



ST. MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

DETERMINANTS OF CUSTOMER LOYALTY
IN THE CASE OF COMMERCIAL BANK OF ETHIOPIA

BY
NARDOS ENDALE

A THESIS SUBMITTED TO ST. MARY'S UNIVERSITY, SCHOOL OF GRADUATE STUDIES
IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF
BUSINESS ADMINISTRATION

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JAN, 2018

ADDIS ABABA, ETHIOPIA

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BY: NardosEndale

APPROVED BY BOARD OF EXAMINERS

Dean, Graduate Studies

Signature

Advisor

Signature

External Examiner

Signature

Internal Examiner

Signature

Acknowledgments

First and foremost, I would like to thank my Almighty GOD for giving me power to do this paper. Second, my gratitude is extended to my advisor, Solomon Markos (PhD) for his continuous support and assistance from beginning to the end of this research project. Next, I would like to thank my family and friends who made a tremendous contribution in making this project successful. Finally, my gratitude is extended to my best friends AsresashKuma and KalkidanAregahegn for their unwavering support and cooperation while conducting this research work.

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Acronyms and Abbreviation

CL =customer loyalty

SA = Satisfaction

PQ = perceived Quality

SC = switching Cost

BI = Brand Image

CCH =Customer Complaint Handling

CM =company Commitment

TR =Trust

E =error

CBE =Commercial Bank of Ethiopia

SPSS=Statistical Packages for social sciences

Abstract

Customer loyalty is very necessary for the competitive market environment. The growing charisma of relationship marketing efforts has led to augmented competition among product/service providers. So banking industry is more of service oriented, effecting by customers' interest. To attain the enviable customer to the business, for this purpose Relationship marketing efforts would have to be placed into practice to determine whether frequent visitor is loyal to the particular company. In an environment which becomes globally competitive, service quality as important measure of customer satisfaction and customer's satisfaction leads to customer's loyalty This research attempts to analyze the determinants of customer loyalty and their relationships with banking industry in the case of Commercial Bank of Ethiopia Addis Ababa. The study reviewed literature on the concepts Determinants of customer loyalty. Data was collected through the administration of both close ended and open ended questionnaires. Questionnaires were administered to 204 customers of Commercial bank of Ethiopia in Addis Ababa .Convenience sampling technique was used to distribute questioner for customers..In order to explain the relationship between customer loyalty and its determinants explanatory and quantitative approach method used.Descriptive statistical analysis technique was employed to obtain useful summary of responses. Perceived Quality, Satisfaction, customer Complaint Handling, Switching Cost, Commitment, Trust and Brand Image were the factors that influence the Loyalty of the bank customers. These factors also influence each other as well. The correlation and multi-co linearity of the determinant factors with each other were also studied and the SPSS software was used to analyze the primary data gathered from the respondents.

Keywords: *customer loyalty, banking sector, relationship marketing.*

CHAPTER ONE

INTRODUCTION

1.1. Back ground of the study

According to Dick and Basu (1994), the banks that promote and maintain smart customer loyalty ways would be able, to strengthen their position within the marketplace and boost their market share during this Era .Therefore, customer loyalty would represent a competitive advantage. It is often obtained through promoting efforts and may be used as promotion to amass new customers. Loyal customers would possibly tend to recommend the bank to their relatives.

Some previous researches like Golrou (2008), investigated the determinants of customer loyalty for banking industry of Iran and Beerli, Martin and Quintana, (2004) for the banking industry of Spain, which were quality, satisfaction, switching cost, trust, complaint handling and commitment and analyzed the direct and indirect influences of satisfaction, perceived quality, switching cost, brand image, trust, complaints handling and commitment on customer loyalty differently.

Saeideh (2010) argues that commitment does not have a direct impact on loyalty; customer satisfaction has direct positive impact on loyalty, commitment and trust. Customer trust has the strongest direct effect on customer loyalty, whereas satisfaction has a stronger total effect on customer loyalty than that of customer trust. The firm's complaint handling method has direct and positive impacts on customer trust and commitment and then loyalty.

According to Forgas (2010) Donio and Passiante(2006) Ribbink (2004) on their findings show satisfaction has significant positive correlation with loyalty and commitment. In addition to this, Sanchez-Franco and Rondan-Cataluna (2010) in their research state customer satisfaction has very

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Mitja (2008) stated that the effect of Satisfaction on switching intention is significant and negative. (Mukherjee and Nath, 2003) argued that brand image is a critical component of trust and customer loyalty and found that trust, satisfaction and Brand image correlate positively and significantly with customer loyalty, but service quality and switching cost were not positively correlated.

Customer loyalty is an important area to research in services study (Gremler 1995). The vital issue for the continued success of an organization is its potential to retain its current customers and make them loyal to its brands (Dekimpe, Steenkamp 1997). A number of scholars in the field of customer loyalty have attempted to classify factors that may influence it. (Kracklauer, Mills 2004) were convinced that customer loyalty should be viewed as a combination of customer satisfaction and customer trust. (Stone, Woodcock et al. 2000) agreed that commitment and customer satisfaction prove to be important determinants of customer loyalty. (Duffy 2003) said that customer loyalty yields significant benefits when its pursuit is part of an overall business strategy.

In an environment which becomes increasingly globally competitive, service quality as important measure of customer satisfaction and customer's satisfaction leads to customer's loyalty. A banking organization can only take competitive advantage by providing high quality services. That's true structural changes have resulted in banks to perform a greater range of activities and facilitating them to become more competitive with non-bank financial institutions by (Angur, Natarajan et al. 1999). The interest is largely driven by the comprehension that higher service quality results in customer's satisfaction and loyalty, greater enthusiasm to recommend to someone else, decrease in complaints and improved customer retention rates (Danaher 1997). The service quality is identified as the determinants of customer satisfaction and loyalty in banking by (Jabnoun and Al-Tamimi 2003). Trust has been defined as the willingness to rely on an exchange partner in whom one has confidence argued by (Oliver 1980) or confidence in an exchange partner's reliability and honesty argued by (Lacey, Suh et al. 2007). (Chaudhuri and Holbrook 2001) define brand trust as the customer's willingness to rely on the ability of the brand to perform its stated function.

Although research has identified different possible determinants of customer loyalty. Golrou (2008), investigated the determinants of customer loyalty for banking industry of Iran and Spain which were quality, satisfaction, switching cost, trust, complaint handling and commitment. Also analyzed the direct and indirect influences of satisfaction, perceived quality, switching cost, brand image, trust, complaints handling and commitment on customer loyalty differently.

Saeideh (2010) argues that commitment does not have a direct impact on loyalty; customer satisfaction has direct positive impact on loyalty, commitment and trust. Customer trust has the strongest direct effect on customer loyalty, whereas satisfaction has a stronger total effect on customer loyalty than that of customer trust. The firm's complaint handling method has direct and positive impacts on customer trust and commitment and then loyalty.

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The study was conducted in Commercial bank of Ethiopia which is a publicowned bank engaged in delivering financial service, the leading bank in Ethiopia, established in 1942. Commercial bank of Ethiopia (CBE) is the biggest and oldest financial institution in the country. Currently, it has over 1000 branches across the country. Today, more than ever before, CBE aggressively expanded its presence in all directions of the country. CBE has remained potent & is in the lead in terms of assets, deposits, and customer base. To improve its service, retain & attract customers, CBE has introduced innovative products like automatic teller machine, mobile banking, internet banking and other improved banking facilities among others, all in the interest of enhancing customers comfort. Therefore, the purpose of this study is to seedeterminants of customer loyalty in the case of commercial bank of Ethiopia as explanatory study and to provide suggestions to the organizations as how they can create loyal customerin order to achieve the organizational goals.

1.2 Statement of the Problem

According to Kumar, Batista, and Maull (2011), one of the important methods to increase the banking industry competitiveness is building customer loyalty. Customer loyalty means that the customers will repurchase the same brand product or services consistently in the future without affected by situation that could cause switching behavior (Oliver, 1999; Rodger, Taplin, & Moore, 2015).

Banking industry is one of the most competitive industry since banks not only compete with each other but also with other financial institutions (Kaynak & Kucukemiroglu, 1992; Hull, 2002). Most banks have similar products and services for this reason only better quality product with fair price could be a good measure to distinguish one bank from its competitors.

Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. Therefore, gaining customer loyalty becomes a key objective for banking organizations which decide to adopt a relationship marketing perspective (Filip and Anghel, 2007).

Commercial bank of Ethiopia (CBE) is the largest bank & its customers made it so, without them the bank will end to exist. It is important to understand the customer need & test their preference to satisfy them and to make them loyal. There are more than 11.5 million account holders in CBE. From the researcher observation commercial bank of Ethiopia is highly giving emphasis on expanding its customer base by attracting and capturing new customer than retaining the existing customer but they have to choose the strategy that help in retaining the existing customers and enhanced their loyalty to the organization.

Different authors have stated that customer retention is up to ten times cheaper than acquiring new customers (Heskett et al. 1990). Therefore, one may suggest spending more investment on maintaining the existing customers rather than attracting new ones is best. This is because the costs of capturing new customers to replace those who have been gone are high. This is supporting the idea of working on how customer loyalty is cheaper for firms and gaining profit. The customer is the judge of quality. Understanding customer needs, keeping pace with changing marketing, measuring their satisfaction, & building relationship is important to the firm because satisfaction and

dissatisfaction information's lead to the right improvement, product design, workforce training activity that can create satisfied customers who reward the company with loyalty. In other word, the company must show constant sensitivity to emerging customer and market requirements.

1.3 Research Questions

The study aims to address the following research questions in order to achieve the study objective

- Does service quality influence the loyalty of the customer in the bank?
- Does Customer Complaint Handling and customer satisfaction influence the loyalty of the customer in the bank?
- Does trust and reputation influence the loyalty of the customer in the bank?
- Does Commitment and switching cost influence the loyalty of the customer in the bank?

1.4 Objective of the study

1.4.1. General Objective

The General objective of the study is to analyze determinants of customer loyalty in commercial bank of Ethiopia

1.4.2. Specific Objective

- To examine the effect of service quality on customer loyalty
- To determine the effect of Customer Complaint Handling and customer Satisfaction on customer loyalty.
- To investigate the impact of trust and reputation on customer loyalty
- To determine impact of commitment and switching cost on customer loyalty

1.5. Significance of the study

This study investigates determinants of customer loyalty in the case of commercial bank of Ethiopia. In the researcher's opinion, the findings of the study is important for both the organization and other people who are interested. Moreover, it gives a valuable contribution to the organization in identifying the determinants of customer loyalty. The other significance of the study is to contribute to the existing body of knowledge in the Ethiopian context and to tackle the problems associated with customer loyalty. Furthermore, the study may serve as a reference and base for future researchers who want to conduct detailed research on the issue. Finally, the study is significant because it is an academic exercise required in partial fulfillment for the award of a Master Degree in Business Administration.

1.6 Delimitation/Scope of the study

As it can be seen from the objectives of the study, this research focus on Determinants of customer loyalty

❖ Theoretically

The study concentrated on the following concepts in an attempt to understand determinants of customer loyalty

- ✚ Perceived Quality
- ✚ Customer Satisfaction
- ✚ Customer Complaint Handling
- ✚ Switching Cost
- ✚ Commitment
- ✚ Trust
- ✚ Brand Image (Reputation)

❖ Geographically

This research conducted on customers of commercial bank of Ethiopia. Since there are a lot of branches under the bank and it's difficult to address its customer so geographically, this research focus only on those selected branches in Addis Ababa District.

1.7. Definition of terms and concepts

Customer loyalty: states that even if companies make minor errors or mistakes, customers are still willing to do business with them or keep relations

Customer satisfaction: customers' expectations of the company's products or services and their perceptions of the products' or services' performance

Service quality: is an indication of the organization's ability to meet customers' desires and demands.

Trust: is willingness to rely on an exchange partner in whom one has confidence (Berry, 1983).

Switching cost: is the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand (Shergill & Bing, 2006).

Commitment: is typically expressed as a desire to continue a relationship.

Brand Image (Reputation): is the customers perception about the product

1.8. Organization of the paper

The paper consist five chapters. The first chapter contains introductions of the study which includes background of the study, definitions of term and concepts, statement of the problem, research question, and objective of the study, significance of the study, scope of the study and organization of the paper. The second chapter is to review of the related literature. The third chapter focuses on the research design and methodology while the fourth chapter provides analysis of data collected. The fifth chapter which is the last one focus on providing conclusions and recommendations based on the findings.

1.9. Limitation of the study

The major limitation was persuading customers to fill questionnaire was the major challenge because they are busy on their own transaction. The other limitation of the study was that the researcher was not able to review all the relevant secondary sources .The other limitation was the researcher work load and time constraint affect the completion of the project on time.

Chapter Two

Literature Review

2.1 Relationship Marketing

Marketing has traditionally targeted on the physical aspects of product and services, like functionality, price, availability or quality (Mascarenhas et al, 2006). However, research has shown that customers have not merely buy product or services (Morrison and Crane, 2007). In fact, some years ago, promoting customers already began to denote that promoting ought to shift its focus and take into thought alternative components like relationship marketing (Berry, 1983; Jackson, 1985) and worth creation (Webster, 1994; Ravald and Gronroos, 1996). A set of recently, marketing scholars have realized that, within the present setting, customer expertise is that the key issue to be managed (Pine and Gilmore, 1998; Schmitt, 1999; Berry et al, 2002).

Relationship marketing in recent past has emerged as a number one strategic component of business. It's an on the spot impact on firm's objective performance and conjointly advocate that relationship marketing is more practical when the relationships are additional important to customers. Furthermore effectiveness is larger when relationships are designed with individuals than a firm/establishment (Robert et al., 2006)

The above paragraphs, which consist of ideas from different scholars in common, are trying to clarify how much it is difficult to compete and treating customers using product-oriented weapon but service oriented approach. Nevertheless, it is only through one to one marketing that the firm will attract customers and win the market in this complex and turbulent era.

A major shift is going on within the manner that firms influence their customers and suppliers within the past 20 years (Ellram, 1995; Han, Wilson, and Dant, 1993; Christopher, Payne, and Ballantyne, 1991). This change is occurring as a result of firms recognized that sustainable competitive advantage

within the new turbulent economy needs firms to become trusted participants in varied networks (Ganesan, 1994; Morgan and Hunt, 1994). Relationship marketing is rising as exciting space of service marketing and it's currently the dominant paradigm in marketing (Story and Hess, 2006). Marketers have acknowledged the relationship marketing to clarify the realms of client behaviour that lies beyond the bounds of straightforward loyalty (Fournier, 1998; Hess, 1995).

Gronroos (1994) identifies the relationship marketing as the method of acquiring, developing and enhancing relationship with customers and alternative parameters at a profit then the objectives of the parties concerned are met. The basis for this ideology is social exchange theory. The major concept of this theory is reinforcement of compensation (Organ, 1990). When some one in all the parties provides special profit to a different party, that party feels that it ought to compensate. In addition to this theory, in relationship, marketing company provides one thing to satisfy client's desires and customer provides profit for company income back.

Traditional companies devoted more resources to acquire new customers but today most companies apply both offensive and defensive strategies. Offensive strategy mostly focuses on attracting new customers. The objective of defensive strategy is to minimize the customers' switching and maximize customer retention by protecting the brand and its market from competitors and having highly satisfied and loyal customers.

Therefore, all the studies are mainly elaborating and linking the importance of relationship marketing for creating customer experience and its relevance in making a win-win relation and the foremost vital basis for future relations. When a moment client trusts to company, consequently they are committed and can do some cooperative behaviors. Finally, customers are loyal to the bank. Hence, to create customers loyal, marketers ought to concentrate on the vital factors that influence on customer's perception of the connection between them and the firm, which is relationship marketing.

2.2 Customer Loyalty

Sodurland (2001) says that there are two main classes of loyal customers. Within the loyal class, there are glad and un-satisfied customers. The satisfaction is not a necessary requirement for loyalty,

thus glad customers ought not to be loyal .However, and there is a correlation between the glad customers and loyal customers.

Customer loyalty is extremely necessary for banks. It states the degree to that their customers would develop an extended term relationship with them (Fullerton, 2003) and it is the aptitude to strengthen this relationship. Pantouvakis et.al (2008), argue that loyal customer is that the lifelong resource for an organization. A loyal customer typically acts higher than a happy one, prefers to discuss with others and repurchase the merchandise, and services most frequently to an extent that its investment is retained for an extended amount of the company time. In keeping with Reichheld and Sasser (1990), a growth of five percent in customer retention may end up in a rise in profitability of between 25% and 85% betting on the kind of the business.

This supports that there is a positive relationship between customer loyalty and profitability. Loyal customers are the most profitable one. They are free marketing channels in terms of the benefits companies received from word of-mouth that can increase profit from retention as result of reduced marketing cost, increased sales and reduced operational costs.

In sum, the concept of customer loyalty is saying that in the most dynamic, complex and technologically advanced environments companies must work beyond customer satisfaction because satisfaction by it self is not enough or may not show the clear cut for attaining customer loyalty. Because unhappy customers are Sometimes loyal attributable to attachment and commitment with the provider and if glad customers lack the trust, commitment and attachment with the providers' product and services it can lead to continuous leave once they realize a competitor with higher quality of product and services. This kind of loyalty is usually referred to as False Loyalty in which unhappy customers stay loyal to their suppliers. The explanation for this false loyalty is that the determinant attributable to the customer feels hurdles and obstacles in his/her manner, which stops him/her from switching or selecting another provider. These hurdles will refer to as switching costs.

2.3 The Loyalty and Its Importance

Ball et.al (2007), Oliver (1999), Dick and Basu (1994) argue as there is Considerable discussion exists within the theoretical literature over the definition and dimensions of loyalty or similar constructs like commitment.

The importance of creating a relationship that will increase customer loyalty is bolstered by the truth that it is often 5 to 10 times a lot of cost to win a customer than to take care of an existing one (Rosenberg and Czepiel, 1984). In banking industry, the remuneration connected with rising customer retention includes a three-year raise in average customer lifetime whereas customer retention will increase by 5 %, a cut of defection rates and increase in complaint handling or usage (Reichheld and Sasser, 1990; Rust and Zahorik, 1993). There is a major association between customer-oriented dealings for example satisfaction, repurchase intent, perceived quality, perceived price, and loyalty and money performance measures like return on investment and market to book ratio.(Anderson et.al 1994; Murphy, 1996).

Customer loyalty is a very important objective for strategic marketing coming up with (Kotler, 1984) and represents a very important basis for developing a sustainable competitive advantage (Maydeu and Lado, 2003). According to Some researchers, a positive relation exists between loyalty of consumers and financial performance of firms. So many definitions concerning loyalty have two points in common; that's, behavioral side and attitudinal side (Oliver, 1999).

Behavioral loyalty is customer's repeated transaction and researches sometimes live this side by observational techniques. In attitudinal loyalty, each positive relationship has an effect towards the relationship's continuance, and the tendency to stay within the relationship. (Morgan and Hunt, 1994). The tactic for measuring attitudinal loyalty is sometimes questionnaire-based. These two styles of loyalty are each highly prized as a result of they're intertwined and influence company's profit (Oliver, 1999).Loyalty forms when a client thinks a profit he/she receives from an organization is greater over different firms (Mirhadi, 2006).

This topic is expressing in general to every company on importance of loyalty and how it is costly to acquire a new customer to the business relative to retaining the existing customers. Therefore,

loyalty is a necessity for companies who are targeting at reducing the cost of getting new customers. Besides, it suggests, as this concept is the best way of extending the life of the business, which needs critical attention in thinking and including it as a strategic issue of the firm.

2.4 Banking and Loyalty

Banking has normally operated in a very fairly stable atmosphere for many years globally. However, nowadays the banking industry is facing a dramatically hostile competition in a very new complicated atmosphere. The impact of the recent legislation and competition is that ancient banks have lost a substantial share of their domestic business to essentially non-bank competition. Competition will definitely prolong to be a lot of vital issue. Finding a place during this heating sun becomes essential to the long-range profitability and important existence of the bank. Those banks that aren't bearing in mind the new atmosphere to make and take care of their viable position can presumably become sufferers of that heating sun (Zineldin, 2006). Reichheld (1996) stated that a rise in customer loyalty results to a high intent gift worth for industries.

This is showing that the traditional marketing is now outdated. Therefore, banks in this era where customers become very literate and have the technology on hand demands effort to deal with a modern and distinct way of treating and serving different customers differently to develop loyalty.

Hence, the oldest way of offerings like using similar products and services will lead the firm to die. Therefore, creating a position on the mind of the customer by showing the real service and image of the firm's resources uniquely is the way for survival.

Aaker (1991) expressed that to win in a competitive environment, banks have designed a technique that focuses on annoying to inspire, build, and maintain the loyalty of customers through customer segmentation, differentiation, cross and up selling and establishing a long-term bond through personal acquaintances and provide additional time for firms to act in response to competitors' dealings. This strategy is predictable to guide to spice up post-purchase customer communications and diminish search motivation (Reichheld, 1996), decrease confrontation to counter-persuasion

(Wood, 1982), and boost regularity of purchase (Reichheld and Sasser, 1990), lower cost sensitivity(Krishnamurthi& Raj, 1991).

A business is a game, which needs a strategy of either offensive (attracting new customers) or defensive (trying to keep the already existing ones), critical thinking and best protection from rivals .Developing a company-customer relationship with customer and opening an ear for them is best way of gaining the result in the game or the banking business and defensive strategy is best supported in this case.

Loyalty could be a philosophy of leadership that identifies mutually helpful management of the connection between the business and its customers or stakeholders (Hart and Johnson, 1999).

2.5 Determinants of Customer Loyalty

The following are the determinants of customer loyalty directly and indirectly.

2.5.1 Perceived Quality

A concept that is extremely closely connected with satisfaction and loyalty is perceived quality, and therefore the variations between these have not perpetually been terribly clearly outlined. They need been used from time to time in an indistinct manner. In a test to clarify the distinction between satisfaction and perceived quality, Anderson & Sullivan, (1993) argue that satisfaction requires previous consumption expertise and depends on worth, whereas quality is perceived while not previous consumption expertise and does not normally depend upon worth. However, in circumstances where there is very little available data or where quality analysis is tough, worth is an indicator of quality.

During this sense, Spreng& Mackoy (1996), ranging from Oliver's (1997, 1999) on the conceptual model of service quality and satisfaction, stated that these variables are distinct and have a very different determinants. Service quality has been found to predict a profound input on customer satisfaction and loyalty as a full and is outlined because the results of the comparison that

customers create between their expectations a few service and their perception of the manner the service has been perceived. (Caruana, 2002).

Anderson et al, (1994) urged that when the perceived worth is low, customers would be additionally prone to change to competing businesses to extend perceived worth, therefore contributing to a decline in loyalty. Technology cannot replace effective human interaction. The company wishes to create positive that its job descriptions, performance standards, compensation procedures and coaching programs make a copy of its customer strategy-rather than undermine it (Jacob, 2005).

The literature with reference to service management has argued that customer satisfaction is that the results of a customer's perception of worth received (Holloil,1996).Perceived worth is taken into account a construct that captures any benefit-sacrifice discrepancy within the same manner that disconfirmation will for variations between expectations and perceived performance. Because it is explained perceived service quality and perceived worth has approximately same that means.

In general, perceived service quality is seen as a critical factors for profitability, and thereby a firm's access. This is because service quality is regarded as one of the few means for service differentiation, competitive advantage that attracts new customers and contributes to the market share, enhances customers' inclination to buy again, to buy more, to buy other services, to become less price sensitive and to tell others about their favorable experiences.

2.5.2 Customer Satisfaction

The satisfaction is yet one more vital attribute that should be taken in to account when shaping the general loyalty of the consumers towards their service suppliers. In banks, the consumers raise themselves concerning the extent of the services, choose concerning the shortage of importance given to them, and choose concerning repurchase behavior once using the services. The extent of satisfaction is usually high when the customer provides minimum value and gets most of usage and profit (Jamal & Kamal, 2004). Dissatisfaction sometimes happens when the value do not seem to be suiting the wants of the consumers. In banking sector conjointly, the interest rates on loans and charges on the usage of on-line services like ATM machines and the processing fee could be a major bone of competition between the bank and its customers. If the customer thinks that the costs are

faire the wants he/she churns, the customer will try to compromise with the bank however, at a precise purpose he decides to defect.

Nowadays, it is becoming too simple to open an account in the other bank therefore; the switching price is additionally minimal. These all determinants facilitate customers to change from this bank. The response of customer plays a pivot role within the overall satisfaction grid of the supplier. If a customer is happy, the loyalty injects automatically, the customer remains with this suppliers for an extended, and longer amount of his/her time. (Giese and Cote, 2000)

2.5.3 Customer Complaint Handling

A major reason why customers switch service suppliers is unsatisfactory complaint resolution (Hart et al., 1990). According to Hirschman (1970), When customers face a haul, they'll respond by exiting (switching to a brand new supplier), voicing (attempting to remedy the matter by complaining) or loyalty (staying with the provider anticipating that things can get better) . On condition that customers of banks have comparatively high switching prices, it is possible that a dissatisfying expertise can evoke a passive reaction (no grievance) or a complaint. On condition that the customer complains, the bank's response will result in customer states starting from dissatisfaction to satisfaction.

Some evidences suggest that when the service supplier accepts responsibility and resolves the matter, the customer becomes "bonded" to the organization (Hart et al., 1990). When customers complain, they furnish the firm an opportunity to rectify the matter and curiously, if the firm recovers successfully, to extend loyalty and profits (Fornell and Wernerfelt, 1987). Thus, customer grievance handling will have an influence on customer satisfaction and loyalty (Levesque and McDougall, 1996, p. 13).

2.5.4 Switching Cost

As outlined by Jones et al (2002), a switching cost is any issue that creates it tough or pricey for customers to alter suppliers. Another whole loyalty determinant is thought as switching costs, which might be outlined because the technical, money or psychological determinants that create it tough or expensive for a customer to alter whole (Shergill& Bing, 2006).

There has been a growing interest in recent years in analyzing the determinants influencing customer loyalty. As a result, there are varied works in promoting that have tried to clarify the relationships between whole loyalty and therefore the varied variables considered antecedents, the foremost important of that are customer satisfaction, and, to a lesser degree, switching prices (Boulding et al., 2003).

For this reason, a switching value will be seen as a value that deters customers from demanding a rival firm's whole offerings (Aydin& Ozer, 2005).It will be outlined because the technical, money or psychological determinants that create it tough or expensive for a customer to alter the firm (Selnes, 2007).

When the prices of switching whole are high for the customer, there is a larger chance that the customer can stay loyal in terms of repeat purchase behavior, thanks to the chance or expense concerned in switching and the accompanying decrease within the attractiveness of alternative alternatives (Kon, 2004).

2.5.5 Trust

Trust has been defined as the willingness to accept an exchange partner in whom one has confidence (Moorman et al. 1993).Morgan and Hunt (2004) argues that Trust is a confidence in an exchange partner's reliability and integrity.

Chaudhuri and Holbrook (2002), stated as there will be a complete trust when the customer's willingness to accept the power of the complete trust to perform its stated performance. Trust causes dedication because of it reduces the prices of negotiating agreements (Berry, 2007) and lessens customers' concern of opportunistic behavior by the service provider (Bendapudi& Berry, 1997).

In social psychology, trust is taken into account to incorporate two elements: trust within the partner's honesty, and trust within the partner's benevolence .Honesty is that the belief that a partner stands by his word, whereas benevolence is that the belief that the partner is curious about the customer's welfare, and cannot take actions with negative impact on the customer.

Morgan & Hunt (1994) in the marketing literature, conjointly counsel that complete trust results in complete loyalty and commitment because of trust creates exchange relationships that are highly valued.

2.5.6 Commitment

Commitment is typically expressed as a desire to continue a relationship (Moorman, et al. (1993); Morgan and Hunt (1994). Dwyer et al. (1987) describe it as a willingness of continuity, and Pritchard et al. (1999) explained it as a resistance to alter in an exceedingly conceptualization and study of employees' commitment to a company that has a greater impact for customer to be loyal.

Allen and Meyer (1990) identified three varieties of commitment to an organization: affective, continuance and normative. Affective (or emotional) attachment exists when a strongly committed individual identifies with, is concerned in, and enjoys membership in a company. Affective commitment is outlined as an affective state of mind that's based mostly on an individual sharing, identifying with and internalizing the values of a company and thereby implies liking and emotional attachment (Morgan & Hunt, 2004).

Trust in an exceedingly relationship partner has been positioned as a central issue for customer loyalty (Chaudhuri& Holbrook, 2002) and may be a principal issue inflicting dedication (Berry, 2007).

2.5.7 Brand Image (Reputation)

Huber and Herrmann (2001) confirmed with automobile business stated that Organizations exerting to create the complete image of their firm and their merchandise and services. Marketing processes like advertising and sales plan to produce an extended term commitment by the customer that will increase complete awareness and repeat purchases, and thus, customer loyalty. Superior day-to-day management of store operations additionally contributes to complete image, repeat purchases, and customer loyalty. Within the retail business, customers' complete loyalty usually outweighs their store loyalty.

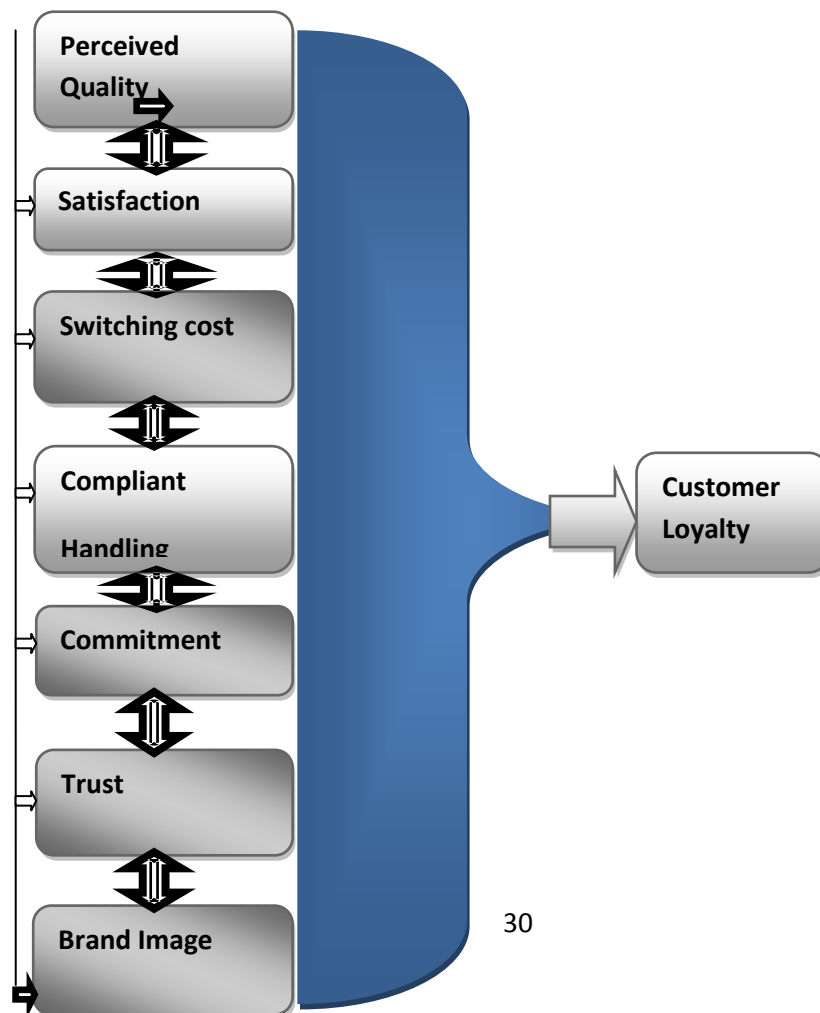
Bloemer and Jos (1992), found a, statistically vital, positive relationship between complete loyalty and dealer loyalty in their regression model. They measured complete and dealer loyalty as repeat purchase intentions on a five-point scale.

Huber and Herrmann (2001) measured complete and dealer loyalty as each repeat purchase intentions and willingness to suggest a dealer or complete employing a five-point scale. Their structural equation model confirmed a statistically vital positive relationship between complete loyalty and dealer loyalty. Their definition of dealer loyalty is comparable to this study definition of customer loyalty and their results recommend that complete Brand image contain a direct link to customer loyalty

2.6 Conceptual Framework

Based on the literature reviewed, the researcher proposed this conceptual model. It shows the influence of the independent variables on customer loyalty and the relationship among the independent variables.

Fig 2.1 Conceptual Framework



Chapter Three

Research Methodology

3.1. Research Design and Approach

According to R. Kothari, (2004), a research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact, research design is the conceptual structure within which research is conducted; it constitutes the blueprint for the collection, measurement and analysis of data.

In order to explain the relationship between customer loyalty and its determinants explanatory design and quantitative approach were used. Since the researcher goal is to determine the relationship between the independent variable and dependent variable (outcome variable) within the population, the researcher has used quantitative approach. DuPlessis & Rouseas (2007) view a quantitative approach as a systematic and structured, aimed at obtaining information from respondents in direct, open manner.

3.2. Sampling Design

3.2.1 Target population

CBE is organized in to fifteen districts. The population belongs to some of these categories have homogenous behavior. Hence, taking in to account the nature of the study and structure of the company, the researcher used convenient sampling technique, which is a specific type of non-probability sampling method that relies on data collection from population members who are conveniently available to participate in the study

The researcher takes 5 grade four branches of west Addis Ababa district; it is because those branches have large number of customer base relative to other branches. In order to get large number of respondents and minimize costs from specific branches the researcher choose five and give equal proportion for each grade four branches. Based on the CBE (MIS report of December 2016), there is above 12.4 million account in CBE; out of which, 3,614,981 are found in A.A. The target population for this research is 261,470. The researcher used customer of five grade four branches under west Addis Ababa district as respondents.

3.2.2. Sample Design and Size

CBE is organized in fifteen districts. The population belongs to some of these categories have homogenous behavior. Hence, taking in to account the nature of the study and structure of the company, the researcher used convenient sampling technique, which is a specific type of non-probability sampling method that relies on data collection from population members who are conveniently available to participate in the study. Questionnaires were distributed during various working hours of the same day with a 30 minutes gap in distribution day (morning and afternoon).

The sample size is determine by the following formula stated by Yemane (1967) cited in Iserael 1992

Sample size obtained as;

$$n = \frac{N}{1 + N (e)^2} = \frac{261470}{1 + 261470(0.07)^2} = 204 \text{ customer}$$

Where, n –designates the sample size the research uses

N-Designates the total number of customers in the target population

e- Designates maximum variability or margin of error 7%(0.07)

1-Designate the probability of the event occurring.

3.3. Source of Data

In order to achieve the objectives, the researcher used both primary and secondary data. The primary data collected through questionnaire from the customers of the CBE. The questionnaires were

structured with closed and open-ended type. Accordingly, 5 point Likert scale items will be prepared for respondents because it is helpful to choose one option from the given scaling that best align with their views. The secondary data accessed from the company's work processes, policies, procedures, forms and other documents and from different kinds of literatures in the area. The questionnaires distributed to respondents while they are served at the branch.

3.4. Data Analysis & Interpretation

Regression analysis conducted subsequently with the seven factors as independent variables and overall customer loyalty as dependent variable to test the relationship (correlation) of the variables with customer loyalty and among each other. SPSS software is used to tabulate and analyze the valid responses. At the start, comprehensive data files created. Then, variables and their labels outlined and adjusted. Pearson's Correlation and regression methods employed to analyze the collected data relationships and predictive power of the independent variables. Few statistical tools like Descriptive statistics (e.g Mean, standard Deviation and variance) used to determine the main features of the collected data in quantitative terms.

3.5. Ethical Consideration

The researcher treat all the information given by customers and kept confidentially without disclosing the respondent's identity and would not be used for any personal interest. Furthermore the questionnaires distributed only to voluntary participants. Lastly, all secondary sources quoted to keep the rights of ownership of all materials.

3.6. Validity and Reliability Test

In order to ensure the validity and reliability of the research the researcher distributed some questioner to the sample of the intended population and subject area experts as a pilot test before a full-fledged study of the research. Also questioners of previous researchers in the area were used with some modification that helped the respondents to understand easily.

3.6.1 Validity

The issue of validity is the most important concept that researchers are required to deal critically with. The design of the measuring instrument must be valid so that the collected data will lead to sound conclusions. If research is invalid (as a result of a poor instrument), then it is worthless (Cohen et al., 2007:133). Validity is the extent to which the measuring instrument (e.g., a questionnaire) we are using essentially measures the characteristic or dimension we intend to measure (Leedy&Ormrod, 2001:98).

In this research validity was addressed as follows:

Content validity, as defined by Cohen et al. (2007) is a form of validity that refers to the extent to which the measuring instrument (e.g., test, questionnaire or inventory) shows that it fairly and comprehensively covers the domain or items that it purports to cover. Thus, in the context of the present study, content validity was concerned with the degree to which the designed questionnaire items fairly and accurately represented the main variables discussed in literature reviews. These variables included service quality, commitment, trust, satisfaction, switching cost, complain handling, brand image. The content validity was designed on the basis of questionnaires and review of related literatures. Face validity refers to the appearance of the test items. It is where, on the surface, the measuring instrument (test) appears, at face value, to test what it is designed to test (Balnaves&Caputi, 2001; Birmingham & Wilkinson, 2003). Like content validity, face validity cannot be checked using statistical significance tests. It is based on subjective judgment. In this study the face validity was judged by the researcher.

3.6.2 Reliability Test

Reliability, as defined by Cohen, et al. (2007), is the consistency, dependability and reliability of the measuring instrument over time, and with the same respondents. It is the extent to which the measuring instrument yields consistent and accurate results when the characteristic being measured remains constant (Leedy&Ormrod, 2001). One means of increasing the reliability of the instrument is the inclusion of more items in the questionnaire. In this study, the researcher ensured that there were enough items per construct. In order to determine the reliability of the questionnaire in the

study, Cronbach alpha was computed for each of the 7 (Seven) main independent variables, and for the one dependent variable. This is a measure of the internal consistency of the questionnaire.

The reliabilities (Cronbach alphas) were as follows: The internal consistencies for each subscale are: perceived quality = .761, satisfaction = .826, switching cost = .728, compliant handling = .87, commitment= .75, trust = .91, brand image = .816, customer Loyalty = .81 and communication = .71. Only two of the dimensions were below .70. The internal consistency of determinants of customer loyalty survey was reported at .862, which exceeds the widely accepted minimum standard of internal consistency of .70 (Nunnally, 1978). It was observed that the reliability of all the variables was .862 which is greater than .70. This meant that the measurement scales in this paper were reliable

Table 3.1 Reliability statistics

Variables	No. Of items	Alpha
Customer Loyalty	7	0.810
perceived Quality	19	0.761
Satisfaction	4	0.826
switching cost	4	0.728
complaint handling	5	0.870
Commitment	6	0.750
Trust	6	0.91
Brand Image	7	0.816

Source: SPSS result of the own survey 2017

CHAPTER FOUR

DATA PRESENTATION AND INTERPRETATION

4.1 Introduction

The researcher is assessing determinants of customer loyalty in the case of commercial bank of Ethiopia. The data were gathered from 200 respondents. Out of these 204 questionnaires 201 were collected. From these questionnaires 200 were properly filled. Table 4.1 shows the questionnaires rate.

4.1 Rate of administered questionnaires

	Questionnaires rate		
	Filled & Returned	Not correctly filed	Not Returned
Quantity	200	1	3

Percentage	98.04%	.05 %	1.46%
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Source: survey result (2017)

As shown on Table, 98.04 % out of 204 respondents have properly filled the questionnaires, and the rest 0.05 % and 1.46 % questionnaires were not filled and not returned respectively. The result shows that the data are adequate for the analysis.

4.2: Background information of Respondents

The respondents' demographic characteristic which consists gender distribution, age groups, duration of being a customer, account types, marital status and their education levels are presented in the following tabular format.

Table4. 2: Demographic characteristics of the respondents

Item	Category	Frequency	Percentage
Gender	Male	108	54%
	Female	92	36%
	Total	200	100%
Age Category	18-30	35	17.5%
	31-40	75	37.5%
	41-50	61	30.5%
	51-60	22	11%
	Above 60	7	3.5%
	Total	200	100%

Martial Status	Single	79	39.5%
	Married	84	42%
	Divorced	37	18.5%
	Total	200	100%
duration of being a customer	Less than one years	24	12%
	1 to 5 years	97	48.5%
	6 to 10 years	45	22.5%
	11 to 15 years	21	10.5%
	Above 15 years	13	6.5%
	Total	200	100%
Types of account	Saving(deposit)	109	54.5%
	Current(loan)	91	45.5%
	Total	200	100%
Education levels	Below diploma	24	12%
	Diploma	71	35.5%
	Bachelor degree	84	42%
	Master's degree above	11	5.5%
	Total	200	100%

Source: survey result (2017)

The researcher sought to establish the respondents' gender and the research findings indicates that, 54% were male while 36 % were female. Therefore, the researcher could conclude that male customers were more loyal than that of female customers were. The results of age, indicates that 17.5 % of the respondents were 18-30 years, 37.5 % of the respondents were between 31-40 years, 30.5 % of the respondents were between 41-50 years while 11 % of respondent were between 51-60 years and 3.5

% of them are above 60 years of age. The results indicated that most of the respondents were between thirty one to fourth years. From this it can be inferred that the managers should continue the relationship with those of 51-60 ages but give special attention to the age groups ranging from 31-40 because if this group have the ability and most likely chances of changing to other banks offering .results of marital status, indicates that 39.5% of the respondents are single. 42 % of the respondents are married, 18.5% of them are divorced. The results of duration of being a customer, indicates that 12 % of the respondents have been a customer of commercial bank of Ethiopia for less one years, 48.5% of the respondents indicated that they are a customer for 1-5 years while 22.5 % of the respondents indicate that they are customer for 6 to 10 years. 10.5 % of the respondents indicate that they respondents are a customer for 11-15 years. The remaining 6.5 % respondents are a customer for above 15 years experiences. The researcher sought to establish the respondent account types and the research findings indicates that, 54.5% respondents were saving (deposit) while 45.5 % were current (loan) account. The majority of the respondents are having the saving account in the commercial bank of Ethiopia. The result of educational level: indicates that (12 %) of respondents were below diploma level, 35.5% of them were diploma and 42 % were bachelor degree holders while the remaining 5.5% of the respondents were Master's degree and above holders.

The result indicated that the majority of respondents were bachelor degree and diploma educational levels. Degree holders and Diploma holders were found loyal to their current bank. This was showing almost a positive relationship between educational level and loyalty. Hence, the bank is recommended to target, keep, differentiating the service, and give a special attention for the educated customers

4.3-Descriptive Analysis

In this section, respondents were asked to indicate their agreement/disagreement with each item on a five-point Likert scale ranging from 1 for “strongly disagree” to 5 for “strongly agree”. The respondents were requested to indicate their perception on the variables.. The scores of strongly disagrees and Disagree have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous Likert scale ;($0 \leq \text{strongly dis agrees} < 2.4$). The scores of „Neutral“ have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ($2.5 \leq \text{Neutral} < 3.4$) and the score of both Agree and Strongly agree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; ($3.5 \leq \text{Strongly agree} < 5.0$). A standard deviation of > 0.7 implies a significant difference on the impact of the variable among respondents.

Data for examining the items were obtained through questionnaires administered to sample of 200 customers' respondents of the commercial bank of Ethiopia under study. The data collected were adequately analyzed and presented in tabular forms, and accurate interpretation drawn from them with respecting regression and correlation. Additionally, several phases of data analysis and data validation were done such as: validity test, reliability test and other analysis using the SPSS.

4.3.1-Respondents' perception on factors related to tangible quality

The respondents were requested to indicate their perception on factors related to tangible quality.

Table: 4.3.1 Descriptive statistics result on factors related to tangible quality.

	Statements	N	Minimum	Maximum	Mean	Std. Deviation
1	The received interest from the bank is effective to continue my work with this bank	200	1	5	2.73	.795
2	The advertisement in broadcasts or relatives is effective for me to use the service of this bank	200	1	4	2.55	.754
3	The banks Physical facilities are attractive and modern.	200	1	5	3.39	.705
4	This bank's employees are tidy in appearance	200	1	5	3.91	.846
5	Materials associated with the services are visually clean	200	1	4	2.57	.824
6	Materials associated with the services are enough	200	1	5	4.65	.949
7	This bank informed me of its side services from the beginning	200	1	4	3.33	.695

8	The opening hours of the bank are convenient to me	200	1	5	3.85	.754
9	My needs and interests are considered in the bank's services.	200	1	5	3.39	.705
10	I use this bank because all of its services are available in the branch.	200	1	5	4.51	.926
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=3.49

The descriptive statistics of the table shows that respondents have disagreed their received interest from the bank is effective to continue my work with this bank indifferently that indicates a mean of 2.73, the same perception were related to advertisement in broadcasts or relatives is effective for me to use the service of this bank (Mean=2.55) and on banks Physical facilities are attractive and modern lower to (Mean=3.39) bank's employees are tidy in appearance (mean=3.91) and Materials associated with the services are visually clean (Mean=2.57), Materials associated with the services are enough(4.65), This bank informed me of its side services from the beginning (3.33), The opening hours of the bank are convenient to me(3.85), the needs and interests are considered in the bank's services(3.39) and the use this bank because all of its services are available in the branch(4.51). The highest rate in the Likert scale measures which are the sign of satisfaction in bankson factors related tangible quality, the mean of 3.49 for tangible quality is in the highest range which is the respondents are strongly agreed.

The data collected above indicates average mean of 3.49 with inclination towards the "satisfaction" response in the Likert scale, the study can conclude that most respondents are comfortable in the tangible quality related factors.

4.3.2-Respondents' Perception on factor related to intangible quality

The respondents were requested to indicate their perception on factors related intangible quality.

Table: 4.3.2 Descriptive statistics result on intangible quality

Statements	N	Minimu m	Maxim um	Mean	Std. Deviation
1 This bank insists on providing the services error-free.	200	1	4	3.26	.878
2 Employees of this bank solve your problems when they promise to do so.	200	2	5	3.36	.977
3 This bank provides services at the time it promises to do so.	200	1	5	3.20	.998
4 The bank employees are fast enough in providing the services.	200	1	4	3.87	1.149

5	Employees of this bank are always willing to help you overcome the problems.	200	1	5	3.29	.952
6	Employees of this bank are aware of when exactly services will be performed.	200	1	4	3.84	1.173
7	The behavior of employees of this bank instills confidence in customers	200	1	4	2.82	.79
8	Employees of this bank are constantly courteous to you.	200	2	5	3.29	.752
9	Employees of the bank pay special attention to you.	200	1	5	3.35	.759
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=3.4

The above table shows that respondents have agreed employees of the bank are insistent on providing the services error-free indifferently that indicates a mean of 3.26. The same perception were related to the solve your problems when they promise to do which (Mean=3.36), on services provides at the time they promises to do (Mean=3.20), fast enough in providing the services (Mean=3.87), always willing to help you overcome the problems (Mean=2.51), aware of when exactly services will be performed (3.84), instills confidence in customers (mean=2.82), and constantly courteous to you (mean=3.29) and pay special attention to you (mean=3.35). The total summation of all mean dividing to nine (average mean is 3.08) which indicates middle rate in the

A Likert scale measure which is the sign of neutral in bank factors related to intangible quality. The study can conclude that most respondent's response is neutral in the intangible quality provision.

4.3.3- Respondents' perception on factor related to satisfaction

The respondents were requested to indicate their perception on factors related on satisfaction

Table: 4.3.3 Descriptive statistics result on factors related to satisfaction.

Statements		N	Minimum	Maximum	Mean	Std. Deviation
1	This bank has met my expectations.	200	2	5	3.73	.795
2	The bank I work with is far from my expectation of an ideal bank Positively.	200	2	5	4.55	.754
3	According to my experiences, I am satisfied by the services delivered with this bank.	200	3	5	4.39	.705
4	In comparison to other banks, I consider this bank and its services successful.	200	2	5	3.81	.746
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=4.12

The descriptive statistics of the table shows that respondents have agreed satisfaction on their expectations met indifferently that indicates a mean of 3.73 the same perception were related to bank employees works with far from respondents expectation of an ideal bank Positively (Mean=4.55), According to respondents experiences, respondents are satisfied by the services delivered with commercial bank of Ethiopia(mean=4.39) and In comparison to other banks, respondents are consider this bank and its services successful (Mean=3.81) indicates high rate in the Likert scale measures which is the sign of strongly agreed in bank's customer's satisfaction.

The data collected above indicates average mean of 4.12 with factors ‘related on satisfaction’ response in the Likert scale, the study can conclude that most respondents are highly satisfied in the bank’s service expectation, positive image, service delivery and successful.

4.3.4-Respondents’ perception on factors related to switching cost

The respondents were requested to indicate their perception factors related to switching cost

Table: 4.3.4 Descriptive statistics result on switching cost

Statements		N	Minimum	Maximum	Mean	Std. Deviation
1	To change to another bank involves investing time in searching for information about other banks.	200	1	4	3.14	1.17
2	To change to another bank involves much effort in deciding which other bank to use	200	1	3	3.20	1.251
3	To change to another bank involves a risk in choosing another bank which might turn out not to satisfy me	200	2	3	3.19	1.337
4	To change to another bank involves long distance	200	1	3	2.67	1.453
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=3.02

The descriptive statistics of the table shows that respondents have disagreed respondents are to change to another bank involves investing time in searching for information about other banks that indicates a mean of (3.14). The same perception were related to switching cost to change to

another bank involves much effort in deciding which other bank to use (Mean=3.20) and to change to another bank involves a risk in choosing another bank which might turn out not to satisfy me rate medium to (Mean=3.19) and to change to another bank involves long distance (Mean=2.67) indicates lower rate.

The data collected above indicates average mean of 3.02 which inclination towards the “neutral” response in the Likert scale, the study can conclude that most respondents are neutral because of that all banks in Ethiopia are providing undifferentiated service which reduces switching cost for customers.

4.3.5-Respondents’ perception on factor related complaint handling

The respondents were requested to indicate their perception on factor related complaint handling

Table: 4.3. 5 Descriptive statistics result on factors related to complaint handling.

Statements		N	Minimu m	Maximu m	Mean	Std.
						Deviation
1	There is a proper complaint handling system	200	1	4	3.70	1.325
2	The bank tries to avoid potential complaints related to service you used.	200	1	4	4.02	.965
3	The employees listen carefully whenever you complain	200	1	4	3.84	1.218
4	The bank tries to solve clear complaints before they create problems.	200	1	4	3.91	1.124

5	The bank has the ability to openly discuss solutions when problems arise.	200	1	5	3.93	1.154
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=3.86

The descriptive statistics of the table shows factors related on the bank complaint handling system. Regarding proper complaint handling system respondent's response positively that indicates a mean of (3.70). The same perception related to the bank tries to avoid potential complaints related to service you used (Mean=4.02), on the employees listen carefully whenever you complain (mean=3.84), the bank tries to solve clear complaints before they create problems (mean=3.91) and the bank has the ability to openly discuss solutions when problems arise the respondents are agree which higher rate to (Mean=3.93). It indicates higher rate in the Likert scale measures which is the sign of agreed on complain handling system in the commercial bank of Ethiopia.

The data collected above indicates average mean of 3.86 with inclination towards the "agree" response in the Likert scale, the study can conclude that most respondents are comfortable in the employee's complain handling related issues.

4.3.6-Respondents' perception on factor related to commitment

The respondents were requested to indicate their perception on factor related commitment

Table: 4.3.6 Descriptive statistics result on factors related to commitment.

Statements		N	Minimum	Maximum	Mean	Std. Deviation
1	The bank makes several service adjustments to suit my needs	200	1	5	4.35	1.284
2	The bank offers personalized services to meet different customer needs differently	200	1	4	3.52	1.264
3	The bank is flexible when its services are changed	200	1	5	3.51	1.048
4	The bank is flexible in serving my needs.	200	1	5	3.57	.824
5	The employees give you special attention	200	1	3	3.94	1.216
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=3.58

The descriptive statistics of the table shows that respondents have agreed on bank makes several service adjustments to suit my needs indifferently that indicates a mean of 4.35. The same perception were related The bank offers personalized services to meet different customer needs differently (Mean=3.52), The bank is flexible when its services are changed (mean=3.51), the bank is flexible in serving my needs (Mean=3.57) and the respondents are disagree bank employees give special attention which is lowerrate to (Mean=3.94) indicates higher rate in the Likert scale measures which is the sign of agree.

The data collected above indicates higher mean of 3.58with inclination towards the “agree” response in the Likert scale, the study can conclude that most respondents are comfortable in bank commitment. Overallthe result shows that respondents are satisfied.

4.3.7-Respondents’ perception on factor related trust

The respondents were requested to indicate their perception on factor related trust

Table: 4.3.7 Descriptive statistics result on factors related to trust.

Statements		N	Minimum	Maximum	Mean	Std. Deviation
1	The bank is very concerned with security for your transactions	200	3	5	4.83	.595
2	The bank's quality of service promises are reliable	200	2	5	4.55	.754
3	The bank is consistent in providing quality service;	200	1	4	3.89	.705
4	Employees of the bank show positive respect to customers;	200	1	5	4.01	.746
5	The bank fulfills its obligations to customers;	200	1	4	3.17	.824
6	I have confidence in the bank's services.	200	3	5	4.65	.949
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=4.183

The descriptive statistics of table 9 shows that respondents have strongly agreed the bank is very concerned with security for your transactions indifferently that indicates a mean of 4.83. The same perception were related to The bank's quality of service promises are reliable (Mean=4.55) and The bank is consistent in providing quality service the agree higher rate to (Mean=3.89), employees of the bank show positive respect to customers; (Mean=4.01), The bank fulfills its obligations to customers; (Mean=3.17) and I have confidence in the bank's services (Mean=4.65) indicates the highest rate in the Likert scale measure which is the sign of strongly agreed the respondents are confident in bank's services. The mean of 3.17 for the bank fulfills its obligations to customers is the lower range of neutral indications.

The data collected above indicates average mean of 4.183 with inclination towards the “strongly agreed” response in the Likert scale, the study can conclude that most respondents have trust in bank’s services. The bank is trusted by the customers because the bank is showing the real picture of the company, position in the market, and its share of the public services also the capacity to tackle some financial security problems in addition to this there is a perception in the customers mind that it is Government owned bank.

4.3.8- Respondents’ perception on factor related bank image

Table: 4.3.8 Descriptive statistics result on factors related to bank image

	Statements	N	Minimum	Maximum	Mean	Std. Deviation
1	The queue waiting time is attractive	200	1	4	2.73	.795
2	There is a Personalized service for different customers	200	1	5	2.55	.754
3	Convenience of bank equipment is nice	200	1	4	2.39	.705
4	There is a good Humanization of the services	200	1	5	3.51	.846
5	Locations distribution of the bank’s services in every branch is fulfilled.	200	1	5	4.37	.824
6	Bank’s working Hours are convenient	200	1	5	4.65	.849
7	Staff expertise in handling customer service is nice	200	1	5	3.85	.856
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=3.4

The descriptive statistics of the table shows that respondents have disagreed on the queue waiting time is attractive indifferently that indicates a mean of 2.73. The same perception were related a personalized service for different customers (Mean=2.55), Convenience of bank equipment is nice dissatisfaction rate lowers to (Mean=2.39). The respondents are neutral on a good humanization of the services (Mean=3.51) and agree on locations distribution of the bank's services in every branch is fulfilled (Mean=4.37). Bank's working hours are convenient (Mean=4.65) which was the respondents are agree and also on the Staff expertise in handling customer service is nice (Mean=3.85).

The data collected above indicates average mean of 3.4 with inclination towards the "neutral" response in the Likert scale, the study can conclude that most respondents are neither satisfied nor dissatisfied with bank's related image.

4.3.9- Respondents' perception on factor related loyalty

The respondents were requested to indicate their perception on factor related loyalty

Table: 4.3.9 Descriptive statistics result on factors related on loyalty

Descriptive Statistics

	Statements	N	Minimum	Maximum	Mean	Std. Deviation
1	I would always recommend my bank to others	200	1	4	2.53	.795
2	It would be difficult to change my positive beliefs	200	1	4	2.62	.754

	about this bank					
3	I would always use this bank's service	200	1	4	2.39	.705
4	I am a loyal customer to this bank	200	1	5	2.51	.846
5	I do not like to change to another bank because this bank sees my needs even if close friends recommended another bank	200	1	4	2.97	.624
6	My good preference for this bank will not change	200	1	5	3.55	.849
7	My intention to use the services of this bank would not change.	200	1	5	2.65	.758
Valid N (list wise)		200				

Source: survey result (2017)

Average Mean=2.75

The descriptive statistics of the table shows that respondents have disagreed they would always recommend my bank to others indifferently that indicates a mean of 2.53. The same perception were related difficult to change my positive beliefs about this bank (Mean=2.53), I would always use this bank's service (Mean=2.39), and loyal customer to this bank rate lowers to (Mean=2.51), the respondent were disagree do not like to change to another bank because this bank sees my needs even if close friends recommended another bank (Mean=2.97), My good preference for this bank will not change (Mean=3.55) and My intention to use the services of this bank would not change (Mean=2.65) indicates low rate in the Likert scale measures which is the sign of disagree not to change intention of the use services.

The mean of 3.55 respondents are good preference for this bank will not change fair is also in the medium range of loyalty indications.

The data collected above indicates average mean of 2.75 with inclination towards the "disagree" response in the Likert scale, the study can conclude that most respondents are not loyal to commercial bank of Ethiopia.

Respondent's Additional comment on how the bank could improve its service delivery and invest in customer loyalty

The respondents were listed down a number of comments about on how the bank could improve its service delivery and invest in customer was written down as follow:

1. The bank try to maintain and accessible to network connection.
2. Workers have to work intensively to reduce queue and discomfort around windows.
3. Increase the amount of interest rate and mortgage terms.
4. Bank have to increase the number of worker at out-door.

To be a competent, the bank have add other service such provision of mobile card to customers through electronic system, replace of ATM by finger print(ASHERA) and other new technology.

4.4 Correlation Analysis

Table 4.4. Correlation Matrix for Customer Loyalty and Determinant factors

		CL	PQ	SAT	SC	CCH	COM	TR	BI
Pearson Correlation	CL	1.000							
	PQ	.204*	1.000						
	SAT	.326*	.689*	1.000					
	SC	.168*	.296*	.242*	1.000				
	CCH	.470*	.476*	.326*	.275*	1.000			
	COM	.455*	.664*	.628*	.368*	.525*	1.000		
	TR	.074**	.319*	.194*	.175*	.320*	.393*	1.000	
	BI	.323*	.657*	.438*	.186*	.481*	.592*	.412*	1.000

Source: SPSS result of the own survey 2017

Note: Sig. (1-tailed) *P<0.01 , **P<0.10 *N= sample size of 200

The correlation matrix between different factors was shown in the above Table. By looking at the correlation matrix between the factors it can be understood that customer complaint handling was, the most correlated element with customer loyalty but it cannot be said customer loyalty was highly

influenced with this variable. In other words, this matrix does not show the causation of the variables rather showing the magnitude of their association.

The managers and employees must listen and meet the basic needs of the customers to make them satisfied with the complaint handling system of the company. Once the customer was experienced with the system of complaint handling, the chances (probabilities) of his/her becoming loyal to the bank increases considerably as long as the variables have positive correlation.

The next predicting factor that was also more important was the commitment. This also shows a positive correlation with loyalty. The correlation between commitment and loyalty was .455, which shows that the highly committed customers were likely to be loyal to the bank though the magnitude (contribution) was dependent to its beta value. The next factor, which was more important, was the Satisfaction with a correlation of 0.326, which shows a good relationship with loyalty. Again, managers and employees must meet the basic needs of the customers to make them satisfied such as the prompt and error free services and pricing issues, improving the queue waiting time and increasing the working hours.

The three factors were the most important factors, which show somewhat strong correlation with the customer loyalty relatively than the rest four variables. The rest of the factors were also correlated but not as much as the Customer complaint handling, commitment and customer satisfaction, Then the researcher analyzes the correlation of each factor with other factors. The perceived quality was most correlated with the satisfaction factor followed by commitment and least correlated with switching cost factor.

Therefore, for having more satisfied customers, perceived quality factors were more important to be considered by the Bank. If the bank was successful in increasing the Perceived quality (tangible perceived quality and Intangible perceived quality) of the services, they also become successful in increasing the number of satisfied customers.

Then by providing error free services and paying special attention to the queries of the customers, the commitment of the customers was expected to be increased. The highly committed customers are those who received high standard of tangible and intangible quality of services provided by the bank For trust factor, the Brand Image factor is more correlated than the others are. This means that when a customer was having a positive brand image of the bank, his/her trust on the bank was increased more and more. Trust on the services of the banks was also increased depending on the standard of

the commitment of the company, level of complaint handling and the perceived quality respectively should be provided by the bank in its services. Therefore, changes in Brand image, commitment, complaint handling and perceived quality cause changes in the trust of the customer on the bank. The switching cost factor was most correlated with the commitment (0.368) followed by perceived quality (0.296) and satisfaction (0.242) factors of loyalty. This means that when the customers were convinced as the company was committed to customer and public responsibilities and keeps the promises of service quality and meeting the expectation in using the services of the bank, they do not switch easily from their bank. Then the more loyal the customers are, the higher the number of the barriers in switching from one bank to another bank

In Complaint handling column, the commitment (0.525), Brand Image (0.481) and perceived quality (0.476) factors were more correlated respectively than the others were. The commitment factor was most correlated with perceived quality (0.664 followed by satisfaction (0.628). This means once the customers evaluated the company's quality of service and satisfied with it they will probably consider as the company was committed enough and their intension of loyalty will then become higher with a result of these effects because the positive nature of the relationship though the percentage of increment was difficult to reach at a final deduction.

4.5. Multi Co-Linearity Statistics (Diagnostics)

Table 4.5. Co-Linearity Diagnostics

Model	Dimension	Eigenvalue	Conditio n Index	Variance Proportions							
				(Co nsta nt)	PQ	SA T	SC	CC H	CO M	TR	BI
1	1	7.783	1.00	.00	.00	.00	.00	.00	.00	.00	.00
	2	.08	9.36	.00	.00	.01	.93	.00	.00	.00	.00

	9									1
3	.04	13.9	.01	.06	.34	.00	.18	.01	.02	.0
	0	2								0
4	.03	14.1	.09	.04	.00	.00	.61	.01	.03	.0
	4	7								0
5	.02	19.5	.12	.00	.11	.02	.15	.02	.39	.6
	0	7								1
6	.01	22.2	.32	.35	.01	.01	.00	.27	.04	.0
	6	6								7
7	.01	25.5	.21	.42	.29	.03	.05	.69	.07	.0
	2	9								6
8	.00	27.2	.25	.12	.25	.01	.01	.00	.44	.2
	7	1								5
a. Dependent Variable: CL										

Source: SPSS result of own survey 2017

KEY=PQ(perceived quality), SAT(satisfaction) SC(switching cost) CCH(customer complaint handling) COMM(commitment) TR(trust) BI(brand image).

Table 4.5 shows the results of the multi-collinearity. When multi-collinearity appears, any variable's effect can be predicted or accounted for by the other variables in the analysis (Hair et al., 2006). The primary concern was that as the degree of multi-collinearity increases, the regression model estimates of the coefficients become unstable and the standard errors for the coefficients can get wildly inflated. Therefore, this must be eliminated.

The multi-collinearity problem will build interpretation of variables difficult or perhaps not possible, because it is tough to verify the clear relationships between dependent and predictor variables. As a result, in multi-collinearity, the assessments of the relative strength of the explanatory variables and their joint result are unreliable (Garson 2008). In keeping with Drazin and Rao (1999), the rule of thumb is that tolerance values bigger than 0.2 do not have multi-collinearity, whereas tolerance

values between 0.2 and 0.1 reminds that researchers ought to read the results with caution. Tolerance values below 0.1 indicate a severe multi-collinearity.

The VIF values of all the explanatory variables of customer loyalty were less than the cut-off (rule of thumb) i.e. when VIF was greater than four (4). Thus, the VIF values of the independent variables were Perceived Quality (2.918), satisfaction (2.188), switching cost (1.241), complaint handling (1.547), commitment (2.532), Trust (1.281) and Brand Image (2.092) all having values below the cut-off. Hence, the researcher can interpret it, as there were no serious multi-collinearity problems but some less degree of collinearity from natural relationships of the variables may be happened.

The technique that is necessary for co-linearity diagnostics is condition index during which values were as in Table 4.5 above. Garson (2007) suggests a condition index, which uses square roots of the ratio of the most important Eigenvalues to every alternative eigenvalue as another approach to assess multi-collinearity in information. Several researchers counsel condition indices over 15 indicate attainable multi-collinearity issues and over 30 indicate serious multi-collinearity issues (Amiama, Bueno, and Alvarez, 2008; Garson, 2007; Joshua, 2008). However, Belsley et al (1980) argues that condition index values bigger than thirty do not essentially indicate problematic multi-collinearity. William (2008) argued there is still no clear cutoff criterion for condition index to judge multi-collinearity. Therefore, it is prompt to think about a condition index as a reference.

From Table 4.4, one can see that the first three dimensions show a low collinearity with their condition indices smaller than 15 but last four dimensions reveal moderate collinearity with their condition indices larger than 15 and smaller than 30. Therefore, there was an expected less degree of co-linearity from the nature of the variables but this does not mean there was serious problem in multi-collinearity was observed

4.6 Regression model

Table 4.6. T-Test and Beta Coefficients of the Independent Variables

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Co-linearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.255	.232				
				14.045	*.000		

perceived Quality	-.538	.084	-.448	-6.438	*.000	.343	2.918
satisfaction	.195	.050	.234	3.879	*.000	.457	2.188
switching cost	.006	.036	.007	.162	.871	.806	1.241
complaint handling	.305	.041	.380	7.503	*.000	.646	1.547
commitment	.343	.062	.358	5.530	*.000	.395	2.532
Trust	.172	.047	.169	3.674	*.000	.781	1.281
Brand Image	.181	.057	.188	3.193	*.002	.478	2.092
a. Dependent Variable: Customer Loyalty							

Source: SPSS result of own survey 2017 $R^2 = 62.7\%$ * $p < 0.01$

Model Summary

The regression model was as follows:

$$LOY = 3.255 - 0.448 PQ + 0.234 SAT + 0.380 CCH + 0.358 COMM - 0.169TR + 0.188BI$$

Where,

LOY was customer Loyalty (dependent variable) and the only significant independent variables were Perceived Quality, Satisfaction, customer complaint handling, Company Commitment, Trust and Brand Image. These factors were the only significant contributors. This was in agreement of (field, 2009), who argue that when the coefficient of a predictor is significantly different from zero, the predictor can be assumed to make a significant contribution to the prediction of the outcome.

This part of the output was concerned with the measurements of the model. In multiple regressions, the model takes the type of an equation that contains a coefficient (**B**) for each independent variable. The first part of Table 4.6 shows the estimates for the **B** values and these values indicate the individual contribution of each predictor to the regression model.

The **B** value tells regarding the link between customer loyalty and each predictor. If the value was positive, the researcher would tell that there was a positive relationship between the predictors and the outcome whereas a negative coefficient represents a negative relationship.

For these data, all predictors have positive **B** values except that perceived quality with negative coefficient indicating a positive impact of the other six variables and negative influence with perceived quality towards the dependent variable. Therefore, as Brand Image, Trust, satisfaction, complaint handling, and commitment increase customer loyalty increases where as perceived quality

increases will have negative effect in loyalty in this study result. In addition, the **B** values tell the reader to what degree each predictor affects the outcome if the effects of all other predictors were held constant.

Each of those beta values has an associated expected error indicating to what extent these values would vary across completely different samples, and these expected errors are used to see whether or not the B values differs considerably from zero. Therefore, if the t-test related to a B column was important (if the value within the column labeled sig. was a smaller amount than 0.1 during this case) then that predictor is creating a big contribution to the model.

The smaller the value of sig. (and the larger the value of t) the greater the contribution of that predictor. Therefore, from the above Table 4.6 or for this model, customer complaint handling (CCH), $t=7.503, p<.01$, Commitment(COMM), $t=5.530, p<0.01$, Customersatisfaction(Sat), $t=3.879, p<0.01$, PerceivedQuality(PQ), $t=6.438, p<0.01$, Trust(TR), $t=, p<0.01$, BrandImage(BI), $t=3.193, p<0.01$ were significant predictors of customer loyalty. From the magnitude of the t-statistics, the researcher can see that customer complaint handling has slightly more impact than the other significant predictors do. This implies the 1 percentage increase in customer complaint handling would result in a 38% increase in loyalty intention and repurchase other variables remain constant.

However, the value of sig. for switching cost was on top of the p value of 0.1 or on top of 10%. Hence, this variable has no important contribution for client loyalty though it was having positive relationship.

The B values and their significance are vital statistics to seem at but the standardized versions of the B values are easier to interpret, because of they are not addicted to the units of measurement of the variables. The normalized beta values (β) were all measured in standard deviation units and it's directly comparable. Therefore, they supply a stronger insight into the 'importance' of a predictor within the model. the standardized beta values for Perceived Quality was -0.448 ,Customer Satisfaction ,0.234,switching cost ,0.007,customer complaint handling,0.380, company commitment,0.358, Trust,-0.169 and Brand image was 0.188. This tells us that client complaint handling has slightly greater impact within the model.

Table 4.6 shows the tolerance test for the independent variables through Co-linearity in SPSS. The tolerance values were quite acceptable i.e. tolerance>0.2. One other method of testing multi-co

linearity was estimating Variance Inflation Factor (VIF). As a rule of thumb, if VIF exceeds 10, the variable was highly collinear and could pose a problem to regression analysis. From this Table 4.5 all the variables have VIF values of less than 10. The VIF values range between 1.241 and 2.918 were acceptable as they were likely free from serious co linearity problem.

4.7. Customer Loyalty Model Summary

Table 4.7 Multiple Regressions Of Independent Variables And Dependent Variable (Customer Loyalty)

Multiple R	R Square	Adjusted R Square
.792	.627	.614

Dependent Variable: Customer Loyalty
 Predictors: perceived Quality satisfaction switching cost complaint handling commitment Trust Brand Image

Source: SPSS result of the own survey 2017

In table 4.7, the coefficient of correlation (**R**) of the variables as a whole, fitness of the model (**R²**), adjusted R square (**adj.R²**) and standard error of the estimate were computed using spsssoftware and these were interpreted here. However, the coefficients of determination of each independent variable were described separately in table 4.5

In the column labeled R (correlation coefficient) were the values of the multiple correlation coefficients between the predictor and the outcome. When the seven-predictor variables were used at once, the correlation between the independent and dependent variables will be 0.792. The correlation coefficients lies with a values between -1(perfect negative correlation) to +1(perfect positive correlation) this shows us there was a strong correlation between the dependent and the independent variables.

The next column gives us a value of **R²** (coefficient of determination) or fitness of the model, which was a measure of how much the variability in the outcome was accounted for by the predictors or the

percentage of the dependent variable explained by the independent variables. Therefore, the value was .627, which means that Brand Image, Trust, satisfaction, complaint handling, commitment and perceived Quality account for 62.7% of the variance in customer loyalty.

The adjusted R² gives an idea of how well the model generalizes and ideally it would be good its value to be the same, or very close to, the value of R². here the difference for the final model was a fair bit (0.627-0.614=0.013 Or 1.3%. This shrinkage means that if the model were derived from the population rather than a sample it would account for approximately 1.3% less variance in the outcome.

4.8 Analysis Of Variance

Table 4.8 Significant Of Independent Variables on Dependent Variable (Customer Loyalty)

ANOVA					
	Sum of Squares	Df	Mean Square	F	Sig.
Regression	76.911	7	10.958	15.321	*.000
Residual	66.687	196	.491		
Total	143.39	203			

Dependent Variable: Customer Loyalty

Predictors: perceived Quality satisfaction switching cost complaint handling commitment Trust Brand Image

Source: SPSS result of the own survey 2017 **sig. *p<0.01**

This part of the output contains an analysis of variance (ANOVA) that tests whether the model was significantly better at predicting the outcome than using the mean as a ‘best guess’. Specifically, the F-ratio represents the ratio of the improvement in prediction that results from fitting the model (labeled ‘Regression’ in Table 4.6), relative to the inaccuracy that still exists in the model (labeled ‘Residual’ in Table 4.6).

The F-test was used to test the significance of the regression model as a whole. The computed F values were then tested for statistical significance and demanding value P=0.05 is mostly taken as marking an appropriate boundary of significance. P has to be lesser than 0.05(5%) for the F ratio to be vital (Saunders, Lewis, and Thorn hill, 2007). If F ratio is significant at p<0.05, reject the thought of no variations and settle for that these are very different from zero (Cardinal and Aitken, 2006).

If the improvement due to fitting the regression model is much greater than the inaccuracy within the model then the value of F will be greater than **1(one)** and SPSS calculates the exact probability of obtaining the value of F by chance.

Therefore, from this model the F-ratio is 15.321, which is very unlikely to have happened by chance or is highly significant ($P < 0.001$). Hence, the researcher can interpret these results as meaning that the final model significantly improves the ability to predict the outcome variable than using the mean as a best guess.

CHAPTER FIVE

Summary of Findings, Conclusion and Recommendations

5. Introduction

The chapter presents the general findings of the research in the context of the central ideas underpinning the objectives of this research. The perspective of this chapter does not only recommend solutions but presents the findings in relation to determinants of customer loyalty in the commercial bank of Ethiopia. The key components of the chapter include the summary of findings, recommendations and conclusion.

5.1 Summary of major findings

In this study there are seven determinants of customer loyalty. These are customer Satisfaction, service Quality, switching Cost, Brand Image, Customer Complaint Handling, Commitment, Trust. The study revealed Customers perception regarding factors related to tangible quality indicates the mean of 3.49 which is the highest rate in the Likert scale measures which are the sign of satisfaction in the bank's tangible quality and respondents are strongly agreed. Customer's perceptions regarding on factor related to satisfaction the study revealed average mean of 4.12 in the Likert scale which indicates that most respondents are highly satisfied in the bank's service quality. From the data collected the study shows customers perception regarding on factors related to switching cost the data indicates average mean of 3.02 which indicates inclination towards the "neutral" response in the Likert scale the study can conclude that most respondents respond neutral. Regarding on factors related to complain handling the data collected indicates

average mean of 3.86 with inclination towards the “agree” response in the Likert scale, the study can conclude that most respondents are comfortable in the employee’s complain handling related issues. The study revealed Customers perception regarding trust the data collected indicates average mean of 4.183 with inclination towards the “strongly agreed” response in the Likert scale, the study can conclude that most respondents have trust in bank’s services. Regarding on factors related to brand image the data collected indicates average mean of 3.45 with inclination towards the “agree” response in the Likert scale, the study can conclude that most respondents are satisfied with bank’s related image.

By looking at the correlation matrix between the factors it can be understood that customer complaint handling was, the most correlated element with customer loyalty but it cannot be said customer loyalty was highly influenced with this variable. In other words, this matrix does not show the causation of the variables rather showing the magnitude of their association. The next predicting factor that was also more important was the commitment. This also shows a positive correlation with loyalty. The correlation between commitment and loyalty was 0.455, which shows that the highly committed customers were likely to be loyal to the bank though the magnitude (contribution) was dependent to its beta value. The other factor, which was more important, was the Satisfaction with a correlation of 0.326, which shows a good relationship with loyalty. Again, managers and employees must meet the basic needs of the customers to make them satisfied such as the prompt and error free services and pricing issues, improving the queue waiting time and increasing the working hours.

The three factors were the most important factors, which show somewhat strong correlation with the customer loyalty relatively than the rest four variables. The rest of the factors were also correlated but not as much as the Customer complaint handling, commitment and customer satisfaction, Then the researcher analyzes the correlation of each factor with other factors. The perceived quality was most correlated with the satisfaction factor followed by commitment and least correlated with switching cost factor. For trust factor, the Brand Image factor is more correlated than the others. The switching cost factor was most correlated with the commitment (0.368) followed by perceived quality (0.296) and satisfaction (0.242) factors of loyalty

In Complaint handling, the commitment (0.525), Brand Image (0.481) and perceived quality (0.476) factors were more correlated respectively than the others were. The commitment factor was most correlated with perceived quality (0.664 followed by satisfaction (0.628).

The correlation coefficient of all the independent variables with the dependent variable and among each other was positive and significant. This shows how the variables were having internal relationship. However, all of them have no serious problem in multi-co linearity. Therefore, the variables were meant associating significantly with out the influence of other variables internal or natural relationships. There a good model fit for which the variables can explain the loyalty factor significantly. This was because more than 62% of the variability in customer loyalty was explained by the independent variables.

5.2 Conclusions

The purpose of this study was to see determinants of customer loyalty in the commercial bank of Ethiopia, Addis Ababa. Total of 204 customers with different sex, age, account type were surveyed. In this study seven determinants (service quality, customer satisfaction, commitment, trust, brand image, complain handling, switching cost) that affect loyalty were used and analyzed. In order To

analyze the data descriptive statistic like mean, standard deviation, correlation, and regression were used. In order to achieve the main objective of the study the researcher prepared four basic specific objective of the study. These are:

1. To examine the effect of service quality on customer loyalty

Service quality is one of the most important factors, which have a main role on making a customer loyal. In this study perceived quality were divided in two groups i.e. tangible perceived quality (in which the perceived quality can be seen physically) and intangible perceived quality (in which the perceived quality cannot be seen physically) and in the in the tangible perceived quality category respondent are comfortable but they are not comfortable regarding intangible perceived quality.

2. To determine the effect of Customer Complaint Handling and customer Satisfaction on customer loyalty

Satisfaction is an important determinant which can create loyalty and that should be taken in to account when shaping the general loyalty of the consumers towards their service suppliers. Based on the finding most respondents are highly satisfied in the bank's service expectation, positive image, service delivery also the study revealed satisfaction has a good relationship with loyalty.

Customer complaint handling encompasses techniques, processes and systems that lessen the chance of customers having problems and allow businesses to respond fairly, efficiently and effectively when complaints arise. From the study the researcher conclude that CBE customers are comfortable by the employee's complain handling system and related issue in addition to this the correlation matrix shows that customer complaint handling was the most correlated element with customer loyalty.

3. To investigate the impact of trust and commitment on customer loyalty

Trust has a big impact on establishing good relationship and creating loyalty by building confidence on customers. Based on the finding customers have confidence and trust on the bank service.

As we know Commitment is a measure of an enduring desire to maintain a valued relationship and that has a greater impact for customer to be loyal. Customers evaluated the bank's commitment

factor as high by its flexibility in serving the customer's needs, in offering personalized service and in giving special attention..

4. To determine impact of reputation and switching cost on customer loyalty

Bank image has been described as the overall impression made on the minds of the public about a firm. From the study respondents gave higher mean value to the expertise of the total staff in handling service but lesser rate was given to the attractiveness of the queue waiting time. They need a conducive environment to get relaxed while they were waiting for services. However, the area was very crowded and the hall was small to accommodate these huge customers in every day.

Switching cost means the price (internal or external) which a customer should pay for moving from one company or brand to another. In the switching cost factor, respondents were giving lower value rather than other factors for their loyalty because of that all banks in Ethiopia are providing undifferentiated service which reduces switching cost for customers

Lastly for the dependent variable (customer loyalty variable), respondents give the lower mean value they were not loyal customers . This means that the bank only focus on expanding new customer bases or focusing on new customer that doesn't focuses on loyal customer or existing customer

The correlation coefficient of all the independent variables with the dependent variable and among each other was positive and significant. This shows how the variables were having internal relationship. However, all of them have no serious problem in multi-co linearity. Therefore, the variables were meant associating significantly without the influence of other variables internal or natural relationships. There a good model fit for which the variables can explain the loyalty factor significantly. This was because more than 62% of the variability in customer loyalty was explained by the independent variables

5.3 Recommendations

- ❖ In this dynamic and competitive bank atmosphere of Ethiopia, the bank should adopt a clearly distinguished image from the competitors. This could not be thought-about as a matter of alternative however necessary requirement.

- ❖ The Bank should invest in marketing research to clearly identify the needs and wants of its customers and be able to provide them with the services and or products that will satisfy the identified needs in a more efficient and profitable way to both the customer and the bank.
- ❖ The bank must create an environment that is conducive for changing the attitude of the customers positively and confidently.
- ❖ The bank ought to concentrate on the overall quality of service delivers by shortening the waiting time, increasing the amount of windows of service particularly at the front finish. The front-end services should be supported by information and communication technologies and trained managers. Then the workers can provides a due attention for customers and instill confidence of the customers.
- ❖ Satisfaction is not enough during this dynamic and complicated competitive atmosphere particularly the banking industry. Therefore, managers must always contemplate the requirements of the customers. The loyalty comes within the customers once the managers of the banks fulfill their stated similarly as unstated desires. It will be this desire or those that might be desired within the future. The unstated desires will be the longer-term desires of the customers. The purpose is, the managers must not solely think about few basic desires of the customers. They must concentrate on providing additional pleasures to their customers to be delight.
- ❖ In services, the last experience remains uppermost in the customer's mind. Therefore, it is not enough to be good the bank has to be consistently good.
- ❖ The Bank ought to give the services with what the customers need however not what it thinks they need. This may be handled with an in depth relationship creating the door open for comments and discussions with the customers notably with those whom it expects were profitable and dependable once.
- ❖ The employees and managers should attempt to enhance and maintain long-term relationship with their customers. Taking the advantage of maintain a relationship with existing customers than acquiring new ones. The customers should believe firmly that their respective banks deliver what they promise in their advertisement and that they were not opportunistic however, honest .The managers ought to often take the feedback of the customers and will incorporate the changes desired by the customers in their feedbacks.
- ❖ The Bank strategists and significantly the client service department should assess the environmental demanding talent of bank staff and organize supportive programs for his or her staff further as customers to form them more practical whereas handling the one another.

- ❖ There should be engaging physical setting, eye-catching queue waiting area and time, enough seating and accessible facilities for the customers’.
- ❖ Managers should make sure that customer criticisms were addressed with high most priority and install the complaint handling system independently and the client service representatives ought to be knowledgeable and smart listeners.
- ❖ Managers should formulate and make sure that all main services were offered in every area branches of the Bank.
- ❖ The customer ought to expertise safe once they use merchandise and services of the bank and believe it an honest and worthwhile bank.
- ❖ The manager and workers ought to keep the promise and make sure that no matter services they advertise ought to be accessible to the customers in each branch of the banks to extend their confidence and sensible whole position in their minds.
- ❖ The bank should participate in some societal issues like by investing on societal actions because that action could be given a great value by the customers as their bank is good in the society and its brand Image will have a good position on the minds of the customers

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Questionnaire

ST MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

Dear Respondents,

This questionnaire is developed and forwarded to you for the partial fulfillment towards the completion of my postgraduate degree by the title of determinants customer loyalty at Commercial bank of Ethiopia.

I kindly request your attention to fill out the following questionnaire; please do keep in mind that the answers you provide are not traceable to you and will only be used for this academic research

Please do also provide your fair and impartial feedbacks for the successful completion of this research. Should you have any enquires, feel free to contact the researcher at

Email:-Markongene@yahoo.com

Phone:-0912949367

Thank you in advance for your cooperation!

NardosEndale

MBA student at St.Mary's university

Section one: Background information of respondents

1. Sex : Male Female
2. Age : 18-30 31-40 41-50 51-60 above 60
3. Marital status: Single (never married) Married Divorced
4. For how long have you been a customer of the bank:less than one year
1-5 years 6-10 11-15 above 15years
5. What type of account have you opened in the bank?
Saving (deposit) account current (loan) account
6. Educational status:
Below Diploma Diploma Bachelor Degr Master's Degree and above

Section Two:

Please respond by putting a \surd mark in the box that indicates your extent of agreement or disagreement with each statement.

The value of each answer will be weighted as follows: SD=1, D=2, N=3, A=4 and SA=5

	Tangible perceived quality related factors	Strongly disagree	disagree	neutral	agree	Strongly agree
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1	The received interest from the bank is effective to continue my work with this bank					
2	The advertisement in broadcasts or relatives is effective for me to use the service of this bank					
3	The banks Physical facilities are attractive and modern.					
4	This bank's employees are tidy in appearance					
5	Materials associated with the services are visually clean					
6	Materials associated with the services are enough					
7	This bank informed me of its side services from the beginning					
8	The opening hours of the bank are convenient to me					
9	My needs and interests are considered in the bank's services.					
10	I use this bank because all of its services are available in the branch.					
Intangible perceived quality related factors						
1	This bank insists on providing the services error-free.					
2	Employees of this bank solve your problems when they promise to do so.					
3	This bank provides services at the time it promises to do so.					
4	The bank employees are fast enough in providing the					

	services.					
5	Employees of this bank are always willing to help you overcome the problems.					
6	Employees of this bank are aware of when exactly services will be performed.					
7	The behavior of employees of this bank instills confidence in customers					
8	Employees of this bank are constantly courteous to you.					
9	Employees of the bank pay special attention to you.					
Satisfaction related factors						
1	This bank has met my expectations.					
2	The bank I work with is far from my expectation of an ideal bank Positively.					
3	According to my experiences, I am satisfied by the services delivered with this bank.					
4	In comparison to other banks, I consider this bank and its services successful.					
Switching cost related factors						
1	To change to another bank involves investing time in searching for information about other banks.					
2	To change to another bank involves much effort in deciding which other bank to use					

3	To change to another bank involves a risk in choosing another bank which might turn out not to satisfy me					
4	To change to another bank involves long distance					
Complaint handling related factors						
1	There is a proper complaint handling system					
2	The bank tries to avoid potential complaints related to service you used.					
3	The employees listen carefully when ever you complain					
4	The bank tries to solve clear complaints before they create problems.					
5	The bank has the ability to openly discuss solutions when problems arise.					
Commitment related factors						
1	The bank makes several service adjustments to suit my needs					
2	The bank offers personalized services to meet different customer needs differently					
3	The bank is flexible when its services are changed					
4	The bank is flexible in serving my needs.					
5	The employees give you special attention					
Trust related factors						
1	The bank is very concerned with security for your					

	transactions					
2	The bank's quality of service promises are reliable					
3	The bank is consistent in providing quality service;					
4	Employees of the bank show positive respect to customers;					
5	The bank fulfils its obligations to customers;					
6	I have confidence in the bank's services.					
Bank image related factors						
1	The queue waiting time is attractive					
2	There is a Personalized service for different customers					
3	Convenience of bank equipment is nice					
4	There is a good Humanization of the services					
5	Locations distribution of the bank's services in every branch is fulfilled.					
6	Bank's working Hours are convenient					
7	Staff expertise in handling customer service is nice					
Loyalty related factors						
1	I would always recommend my bank to others					
2	It would be difficult to change my positive beliefs about this bank					

3	I would always use this bank's service					
4	I am a loyal customer to this bank					
5	I do not like to change to another bank because this bank sees my needs even if close friends recommended another bank					
6	My good preference for this bank will not change					
7	My intention to use the services of this bank would not change.					

Additional comment on how your bank could improve its service delivery and invest in customer loyalty_____

_____.

Declaration

I NardosEndale declare that this research paper entitled “**Determinants of customer loyalty in commercial bank of Ethiopia**” is my original work, and has not been presented for a degree or diploma in any other university and it is in partial fulfillment to the requirement of the program Masters of Art (MA) Degree in Business Administration.

Declared by
NardosEndale

Student Signature

Date

Endorsement

This thesis has been submitted to St. Mary's university, school of graduate studies for MBA program with my approval as a university advisor.

Solomon Markos

Advisor (PhD)

Signature

St Mary's university

Jan, 2018