., 2010). It is an important theoretical as well as practical issue for most marketers and consumer researchers (Jamal et al.,2003). If customer is satisfied he/she buys the product again and again. It is one of the very important factors that affect customers. Satisfaction is an element which fulfills the need of the customer associated with those products. Unsatisfied customers tend to convey their negative impression to other consumers.

Consequently customer dissatisfaction leads to decrease in loyalty (Lewis, 1991; Newman, 2001). This implies that customer satisfaction and customer loyalty are highly related (Hoq et al., 2010). Trustworthiness determines reliability of the product to meet customer expectations; thus becomes important antecedent of customer loyalty(Reichheld et al., 2000). Trustworthiness is the degree of confidence the customer has in exchange options(Zeithaml et al., 2000). Trustworthiness means the ability of the product to deliver the core benefits to the customer.

Customer attracts towards the product due to their trust worthiness on its features.



**Figure 1: Conceptual frame work the Study adopted from Ndubisi and Wah (2005).**

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1. Study Area and Period**

Across sectional survey was conducted from December 2016 to February 2017 at Addis Ababa area Dashin bank Addis Ababa Ethiopia. Dashen Bank coined its name from the highest peak in the Country, mount Dashen, and aspires to be unparalleled in banking. Headquartered in Addis Ababa, the Bank is the biggest private Bank in Ethiopia. It operates through a network of 108 Area Banks, five dedicated Forex Bureaus, 105 ATMs and 782 plus Point-of-Sale (POS) terminals spread across the length and breadth of the nation. It has established correspondent banking relationship with 454 banks covering 70 countries and 166 cities across the world. Wherever business takes customers around the world, Dashen Bank is already there. Dashen is the most reputable brand in the domestic banking market; a reputation earned through consistent delivery of values and preeminence unmatched by its competitors. The Bank also works in partnership with leading brands in the electronic payments industry (VISA, MasterCard & UnionPay) and prominent money transfer operators (Western Union, MoneyGram, Express Money & Dahabshiil).

Despite the humble start with paid up capital of Birr 2.38 million in June 30, 2015 , total asset of Birr 24,763,885,516 deposit of Birr 19,814,107,850, a total outstanding loan and advance of Birr 11,333,085,838 and it has registered a gross profit of Birr 963,809,696 before tax with its over 1.4 million customers and 161 branches. The fact that the Bank is working with more than 1.4 million customers makes the issue of relationship marketing and its impact on customer loyalty a must to be a focal point. Accordingly different relationship marketing dimensions was used by the researcher in order to see their effect on the customer loyalty status of the Bank.

### **3.2 Research Design**

The study used cross sectional survey design. According to Zikmund (2000) cross sectional survey design is type of survey design which is employed to collect necessary data at one point in time from particular set of population. This study was employed more of quantitative case study method to answer the research questions. This quantitative approach is applied to identify the effect of relationship marketing on customer loyalty.

### **3.3 Target Population**

The target population for a survey is the entire set of units for which the survey data are to be used to make conclusion. The main objective of this research is to assess the effect of relationship marketing on customer loyalty. Therefore, 1,400,000 are customers of Dashen bank Addis Ababa area branch's.

### **3.4. Sampling Technique**

Dashen Bank was purposely chosen among different private commercial banks found in Addis Ababa city as a study area, because Dashen take a lion share in profit among private commercial banks and has large numbers of customers than others. According to Yalew (2006), if the research is co relational and there are many members in the total population, then the sample size must not be less than 30 percent. Therefore, considering the research design, expected response rate, survey cost and available time, a sample size of 33 out of a total of 111 Dashin Banks Banks (which is 30%) is drawn using simple random sampling technique (lottery system) The samples taken from each banks is determined by based on customer's availability in each bank..

### **3.5 Sample Size Determination**

The next step was determining the actual sample size. The sample size was determined based on the following simplified formula (Yemane, 1967).

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

$$n = \frac{1,400,000}{1 + 1400000(0.05)^2} \quad n = 400$$

Where, **n** is number of respondent in the bank ,

**N** is the total number of customers =1,400,000

**e** is the precision level. A 95% confidence level was taken and e= 0.05,

Then **n**= 400

The total sample size of respond based on the above sample size determination is 400.

### 3.6 Sampling Frame

Sampling frame is a complete list of all the members of the population that we wish to study. This list of customer has been obtained from 2016 to 2017 annual report of Dashen Bank. Therefore, the total population in the Bank has 1,400,000customers.

### **3.7. Data Sources**

The necessary data for this study was collected from both primary and secondary sources. Primary sources of data were used to meet the research objectives. Primary data was collected through survey questionnaires and interviews. Questionnaires are distributed to the selected customers. Questionnaires is translated in to Amharic because question in English language may not produce the required response and assume to limit their participation on the survey. The secondary data was collected from relevant documents, organization reports, and magazines that are related to the study.

### **3.8 Questionnaire Design**

The layout of the questionnaire has set very simple to encourage meaningful participation by the respondents. The questions have set as concise / to the point/ as possible with care taken to the actual wording and phrasing of the questions. The reason for the appearance and layout of the questionnaire are importance in any survey where the questionnaire is to be complete by the respondent (John A. et al., 2007). The literature in the study has used as a guideline for the development of the questions in the questionnaire.

The questionnaire are by using summated scale such as five-point Likert scale item questions. The five alternatives are generally offered: strongly agree, agree, undecided, disagree and strongly disagree. According to Zikmund (1994), using a Likert scale allows the respondents to indicate their attitudes by checking how strongly they agree or disagree with the constructed statements.

### **3.9 Ethical Considerations**

All the study participants were informed about the purpose of the study and finally their consent was obtained before collecting data. The respondent has the right to refuse or terminate at any point of the data collecting. Concerning the right to anonymity and confidentiality, the participants will not require writing their names on the questionnaire and assured that their responses will not in any way be linked to them. The dissemination of the finding will not referring to specific respondent. In any case, the aim of the study, confidentiality issue, and informed consent will be explained and ensured to the study subjects.

### **3.10 Dependent Variable**

**Customer Loyalty:** Respondents were asked seven questions (e.g. I consider myself as a loyal customer of this bank etc.) to describe their level of agreement in a five scale response format from “strongly disagree” to “strongly agree”. The 5-point Liker scale response options, scored from 1 to 5, were strongly disagree, disagree, neutral, agree, and strongly agree. Subscale scores were obtained by summing item scores and dividing by the total number of items. If it is above or equal to the average it was taken as an indicative of strong customer loyalty.

#### **3.10.1 Independent Variables**

**Customer Satisfaction:** is an element which fulfills the need of the customer associated with that product. Respondents will be asked five questions ( e.g. The bank is able to predict and identify the needs of customers of banking services required and work to satisfy. etc.) to describe their level of agreement in a five scale response format from “strongly disagree” to “strongly agree”. The 5-point Liker scale response options, scored from 1 to 5, were strongly disagree, disagree, neutral, agree, and strongly agree. Subscale scores were obtained by summing item scores and dividing by the total number of items. If it is above or equal to the average it was taken as an indicative of satisfied customer.

**Perceived Value:** is defined as a judgment or a valuation by the customer of the comparison between the benefits or utility obtained from a product, service or relationship, and the perceived sacrifices or costs (Zeithaml, 1988). In this study perceived value is measured by emotional value, functional value (quality), functional value price, functional value contact personnel, and functional value of establishment. Based on this idea respondents were asked 14 questions (e.g. When i am in this bank I feel relaxed. etc.) to describe their level of agreement in a five scale response format from “strongly disagree” to “strongly agree”. The 5-point Likert scale response options, scored from 1 to 5, were strongly disagree, disagree, neutral, agree, and strongly agree. Subscale scores were obtained by summing item scores and dividing by the total number of items. If it is above or equal to the average it was taken as indicative of high perceived value.

**Trust:** Trust is also defined as one party’s belief that its needs is fulfilled in the future by actions undertaken by the other party (Anderson and Weitz, 1989). Respondents were asked eleven questions (e.g. I trust this bank to do what it says it will do, etc.) to describe their level of agreement in a five scale response format from “strongly disagree” to “strongly agree”. The 5-point Likert scale response options, scored from 1 to 5, were strongly disagree, disagree, neutral, agree, and strongly agree. Subscale scores were obtained by summing item scores and dividing by the total number of items. If it is above or equal to the average it was taken as an indicative of high trust.

**Customer Perceived Quality:** the perceived quality of a given service is the result of an evaluation process since consumer makes comparison between the services they expect with perceptions of the services they receive (Gronroos, 1982). In this study perceived service quality will be examined by reliability, responsiveness, assurance, empathy and physical aspects. Respondents were asked five questions (e.g. Bank is keen to solve problems and high speed, customers on the grounds of the bank’s priorities etc.) to describe their level of agreement in a five scale response format from “strongly disagree” to “strongly agree”. The 5-point Likert scale response options, scored from 1 to 5, were strongly disagree, disagree, neutral, agree, and strongly agree. Subscale scores were obtained by summing item scores and dividing by the total number of items. If it is above or equal to the average it was taken as an indicative of high perceived quality.



**Switching cost:** The Switching Cost is a onetime cost that customers associate with the process of switching from one service provider to another (Porter, 1980).It can be tangible or intangible costs. In this study switching cost is measured by asking respondents five questions (e.g. Switching to another bank will it cost me a lot of time, Switching to another bank will it cost me a lot of efforts and Switching to another bank will it cost me a lot of money etc.) to describe their level of agreement in a five scale response format from “strongly disagree” to “strongly agree”. The 5-point Liker scale response options, scored from 1 to 5, were strongly disagree, disagree, neutral, agree, and strongly agree. Subscale scores were obtained by summing item scores and dividing by the total number of items. If it is above or equal to the average it was taken as an indicative of high switching cost.

### **3.10.2 Validity and Reliability of the Instrument**

Questionnaire was prepared first in English language and later translated in to Amharic language. Another translator translated the Amharic version back into English version. Comparison was made on the consistency of the two versions. This questionnaire was tested for reliability test using Corombaches alpha. Prior to the actual data collection, pre-testing was done on twenty (5% of the sample size) Dashen bank customers .The participants for pre-testing was not included in the final study participants. Data collectors and supervisors were trained for one day on the study instrument and data collection procedure. The principal investigator and the supervisor had checked the collected data for completeness and corrective measures were taken accordingly. The collected data has been cleaned, coded and explored before analysis.

### **3.11 Data Analysis**

After collecting the data, it had to be organized to make it easy for analysis. Moreover, in order to ensure logical competence and consistency of responses, data editing was carried out each day by the researcher. Once editing has been completed, data were analyzed quantitatively. The quantitative data analysis was employed using statistical package for social science (SPSS) version 21 software. The responses in the completed questionnaires were collected, coded, and entered into a data entry template. Summary tables and charts were used for describing data.

Binary logistic regression analysis was carried out to see the association between each independent variable with outcome variable and then variables that showed significant associations were included in a single model and multiple logistic regressions were performed to identify the most significant predictors. 95% CI and P-value (0.05) were used to assess the degree of statistical significance.

### 3.12 Dissemination plan

The final result of this study will be presented to ST Mary University, graduate studies. It is also disseminated to Addis Ababa Dashen bank and other concerned body and possible publication in journal.

$$Y' = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + e$$

Where,  $Y'$  = the dependent variable customer loyalty

$a$  = y axis intercept (the constant beta value)

$b_1, b_2, b_3, b_4, b_5$  = beta weight for each independent variables

$X_1, X_2, X_3, X_4, X_5$  = representing, trust, commitment, communication, conflict handling and competence respectively.

$e$  = the error term (0.05 in our case)

## CHAPTER FOUR

### RESULT AND DISCUSSION

#### 4.1 Demographic of the Respondent

This particular study concentrates on the „Impact of relationship marketing on customer loyalty“ in the banking sector in the case of Dashen Bank SC. Hence, the study followed both quantitative and qualitative research design as its plan of action. A total of 400 questionnaires are distributed to the selected 33 Area Banks, according to their percentage contribution to customer turnover. Accordingly, the entire distributed questionnaire is collected and the researcher managed to get 100% response rate, which increased the quality as well as the generalizability of the study. Pertinent to the methodology, descriptive statistic for analyzing the demographic data and correlation as well as multiple regressions for analyzing the basic constructs of relationship marketing dimensions such as, , Trust, switching cost, perceived service quality, perceived value and satisfaction against the dependent variable of *customer loyalty* is used.

The data collected from customer of Dashen Bank, was first loaded into SPSS version 21, so that the required output of frequency distribution for demographic data, correlation and multiple regression for the basic questions of relationship marketing components and the dependent variable customer loyalty was obtained..

This part covers the demographic and general information of the of the customers of Dashin bank, descriptive analysis on the, switching cost, perceived value, perceived quality, trust, satisfaction and loyalty. From 400 Self-administered questionnaires have been returned making response rate of 97.9%.

However, of the returned questionnaires 8 were incomplete which makes response rate of 95.9%. Out of the total respondents, 217(57.1%) were male and 163(42.9%) were female. 143 (37.6%) between the age category of 31 and 40 with mean age of  $34.8 \pm 8.3$  years. Regarding educational level, more than half 197 (51.8%) of respondents were first degree holders, and 52(13.7%) have attended Master's Program and above. The respondents who works at government sector were 111(29.2%), private sector 178 (46.8%), and own business 75 (19.7%). Concerning the work experience of the respondents 191(50.3%) have greater than five years of experience whereas 189(49.7%) of the respondents have five years and below working experience in the area (Table 1).

**Table 1:** Socio demographic characteristics of the study participant at Dashin bank, Addis Ababa, Ethiopia

S/N	Variables	Frequency	Percent
1	<b>Sex</b>		
	Male	217	57.1
	Female	163	42.9
2	<b>Age</b>		
	20-30	134	35.3
	31-40	143	37.6
	>40	103	27.1
	>5years	191	50.3
4	<b>Occupation</b>		

	Government sector	111	29.2
	Private sector	178	46.8
	Own business	75	19.7
	Student	16	4.2
5	<b>Duration of stay</b>		
	≤5 years	189	49.7
	>5years	191	50.3

Source: Survey outcome

#### 4.1.2 Switching Cost of the Product/Services

In determining the onetime costs the customer of switching from one bank to another , customers at Dashin bank rated their responses as follows in table 2 : It is evident that, 87(22.9%) and 246(64.7%) of the respondents ‘strongly disagree’ and ‘disagree’ respectively that switching to another bank will cost them a lot of time. While few respondents 28 (7.4%) however agree with the idea time costing. And 19(5.0%) remain undecided. For the second category of question, 70 (18.4%) of the respondents strongly disagreed, 291(76.6%) disagreed, 11(2.9%) undecided, and 8(2.1%) replied agree on the statement of switching to another bank will cost a lot of money .

Among the respondents, 62(16.3%) strongly disagreed, 285(75%) disagreed, and 33(8.7%) was agreed on the topic of switching to another bank costs a lot of efforts. Regarding financial transaction, 29(7.6%) strongly disagreed, 234(61.6%) disagreed, 30(7.9%) undecided, 46(12.1%) agree and 41(10.8%) strongly agreed with the idea of switching to another bank affect financial transactions with the other.

Furthermore about 38 (10.0%) of the respondents strongly disagreed, 273(71.8%) disagreed, 62(16.3 %) agreed and 7 (1.8%) responded strongly agreed on switching to another bank loses a lot banking advantages and incentives.

The results also showed that on the statement “switching to another bank loses a lot of personal relationship with current bank and its management”. 38(10.0%) strongly disagree, 273(71.8%) disagree, 51(29.5%) agree and 7(1.7%) to this fact.

**Table 2:** Perception of switching Cost of the participants at Dashin Bank Addis Ababa, Ethiopia January ,2017.

S/No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	Switching to another bank will it cost me a lot of time.	87 2.4	246 64.7	19 5	28 7.4	0 0.0
2	Switching to another bank will it cost me a lot of money.	70 18.4	291 76.6	11 2.9	8 2.1	0 0.0
3	Switching to another bank will it cost me a lot of efforts.	62 16.3	285 75.0	0 0.0	33 8.7	0 0.0
4	Switching to another bank will affect my financial transactions with other.	29 7.6	234 61.6	30 7.9	46 12.1	41 10.8
5	Switching to another bank will lose a lot of banking advantages and incentives provided to me as a client.	38 10.0	273 71.8	0 0.0	62 16.3	7 1.8
6	Switching to another bank will lose a lot of personal relationship with current bank	0 0.0	240 63.2	29 7.6	100 26.3	11 2.9

### 4.1.3. Perceived quality of the Bank

Concerning the perception of quality service of the participants items like “The bank employees tell you exactly when the services will be provided ” most of the participants 168(44.2%) were agreed, 142(37.4%) disagreed and 45(11.8%) were undecided with the idea . When we come to the second item “The bank employees give prompt service to its customer.” Majority 298(78.4%) and 37(9.7%) of the respondents were agreed and strongly agreed respectively. Regarding the idea of willingness to help customers, 300(78.9%) and 30(7.9%) of the respondents were agreed to the statement ‘the bank employees are always willing to help the customer.’ Majority of the respondents 324(85.3%) were agreed on the topic of ‘the bank employees are never too busy to respond request’ and only 41(10.8%) on this idea. Concerning the behavior of the bank employees, 308(81.1%), 257(67.6%), and 284(74.7%) of the participants agreed that the behavior of the bank employees instills confidence, consistently polite and gives attention respectively.

Among the respondents, 314(82.6%) agreed with the idea of feeling safe in transaction with bank. and 237(62.4%) were agreed that the bank employees have knowledge to answer questions. (Table 3).

**Table 3:** Perceived quality of the respondents at Dashin Bank Addis Ababa, Ethiopia January ,2017.

S/No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The bank employees tell you exactly when the services will be performed.	18 4.7	142 37.4	45 11.8	168 44.2	7 1.8
2	The bank employees	0 0.0	29 7.6	16 4.2	298 78.4	37 9.7

	give prompt service to its customers.						
3	The bank employees are always willing to help you.	0 0.0	31 8.2	19 5.0	300 78.9	30 7.9	
4	The bank employees are never too busy to respond to your request.	0 0.0	41 10.8	3 0.8	324 85.3	12 3.2	
5	The bank employees tell you exactly when the services will be performed.	9 2.4	14 3.7	7 1.8	308 81.1	42 11.1	
6	The bank employees give prompt service to its customers.	0 0.0	40 10.5	0 0.0	314 82.6	26 6.8	
7	The bank employees are always willing to help you.	0 0.0	30 7.9	44 11.6	254 67.6	49 12.9	
8	The bank employees have the knowledge to answer your questions.	0 0.0	59 15.5	5 1.3	237 62.4	79 0.5	
9	The bank employees give you individual attention.	0 0.0	34 8.9	25 6.6	284 74.7	37 9.7	



10	The bank has operating hours convenient to all its customers.	0 0.0	37 9.7	7 1.8	280 73.7	56 14.7
11	The bank has your best interests at heart.	13 3.4	39 10.3	0 0.0	313 82.4	15 3.9
12	The bank performs the service right the first time.	0 0.0	0 0.0	36 9.5	321 84.5	23 6.1
13	The bank provides its service at the time it promises to do so	18 4.7	13 3.4	17 4.5	320 84.2	12 3.2
14	When the bank promises to do something by a certain time, it does so.	0 0.0	34 8.8	21 5.5	294 77.4	31 8.2

#### 4.1.4 Trust of the Participants on the Bank

Concerning the trust of the participants on the bank ,For the question asked that do you trust this bank to have your best interest at heart , about 305(80.3% )of the respondents answered agree, 20(5.3% )responded undecided , only 12(3.2%) replied disagree. Regarding the reliability of the bank 294(77.4%), 77(20.3%) , and only 9(2.4%) were rated as agreed, strongly agreed, and undecided respectively. Regarding in addressing the need of customer by the bank, all the participants agreed with the idea of the bank makes every effort to address the need of customer and 266(70.0%) of the respondents felt the bank was trust worthy( Table4 .)

**Table 4:** Participants trust on the bank of at Dashin Bank Addis Ababa, Ethiopia January, 2017.

S/No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	I trust this bank to have my best interest at heart.	0 0	12 3.2	20 5.3	305 80.3	43 11.3
2	I trust this bank to do what it says it will do.	0 0	12 3.2	8 2.1	320 84.2	40 10.5
3	This bank is reliable.	0 0	0 6.0	9 2.4	294 77.4	77 20.3
4	This bank has a reputation for being dependable.	0 0	21 5.5	9 2.4	312 82.1	38 10.0
5	This bank has a reputation for being honest.	0 0	0 0.0	0 0.0	318 83.7	62 16.3
6	This bank has a reputation for being reliable.	0 0	18 4.7	35 9.2	298 78.4	29 7.6
7	This bank has a reputation for looking after its customers.	0 0	38 10.	9 2.4	302 79.5	31 8.2
8	This bank has a reputation for having its customers' interest at heart.	0 0	27 7.1	0 0	290 76.3	63 16.6
9	This bank makes every effort to address my needs.	0 0	0 0.0	0 0	350 92.1	30 78.0
10	I feel I can trust this bank.	0 0	27 7.1	0 0	335 88.2	18 4.7

Source: Survey outcome

#### 4.1.5 Perceived Value of the Participants

According to the table 5, 305(80.3%) of respondents indicated that Addis Ababa Dashin bank service fees were fair and reasonable and 300(78.9%) of the participants agreed with the idea of the waiting time is correct and fair. Majority 354(93.2%) and 280(73.7%) of the respondents were agreed that the bank create positive atmosphere and provides high quality customer services. 16 (4.3%), 47(12.4), 258(67.9), 59(15.5%) of the respondents were disagree, undecided, agree and strongly agree with the statement raised that the bank seems tidy and well organized. (Table 5)

**Table 5:** Participants perceived value at Dashin Bank Addis Ababa, Ethiopia January, 2017.

S/No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The bank service fees are fair and reasonable.	0 0.00	0 0.0	0 0.0	305 80.3	75 19.7
2	This bank offers the best service for the bank charges I had to pay.	0 0.0	34 8.9	31 8.2	287 75.5	28 7.4
3	The waiting time until I am attended to is correct.	0 0.00	0 0.0	36 9.5	300 78.9	44 11.6
4	The bank provides high quality customer services.	0 0.0	13 3.4	26 6.8	280 73.7	61 16.1
5	This bank creates positive atmosphere.	0 0.0	0 0.0	7 1.8	354 93.2	19 5.0
6	When i am in this bank I.	18 4.7	0 0.0	11 2.9	300 78.9	51 13.7

Source: Survey outcome

#### 4.16 Satisfaction of the Respondent

In determining clients satisfaction, Customers at the selected Addis Ababa Dashin bank rated their responses as follows in table 6: It is evident that, 300(78.9%) and 41(10.8%) of the respondents ‘‘ agree’’ and ‘strongly agree’’ respectively that the bank is able to predict and identify the needs of the customers of banking services required. While few respondents 16(4.2%), however disagreed with tis idea. 307(80.8%) of the respondent agreed with the statement the bank provided competitive advantages as a result of long experience of the bank.

For the third category of question, 240 (63.2%)of the respondents agreed, 101(26.6%)strongly agreed, on the provision of the banking services in all areas trough ATMs and other technological means.Among the respondents, 16(4.2%)disagreed, 6(1.6%)undecided,265(69.7%) agreed and 93(24.5%) was strongly agreed on the topic of provision of the banking services high quality specifications and competitive prices.

**Table 6:** Participants satisfaction at Dashin Bank Addis Ababa, Ethiopia January, 2017.

S/No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	The bank is able to predict and identify the needs of customers	0 0.0	16 4.2	23 6.1	307 78.9	41 10.8
2	Banking services provided competitive advantages as a result	0 0.0	16 4.2	23 6.1	307 80.8	34 8.9
3	Banking services provided competitive advantages as a result of bank's long	0 0.0	16 4.2	31 6.1	273 63.2	60 26.6

	experience.						
4	The bank provides banking services in all areas through ATMs and	0 0.0	16 4.2	23 1.6	240 69.2	101 26.6	
5	The bank provides banking services and high quality specifications	0 0.0	16 4.2	6 1.6	265 69.7	93 24.5	

Source: Survey outcome

#### 4.1.7 Participant's Loyalty to Bank

Almost all 305(80.3%) of the respondents agreed and 30(7.9%) of the respondents strongly agreed that the bank has always their first choice, 270(71.1%) of respondent replied that the they will recommend the bank to other people. 245 (64.5%) were consider their selves as a loyal customer of the bank and 256(67.4%) were agreed to continue using this bank. (Table 7.)

**Table 7:** Participants loyalty to the bank at Dashin Bank Addis Ababa, Ethiopia January, 2017.

S/No	Items	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1	This bank has always been my first choice.	0 0.0	45 11.8	0 0.6	305 80.3	30 24.5
2	I will say positive things about this bank to other	0 0.0	25 6.6	0 0.0	270 71.1	85 22.4

3	I consider myself as a loyal.	0	0.0	25	6.6	27	7.1	245	64.5	83	21.8
4	I will definitely continue using this bank.	0	0.0	25	6.6	8	2.1	256	67.4	91	23.9
5	I will do most of my banking needs with this bank.	0	0.0	43	11.3	20	5.3	281	73.9	36	9.5

To summarize this study revealed that 300(78.9 %) of the respondents breach loyalty to the bank with median value 25 standard deviation 3.4 (figure 4).

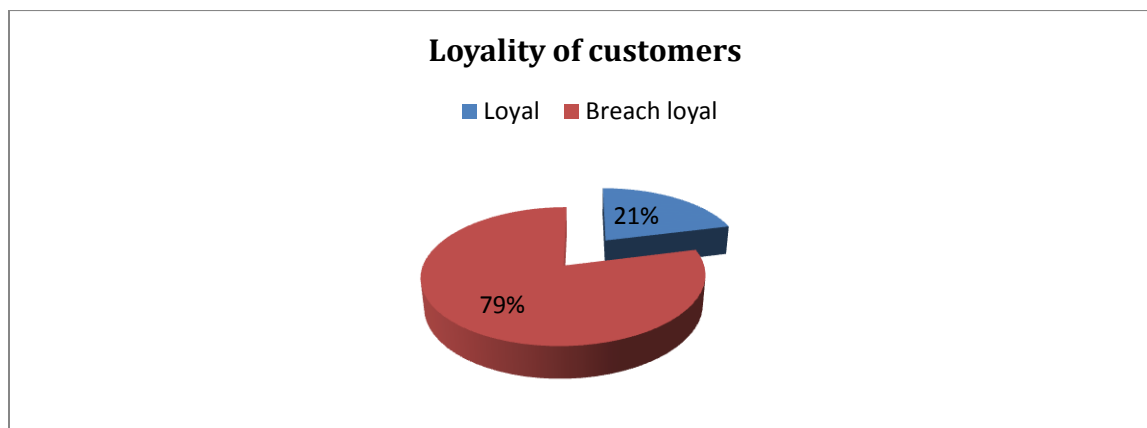
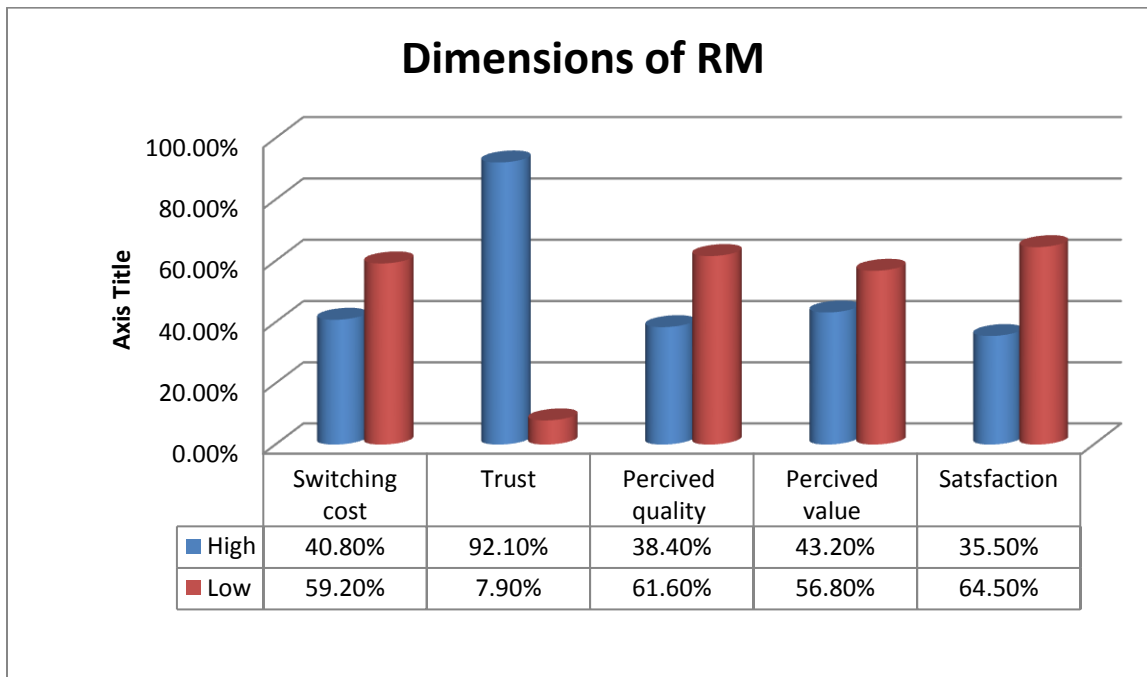


Figure 2: Loyalty status of the Customers found at Dashin bank Addis Ababa, Ethiopia January, 2017.

#### 4.1.8 Summary of Dimensions Marketing Relation

Concerning the perception of quality service of the participants more than half of the respondents 234(61.6%) have perceived low quality with median value 70 and standard deviation 6.5. Farther more 245(64.5%) of the participants dissatisfied with the service delivered with median value 16 and standard deviation± 2.2.

In determining the onetime costs the customer of switching from one bank to another , customers at Dashin bank rated 225 (59.2%) of the respondents perceived as low switching with median value of 15 and standard deviation 4.1. Farther more 30(7.9%) of the bank customers had no trust on the bank with median value 44 standard deviation 4.1. And 64.5% of the respondents dissatisfied with the service provided.



**Figure 3:** Dimensions of marketing relation at Dashin bank Addis Ababa, Ethiopia, January, 2017.

#### 4.1.9 Regression among the Constructs

Using binary logistic regression an association between loyalty and age, sex, occupational status, switching cost, trust, perceived quality, perceived value and satisfaction was made. This result showed there was significant difference in the probability of being loyal to the bank between those who believe in high switching and low switching cost. Those who believe switching from one service to another cost a lot were 4.6 more likely to be loyal when it compared to those who didn't believe.

In addition to this there is a statistically significant difference in those who have trust on the bank and who do not have trust on the bank. Among those who had trust on the bank were 2.8 times more loyal to the bank than those who had not trust the bank.

Farther more there is a statistically difference between those who perceived high quality of service and perceived low quality of service. Among those who had perceived high quality of service were 7 times more loyal to the bank than those who had perceived low quality of service.

Regarding to the satisfaction of the customer, there was statistically significant difference among those who had satisfied and dissatisfied customer. Those who were satisfied were 4.8 times more likely to be loyal than those who were not satisfied.

Variables	loyalty		Crude OR (95% CI)	Adjusted OR(95% CI)
	Breach loyal	Loyal		
<b>Sex</b>				0.9(0.47,2.11)
Male				1
Female	177	40	0.7(0.42,1.14)*	
<b>Age</b>	123	40	1	0.2(0.07,0.56)
20-30				1.2(0.45,3.10)
31-40	90	44	2.7(0.39 -5.06)*	<b>1</b>
>40	123	20	0.9(0.43,1.80)	
<b>Occupational status</b>	87	16	1	
Private	89	22	1.1(0.28,4.09)	



Own business	141	37	1.1(0.31,4.20)	
Student	57	18	1.4(0.35,5.35)	
<b>Duration of stay</b>	13	3	1	0.6(0.28,1.27)
<5 years				1
≥5 years	163	28	2.2(1.32,3.69)*	
<b>Switching cost</b>	137	52	1	4.6(2.12,9.96)**
Low				1
High	199	26	0.2(0.14,0.41))*	
<b>Trust</b>	101	54	1	2.8(0.02,0.36)**
No trust				1
Have trust	18	12	0.1(1.27,6.01)*	
<b>Perceived quality</b>	282	68	1	7(2.71,18.11)**
Low				1
High	203	31	0.3(0.18,0.50)*	
<b>Perceived value</b>	97	49	1	0.1(0.02,0.33)**
Low				<b>1</b>
High	178	38	0.6(0.38,1.02)*	
<b>Satisfaction</b>	122	42	<b>1</b>	4.8(0.23,4.43)**
Dissatisfied				1

Table 8: Association customers loyalty with the selected variables in banking industry of Addis Ababa in case of Dashin Bank Addis Ababa, Ethiopia ,January,2017.

NB \* statistically significant as the P value is  $<0.2$  for crude OR

\*\* Statistically significant as P value is  $<0.05$  for adjusted OR

## 4.2 DISCUSSION

The discussion part is important to give a clearer understanding on the subject under study. The present research was conducted in order to see, the effect of relationship marketing on customer loyalty in Dashen Bank. The study included five relationship marketing dimensions such as Trust, switching cost, perceived quality, perceived value and satisfaction, to see their effect on customer loyalty.

The vast body of literature on relationship marketing is often suggesting that it is a solution in all conditions for customers where such a relationship strategy is looking suitable.

This study has confirmed that measurement of the “foundations” of RM can forecast customer loyalty, at least in the Ethiopian banking sector. For that reason, academicians and practitioners trying to care for loyal customers should pay concentration on problems regarding to trust, quality of service, switching cost and satisfaction of client.

A finding entails those diverse kinds of loyalty behavior need quality of services. This recommends that tailored marketing strategies are needed. Passive loyalty leads to loyalty behavior by means of quality service. On the other side, high quality of service leads to active loyalty. These results are similar with findings of (MudassirHusnain&WaheedAkhtar, 2015). The present study showed that to increase customer loyalty, marketers in banks must make sure that customers feel safe and sound, that they see minimal risk and are happy with relationship.

Farther more this study suggested that there is a statistically difference between those who perceived high quality of service and perceived low quality of service. Among those who had

perceived high quality of service were 7 times more loyal to the bank than those who had perceived low quality of service. These findings are in conformity with the existing literature

Evidences entail that service quality is an excellent technique for enhancing customers' loyalty to the organization in today's competitive environment. Findings indicate that service quality have significant and positive association with satisfaction and loyalty of customers towards their respective financial service providing organizations(Khan & Fasih,2014).

Service quality has been admired by the organizational researchers all around the globe as a competitive weapon which differentiates the organization from its rivals in a much positive way by enabling the service organizations to delight the customers through the provision of premium quality services on consistent basis and subsequently enhance their satisfaction and loyalty to the organization (Naik et al., 2010)

It has been witnessed that in today's market-driven system, customers are not loyal to one particular financial institution. Today all what they need is quality of products and services which satisfy their requirements effectively. Hence the major need of today's financial institutions is to find the ways to create satisfied and happy client-base (Khan &Fasih, 2014).

Therefore, these financial institutions must consider above discussed antecedents of customer satisfaction in order to have happy customer base which subsequently enhances their financial performance and profitability (Younes,2013)

Trust is an important ingredient in firm-customer relationships and ultimately in the development +2of loyalty, in Ethiopia and elsewhere. Therefore, banks should strive to win customers' trust. The ways in which this can be achieved include the giving and keeping promises to customers, showing concern for the security of transactions, providing quality services, showing respect for customers through front-line staff, fulfilling obligations, and acting to build customers' confidence in the bank and its services. This study revealed that there is a statistically significant difference in those who have trust on the bank and who do not have trust on the bank. Among those who had trust on the bank were 2.8 times more loyal to the bank than those who had not trust the bank. This is similar with the study done in Malaysia banking sector (Nelson, 2016)

It is clear that customer satisfaction in today's dynamic corporate environment is very essential. On the other hand dissatisfaction has been seen as a primary reason for customers' to breach loyalty. Dissatisfied customers are more likely to tell almost ten people their unfortunate experiences with a particular organization and Satisfied customers are most likely to share their experiences with other four or six people around them (Daikh, 2015). Similarly A study done in Nigeria banking industry showed that there is a significant relationship between customer satisfaction and customer loyalty .A one percent shift in customer satisfaction will cause a 61.7% shift in customer loyalty and the study concluded that customer loyalty is a function of customer satisfaction (Ibojo, 2015). This idea is quit consistent with the present study.as this study showed that there was statistically significant difference among those who had satisfied and dissatisfied customer. Those who were satisfied were 4.8 times more likely to be loyal than those who were not satisfied.

So organizations must be able to build and maintain long lasting relationships with customers through satisfying various customer needs and demands which eventually motivates them to continue to do business with the organization on on-going basis

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1. Summery

Based on the data collected from customers of Dashen Bank and the analysis made so far, the following important summary of the finding was obtained.

The reliability test conducted to check the dependability and consistency of the instrument showed, a Cronbach Alpha of **0.818**.

- Sex of the respondents showed, **44.4 % ( 163)** are Female and the remaining **55.6 % (237)** are Male respondents.
- The age of the respondents showed that, **84.8 % ( 163)**, were below the age category of 20-39
- The educational qualification of the respondents showed, **33.6%(197)** are holding below diploma in cumulative percentage, **61.6%(197)** was degree holders and the remaining **4%(31)** and **0.8%(19)** was postgraduates and from other qualification.
- The occupational status of the respondents showed, **56 % ( 111)** were both from the government and private sectors at a cumulative percentage, **38.4 % ( 178)** are from those who run their own business and the remaining **4.8 % ( 91)** are students and from other occupations respectively.
- The monthly income of the respondents showed, **58.2 % ( 145)** were earning a monthly income below the category of 3000-4999 at a cumulative percentage and **40.8 % ( 102)** of the respondents were earning a monthly income above 5000.

- Regarding the service time, **58 % ( 20)** are using the Bank service below 3-5 years, **18.4 % ( 191)**, using the Bank services between 5-7 years and the remaining **23.6 % ( 189)** are using for above 7 years.

Pearson correlation test between the dependent variable *customer loyalty* and the predictor variable *Trust* showed, an (**R=0.666**), (**P<0.01**), where accepted.

The linearity test conducted so far which considered customer loyalty as a dependent variable denoted as **Y** and trust, customer satisfaction, customer perceived quality customer perceived Valu and switching as an independent variables denoted as **X1,X2,X3,X4,X5** showed, a positively slopped least square regression line .

In determining the onetime costs the customer of switching from one bank to another , customers at Dashin bank rated 225 (59.2%) of the respondents perceived as low switching with median value of 15 and standard deviation 4.1. Farther more 30(7.9%) of the bank customers had no trust on the bank with median value 44 standard deviation 4.1. And 64.5% of the respondents dissatisfied with the service provided.

The regression analysis also pointed out that there is significant difference in the probability of being loyal to the bank and trust, perceived quality, perceived value switching cost and satisfaction. But this study didn't show the relation among background characteristics of the customer and locality.

## 5.2 Conclusion

This study has pointed out the impact of relationship marketing activities on the customer loyalty in banking sector in the case of Dashen Bank SC. The study considered five relationship marketing constructs such as, Trust, , perceived quality, perceived value, switching cost and satisfaction. and as independent variables and witnessed their effect on the response variable customer loyalty. The data collection instruments were adopted from previous studies conducted by Ndubisi and Wah (2005). Reliability test was also conducted to check the consistency and dependability of the instruments and accordingly the Cronbachs Alpha value obtained from the respondents helped the researcher to concluded that, the instruments was proven to be reliable.

Relationship Marketing is the heart of all successful Financial Service Institutions. It can help to develop a satisfied customer base and improve customer loyalty. To succeed, every business needs to take a customer centric approach and build long lasting relationship with customers. The need to understand the customer perception about the relationship marketing activities of Dashen Bank is proved through this study. It is evident from the study that, building trust, showing perceived value to customers, developing service quality, to minimize switch customer activities would help Dashen Bank to serve customers according to their expectations and thereby to build customer satisfaction and loyalty.

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Therefore, from the findings the present study, the researcher concluded that:

- All the relationship marketing constructs considered under the present study was positively correlated with the response variable customer loyalty using Pearson correlation test and hence, we concluded that, for every unit increase in the independent variables, the dependent variable customer loyalty will increase in Dashen Bank SC.
- Since there was a significant positive association between components of relationship marketing and the response variable customer loyalty, the researcher concluded that, all the hypothesis presumed were well accepted.

### **5.3 Recommendation**

Based on the research findings, the following recommendations were made. The findings of this research also important evidence for managers who take charge of relationship marketing. It is helpful for marketers to understand the effectiveness of relationship marketing from consumer's perspective. In light of the findings and conclusions made above, the following possible recommendations are suggested as being valuable to the Bank of Dashin for improving relationship marketing activities to assure customer loyalty. Financial institutions especially Dashin bank personnel should create more friendly relationship with their customers. The environment should be conducive and enabling .More so, it should be attractive and decent. There should be continuous high quality delivery service. This will add to the value of satisfaction received by customers. Personnel in the customer care service section of the financial institution should be friendly and create a friendly relationship with their customers. There should be seminars for members of staff on the need to improve their relationship with customers, and also on the importance of customer satisfaction as a vital tool for creating and improving customer loyalty.

It is obvious that, today's customers were very demanding than ever. So, Dashen Bank has to work hard towards providing consistent and quality services than players in the industry, in order to further develop trust in the minds of its customers, which otherwise costs the Bank in losing its loyal customers.

The Bank should conduct a regular training session for all members of staff on proper customer relation, so that customers are well treated and respected at any point in time and hence develop a sense of trust on the Bank.

Dashin bank should put more effort to attract more customers especially in dimensions related to trust, switching cost, perceived value, perceived quality and satisfaction. In order to create and maintain loyalty, the bank must recognize that many of the core product attributes are necessary, but not sufficient for loyalty. On the other hand, it is a must to have a strong connection with its



customers in order to create and maintain customer loyalty. By having strong relationship with customers it is possible to keep customer from switching to other competitor.

The Bank should consider offering personalized services to its customers, where they are served based on their will and interest. In doing so, Dashen Bank needs to consider knowing who is his customers and at the same time identify what is important to them than, simply offering a mass services.

The data obtained from customers of Dashen Bank showed that, the majority of them were not agreed on the fact that, the Bank helped them in planning and investing their money by the time they evaluate the banks competence. So, in order for the Dashen Bank to capacitate its incapacitation related to the captioned case, mechanisms has to be stretched in extending advisory services at least for customers with a very important transactions .

Respondents were also replied that, the Bank could not manage to provide effective sales promotions. To come up with this problem, Dashen Bank should have to provide its customers with different kinds of gifts for their transaction with the Bank, in order to stimulate their purchase intensions. One way of doing this is through conducting a loyalty campaign, as it was done by the exemplary Commercial Bank of Ethiopia, but in different ways.

This study directly focuses on relationship marketing dimensions and its effect on customer loyalty in banking sector, particularly Dashin bank. This research can be further explored by adding more relationship marketing dimensions like commitment, communication, cooperation, and others which could influence customer loyalty. Future researches also can survey by applying longitudinal design.

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# APPENDIX

APPENDIX ONE: structured questionnaire on components of RM



**Post Graduate Studies**

**MBA: Program**

Dear participants:

The questionnaire is prepared by Master of Marketing management graduate student for the purpose of writing thesis on ‘the effect of relationship marketing on customer’s loyalty’.

Your honest response is very much important input to my thesis. I want assure you that your privacy for responding to this questionnaire is completely kept in secret.

I know that your time is valuable, and I hope that you will take the time (an estimated 15-20 minutes) to complete the questionnaire. Please attempt to answer all the questions and click one appropriate box that best suits your perspective for each statement. Thank you very much for your time and assistance.

Sincerely yours,

FikirteMamo

School of \_\_\_\_\_

**Part one: Socio-demographic characteristics of the respondents**

S/no	Variables	Response	Skip	Remarks
Q.101	Sex	1. Male 2. Female		
Q.102	Age	_____ in year		
Q.103	Education status	1. primary 2. Secondary 3. Diploma 4. Degree 5. Postgraduate 6. Others(specify)		
Q.104	Occupation	1. Government sector 2. Private sector 3. Own business 4. Student 5. Others (specify )		
Q.105	Monthly income	_____ in birr		

Q.106	For how many years you have used the bank's services	_____	In year		
Q.107					

**Part two: Component of the marketing relation**

<b>Customer Bank Change &amp;Switching cost</b>							
S/no	Variables	(1)	(2)	(3)	(4)	(5)	Remark
		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	
Q.201	Switching to another bank will it cost me a lot of time.						
Q.202	Switching to another bank will it cost me a lot of money.						
Q.203	Switching to another bank will it cost me a lot of efforts.						
Q.204	Switching to another bank will affect my financial						

	transactions with other.						
Q.205	Switching to another bank will lose a lot of banking advantages and incentives provided to me as a client.						
Q.206	Switching to another bank will lose a lot of personal relationship with current bank and its management.						
Q.207	Switching to another bank it will hinder my financial transactions of my financial account.						

**Customer Perceived Quality and Expectations**

S/no	Variables	(1)	(2)	(3)	(4)	(5)	Remark
		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	
Q.301	The bank employees tell you exactly when the services will be performed.(Respo)						
Q.302	The bank employees give prompt service to its						



	customers(Respo)						
Q.303	The bank employees are always willing to help you.(respo)						
Q.304	The bank employees are never too busy to respond to your request.(respo)						
Q.305	The behaviour of the bank employees instills confidence in you.(assurance)						
Q.306	You feel safe in your transactions with the bank .(assu)						
Q.307	The bank employees are consistently polite with you.(Assura						
Q.308	The bank employees have the knowledge to answer your questions.(ass)						
Q.309	The bank employees give you individual attention.(empathy)						
Q.310	The bank has operating hours convenient to all its customers.(empathy)						
Q.311	The bank has your best interests at heart.(empa)						

Q.312	The bank performs the service right the first time.(reliab)						
Q.313	The bank provides its service at the time it promises to do so.(reliab)						
Q.314	When the bank promises to do something by a certain time, it does so(reliable)						
Q.315	When I have a problem, the bank shows a sincere interest in solving it.(reliable)						
Q.316	The bank has modern looking equipment.(tanjeble)						
Q.317	Materials associated with the service are visually appealing at the bank.(tangible)						
Q.318	The bank physical features are visually appealing						

**Trust**

S/no	Variables	(1)	(2)	(3)	(4)	(5)	Remark
		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	
Q.401	I trust this bank to have my best interest at heart.						
Q.402	I trust this bank to do what it						

	says it will do.						
Q.403	This bank is reliable.						
Q.404	This bank has a reputation for being dependable						
Q.405	This bank has a reputation for being honest.						
Q.406	This bank has a reputation for being reliable.						
Q.407	This bank has a reputation for looking after its customers						
Q.408	This bank has a reputation for having its customers' interest at heart						
Q.409	This bank makes every effort to address my needs.						
Q.410	I feel I can trust this bank.						
Q.411	I feel that this bank is trustworthy.						
<b>Perceived Value</b>							
Q.501	The bank service fees are fair and reasonable(F price)						
Q.502	This bank offers the best service for the bank charges I had to pay(F						

	price).						
Q.503	The waiting time until I am attended to is correct(F price)						
Q.504	The bank provides high quality customer services.(Fq)						
Q.505	This bank creates positive atmosphere.(E)						
Q.506	When i am in this bank I feel relaxed.(E)						
Q.507	I feel safe keeping my money in this bank.(E)						
Q.508	I feel trust and confident in this bank.(E)						
Q.509	The information provided by the personnel has always been veryvaluable to me(Fprsenal)						
Q.510	Many people I know go there.(social value)						
Q.511	The installations favors the confidentiality and the privacy of dealings(Establish)						

Q.512	It is easy to find and accessible(establish)						
Q.513	The installations are spacious, modern and clean(establish)						
Q.514	It seems tidy and well organized(establi)						
<b>Customer Satisfaction</b>							
S/no	Variables	(1)	(2)	(3)	(4)	(5)	Remark
		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	
Q.601	The bank is able to predict and identify the needs of customers of banking servicesrequired and work to satisfy.						
Q.602	Banking services provided competitive advantages as a result of bank's long experience						
Q.603	Banking services provided competitive advantages as a result of bank's long experience						
Q.604	The bank provides banking services in all areas						

	through ATMs and other technological means such as the internet and mobile phone.						
Q.605	The bank provides banking services and high quality specifications and competitive prices.						
<b>Customer Loyalty</b>							
<b>Variables</b>		(1)	(2)	(3)	(4)	(5)	Remark
		Strongly disagree	Disagree	Undecided	Agree	Strongly agree	Strongly disagree
Q.701	This bank has always been my first choice.						
Q.702	I will say positive things about this bank to other people.						
Q.703	I consider myself as a loyal customer of this bank.						
Q.704	I will definitely continue using this bank.						
Q.705	I will do most of my banking needs with this bank.						
Q.706	I will encourage my friends and relatives to choose this						

	bank.						
Q.707	I will recommend this bank to anyone who seeks my advice.						