



ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES

FACTOR AFFECTING CUSTOMER LOYALTY - IN CASE OF
AWASH BANK IN ADDIS ABABA

BY: SOFIA REDWAN

DECEMBER, 2020

ADDIS ABABA, ETHIOPIA

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ST.MARY'S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
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DECLARATION

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

Name

Signature

St.Mary's University, Addis Ababa

December,2020

ENDORSEMENT

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

Advisor

St.Mary's University, Addis Ababa

Signature

December, 2020

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ABSTRACT

Customer loyalty has been a real concern in banking industry, because making customer loyal is potentially an effective tool that banks can use to gain a strategic competitive advantage and voluntary user solution for a long time to build relationships. The main initiative force for this paper was the large number of inactive accounts in the bank and lack of studies in customer loyalty in Ethiopia specifically in Awash bank. This research is more of explanatory research conducted on factor affecting customer loyalty, with objective of assessing the influence of factors on customer loyalty in Awash bank, by taking a sample of 375 customers with non-probability sampling from selective four branches in Addis Ababa city. The study used customer loyalty as dependent variable and customer satisfaction, commitment, switching cost, trust and service quality as independent variables. Data were collected through questioners analyzed by using SPSS and multiple regressions and correlation analysis was used to test the hypothesis developed and to show the relationship among the dependent variable and the independent variables. The study found that four variables of customer loyalty (customer satisfaction, commitment, trust and service quality) have positive and significance influence on customer loyalty but the influence of switching cost is insignificance. Therefore, this research suggested to Awash bank to keep their focus on the variables affecting customer loyalty and take them into consideration in formulating strategies for developing and improving customer loyalty.

CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

According to National Bank of Ethiopia official website Modern banking in Ethiopia were introduced in 1905, (National Bank of Ethiopia, 2012). Banks in Ethiopia include both public sector as well as private sector banks. According to the report of NBE (2012), there are 16 private and 3 government-owned banks, operating in the country. There is highest competition between banks to stay in the sector successfully. Existing banks to cop up with the competitors they open new branches in different area of the country and also try to offer different kind of product to their customer. There are also banks which are on establishment phase.

Customer loyalty has been a real concern in banking (Muhammad et al. , 2015), different banks in Ethiopia to differentiate their service from their competitor try to come up with new service and they try to increase their availability by opening branches, but this activities easily copied by other competing banks. Currently they provide nearly identical services, so they try to use different methods to distinguish themselves and make their customer loyal

Making customer loyal is potentially an effective tool that banks can use to gain a strategic competitive advantage and to survive in today's ever-increasing banking competitive environment. Many scholars stated that the key strategy for the success and survival of any business institution is achieving customer loyalty; according to kotler and keller (2006) Creating loyal customers is at the heart of every business, Huseyin et al. (2018),says It is one of the most significant contemporary strategies, helping to ensure the company's business success and banks

to remain competitive would be retain as many customers as possible. To improve their market and profit positions, many banks need to direct their strategies towards increasing customer loyalty, because it can assist in developing reliable plans and tactics and also it provide reliable and effective marketing strategies (Maroofi, 2013).

Studying and understanding customer's loyalty is crucial in today's dynamic world and new way of banking service delivery. according to Muhammad H et al. (2015) The emergence of phone banking, Internet banking and Automated Teller Machines (ATM), have constrained bankers to explore the importance of customer loyalty. Customer loyalty is a voluntary user solution for a long time to build relationships with the company (Huseyin et al.2018). According to Huseyin et al. (2018), those customers who purchase goods/services of the company from time to time can be consider as loyal customer.

To make customers loyal banks need to know the factors that affect their customer loyalty and they need to also asses which factor is more important and which one is less important. Different study used different factors as a measurement variable to study customer loyalty factors. The study in Tanzania commercial banks uses customer service, quality of the products provided by banks, pricing of bank products as well as services and customer satisfaction in examined determinants of customer retention (Caroline and Elizabeth 2014), Muhammad et al. (2015) to measure customer loyalty in Pakistan used trust, customer satisfaction and service quality as a base. Maroofi (2013) used service quality, observed value, trust and reputation of the bank to examine factors effecting customer loyalty. Study in Tigray uses service quality, customer satisfaction, customer complain handling, and commitment as Customer loyalty determinants (Aregawi 2018).

Observation of higher percentage inactive accounts in the bank, lack of enough research in the topic in Ethiopia and specifically in Awash bank are the main initiatives for this research. This research expects to identify the factors that influence customer loyalty in case of Awash bank. The finding of this research will expect to help decision maker to understand the factors and their level of influence on customer loyalty. Such understanding will help the bank to retain loyal customer and improve bank competitive position.

1.2. Statement of the Problem

The importance and size of the service sector in the globe and each country become increase, and it contribute significant amount for economy grows. One of the major service sectors is bank, there is high development in Ethiopia banking sector. There are many private banks enter the sector and acquire some share in the market. The increasing in number of banks and their branches creates high competition among banks. Banks highly competes each other to get and retain customers with the aim of sustaining long term relationships with their customer. Awash bank is one of the leading private banks in Ethiopia and serve large number of customers. Recently the number of inactive account in the bank is increased highly, according to the branches data, the current status of the inactive account in selective four branches are more, about 46%, this indicates that the bank needs to work hard in making customer to be remain loyal. Retaining customer can be done easily if the bank knows what make the customer loyal.

Additionally There are different empirical studies conducted to show what make customer loyal, but there is little studies conducted in Ethiopia, like; Aregawi (2018), use Service quality, customer satisfaction, customer complain handling, and commitment to measure customer loyalty in Dashen Bank Adigrat area. Sata (2012) in banks and Omer (2015) in insurance

companies try to measure the relationship between customer satisfaction and customer loyalty . As far as the researcher knowledge there is no research conducted in banks by using five variables satisfaction, service quality, trust, switching cost and commitment, and also there is no research that conducted specifically in Awash bank that show which factors affect the customer loyalty.

This study try to reduce the above two gaps, gap in studies in Ethiopia specifically in Awash bank and use of the five variables to measure effect on the customer loyalty . The main motive for selecting the title factors affecting customer loyalty was the observation of higher percentage of inactive account in Awash bank. This paper expected to answers the following questions; Which factor is more influential in customer loyalty? And which customer group highly affected by which factor?

1.3. Research Question

This paper answered the following questions;

- Which factor is more influential in Awash bank customer loyal decision?
- Which customer group highly affected by which factor?

1.4. Objectives of the Study

1.4.1. General Objectives

The overall objective of this paper is to analyze the factors which influence the customer loyalty in the case of Awash banks (selective four branches in Addis Ababa).

1.4.2. Specific Objectives

This paper has three specific objectives this are

- To analyses the influence of satisfaction, commitment, trust, service quality and switching cost on customer Loyalty,
- To analyze customer background (gender and marital status) effect on customer loyalty factors
- Provide recommendation based on findings

1.5. Scope of the study

The scope of the study is geographically limited to the city of Addis Ababa, Ethiopia as a case study. It mainly focused on assessing the major determinants that affect the customer loyalty in Awash bank (selective four branches in Addis Ababa). The study used independent variables related to customer loyalties; satisfaction, commitment, trust, service quality of the bank and switching cost to measure dependent variables that is customer loyalty. The study considered only selective four branches that found in Addis Ababa.

1.6. Limitation of the study

The researcher wants to conduct a survey of the whole Addis Ababa Awash bank branches on determinant that affect the customer loyalty. But because of resource constraint and width of the concept the researcher were planned to conduct the research in selective four branches only. Moreover, the research was a limitation of time, and finance. Thus, the study was designed to focus on and use mainly the primary data source for its analysis though it uses some secondary data. However, it was not simple due to the reasons that most of the respondents are not willing to answer questions.

1.7. Significance of the Study

Firstly, in this current competitive banking industry customer loyalty is the heart of success. This paper will help for the bank in conducting managerial decisions to improve things to make more customer loyal, by providing the information about loyalty factors and their relative important for customers it also expect to help managers in reducing the resources and effort the bank required to make the customer loyal. Secondly, it will help as a means/method or resource in conducting similar study in other branches of the bank and also it will help managers to make a decision related to this study like employee training and other program. Finally, from an academic perspective this study's insights should contribute to the future development of this line of research, particularly in a developing country like Ethiopia. Therefore, the present study will have significant value to practitioners and scholars alike.

1.8. Organization of the Study

To achieve the above stated objectives, the study structured in to five chapters, including the introduction part as chapter one; which includes background of the study, statement of the problem, objective of the study, significance of the study, scope of the study and problem /limitation of the study. The second chapter of this research report revealed theoretical and conceptual frame work on the determinants of customer loyalty. Methodology of the research, which includes research design, the data collection and the sources of data, sampling design, methods used in the analysis of data and the constructions of the research model to test the hypotheses was presented in the third chapter. The fourth chapter presents the results and discussions of the research study, based on data collected by the researcher from primary sources

of data to accomplish the study. The final chapter summarized the findings of the research work, concludes the results and forwards recommendations based on the findings of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1. Customer Loyalty

Customer loyalty research classified in to two major parts. One is the loyalty consumers display towards tangible products and is often termed brand loyalty, the other is loyalty consumers display towards intangible products (service) and is often termed service loyalty. brand loyalty definition used by many scholars was given by Jacoby and Kyner, (1973): “the biased (i.e., nonrandom) behavioral response (i.e., purchase) expressed over time by some decision making unit with respect with one or more alternative brands out of a set of such brands, and is a function of psychological (decision-making, evaluative) process”.

by presenting distinctiveness of service, scholars contend the construct The concept differs from brand loyalty that extends to service organizations. According to Gremler and Brownb (1996) Service loyalty is the degree to which a customer exhibits repeat purchasing behavior from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service arises. Based on J Rowley (2005) Customers may demonstrate their loyalty by staying with a provider or by increasing the number of purchases or the frequency of their purchases or even both.

loyalty has been defined as repeat purchasing frequency or relative volume of same-brand purchasing (Beerli et al. 2004), and Huseyin et al. (2018), explains those customers who purchase goods/services of the company from time to time can be consider as loyal customer. According to Işoraitè (2016), customer Loyalty can be treated as a customer desire, willingness

to be a regular customer for a long time, buying and using the goods of the chosen companies by recommending them to friends and colleagues.

2.2. Theoretical Reviews

There are different studies conducted on loyalty and Researchers try to see loyalty by focusing on different perspective. In this part five different perspective of loyalty was discussed

2.2.1 Behavioral perspective

J Rowley (2005). Behavioral loyalty means consumers' repurchase behavioral or intension of specific brand Consumer's disposition to rebuy is an essential element of loyalty (Gremler and Brown, 1996). While behavior can be measured in number of ways, Jones and Sasser (1995), have argued that share of wallet is a key indicator of loyalty and stated that "the ultimate measure of loyalty, is share of purchases in the category". behavioral measures simply estimate frequencies with no examination of the reasons for purchases or the factors that may influence choices (Dick and Basu, 1994). behavioral measures are insufficient to explain how and why brand loyalty is developed and/or modified, high repeat purchase may reflect situational constraints, such as brands stocked by retailers, whereas low repeat purchase may simply indicate different usage situations, variety seeking, or lack of brand preference within a buying unit. It is clear that behaviour is insufficient as a measure of store or brand loyalty, as a result, the extent to which behavioural measures are of benefit in developing long-term loyalty strategies is clearly questionable (O'Malley, 1998).

2.2.2 Attitudinal perspective

Shih-I C (2011), attitudinal loyalty means consumers' sense of specific products or service. Attitude denotes the degree to which a customer's disposition towards a service is favorable inclined (Azjen and Fishbein, 1980). This is reflected in the willingness to recommend a service provider to other consumers or the commitment to repatronize a preferred service provider (Gremler and Brown, 1996). Based on a favourable attitude towards a service provider, customers may develop preference loyalty (Ruyter et al., 1997). This approach also sees a loyal customer as attached to a brand, and when their positive beliefs are reinforced, these customers are said to buy a brand more often (Riley et al., 1997).

2.2.3 Cognitive perspective

In addition to attitude, it has been argued that the loyalty may also be based on cognition (Lee and Zeiss, 1980; Oliver, 1996) showed that the degree to which consumers are exposed to information, advertising increases providing more the opportunity ability for and confidence product related to process elaboration resulting in product commitment. Customer loyalty is frequently operationalised as a conscientious evaluation of the price /quality ratio or the willingness to pay a premium price, or alternative price indifference (Fornell, 1992).

2.2.4 Repurchase intent

This final component of service loyalty is often used as the primary measure of service loyalty (Fornell, 1992). Including repurchase intent as a separate component of service loyalty seems justified, as it is not well understood how predictive repurchase intent of actual purchase behaviour (Anderson and Fornell 1994;

2.2.5 Mixed perspectives

Scholars see Loyalty as multi-dimensional. Išoraitė (2016), says customer Loyalty is a voluntary user solution for a long time to build relationships with the company and it covers behavioral (a frequent and regular shopping, purchase quantity, size, range, availability, etc) and positional components (customers' approach to business), Touzani and Temessek,(2009) express that there are three approaches of brand loyalty behavioral (Repetitive purchase over Time), attitudinal (Strong positive attitude toward the brand relative to competing brands) and the composite approach (examine simultaneously both components). Gremler and Brownb (1996) also identify three separate dimensions behavioral loyalty, attitudinal loyalty, and cognitive loyalty. Dick and Basu (1994) argue that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage, and that it has both attitudinal and behavioral elements. Bowen and Chen (2001) describe three approaches for the evaluation of customer loyalty: (1) behavioral measurement, (2) attitudinal measurement, and (3) composite measurement (a combination of behavioral and attitudinal measurements).

Customer loyalty is also considered a dual-dimensional construct, comprised of calculative (cognitive) and one emotional (affective). Cognition is the process of understanding and affect is the emotional feeling that arises out of such knowledge. Ranganathan et al (2013),), affective components play major role in creating customer loyalty (Touzani and Temessek, and 2009), and (Yu. and Dean,2001),)

2.3. Importance of customer loyalty

Customer loyalty is critical to the conduct of business in today's competitive market. Creating loyal customers is at the heart of every business (Kotler and Keller, 2006). The benefit of customer loyalty to provider of either service or products include lower customer price sensitivity, reduced expenditure on attracting new customers, improved organizational profitability (J Rowley, 2005) and also Loyal customers helping to ensure the company's business success, also enable it to maintain costs lower than those associated with attracting new customers. Consistently assuring high level of customer loyalty not only creates tremendous competitive advantage but also boost employee morale and productivity (Lam et al. 2004).

The importance of loyalty is higher in service organizations, so that service organizations should take extra effort to attain higher level of customer loyalty (Ahmed and Abdulrab , 2017). Developing customer loyalty is central particularly in the service sectors because it generate positive word-of-mouth. It is an important factor of market share and profitability. Hence, customer loyalty has a powerful impact on firm's performance and is considered by many companies as an important source of competitive advantage.

2.4. Empirical Literature review

There has been a growing interest in recent years in analyzing the factors that influencing customer loyalty. As a result, there are numerous works in marketing which have attempted to explain the relationships between customer loyalty and various variables regarded as antecedents. The following table shows how authors show those relationships

Customer loyalty is the basic requirement in different area, so authors try to measure customer loyalty by focusing on different variables. Akhter, et Al (2011) conducted a research on factors influencing customer loyalty by using Customer satisfaction, customer relationship, image of the product, trustworthiness as a determinant variable around the globe in general and in Pakistan in particular and they founds positive relationship among customer satisfaction, customer relationship, image of the product, trustworthiness and customer loyalty. Ahmed, And Abdulrab (2017) exploring the influence of factors on customer loyalty by using customer satisfaction, service quality, trust, perceived value, perceived enjoyment, and technology leads as variables in service sector and they founds that customer satisfaction, service quality, trust, perceived value, perceived enjoyment, and technology have more significant as well as positive Influence on the customer loyalty.

Studies also conducted in banks on factors affecting customer loyalty to see which variable have effect on customer loyalty in different area, Phong (2017) investigate customer loyalty factors in Vietnam Retail Banking Industry by using customer satisfaction, switching cost and trust and found Strong and positive relationship between customer loyalty and its determinants customer satisfaction, switching cost and trust. Muhammad et al. (2015) used trust, customer satisfaction and service quality to measure Factors affecting Customer Loyalty in Banking Sector in Bahawalpur (Pakistan), they founds Trust, customer satisfaction and service quality has significant effect on customer loyalty. Maroofi (2013) found Trust, habit and reputation have a remarkable effect on customer loyalty on their study on Factors Affecting Customer Loyalty of Using Internet Banking in Iran. Akhter, et Al. (2011) conducted a research around the globe in general and in Pakistan in particular on factors which influence customer loyalty by using Customer satisfaction, customer relationship, image of the product, trustworthiness and they founds

that positive relationship among customer satisfaction, customer relationship, image of the product, trustworthiness and customer loyalty. Chunnoo, and Chen (2019) use Service quality, corporate image, trust and switching cost to measure Customer Loyalty determinants on Foreign Banks in Malaysia and found service quality, corporate image and switching costs, are the main factors most likely to influence customer loyalty of foreign banking customers.

in Sub-Saharan African banking industry Magasi (2016) conducted research to measure Determinants of customer loyalty by using perceived quality, customer satisfaction switching cost, trust and commitment as a variable and he found perceived quality, customer satisfaction and trust are the major determinants of customer loyalty.

There is little research conducted in Ethiopia in measuring the factors affecting customer loyalty in banking sector. Aregawi (2018), conducted a research on Factors Affecting Customer Loyalty in Dashen Bank Adigrat area Branch by using Service quality, customer satisfaction, customer complain handling, and commitment as a determinant factors and he founds that Perceived service Quality, customer Satisfaction, customer and Complaint Handling were the factors that influence customer Loyalty of the bank customers

To generalize the results of the studies there are two groups of loyalty antecedents should be taken into consideration. They are loyalty's major factors , which include, customer's satisfaction, trust , and service quality. And also loyalty's other factors , those loyalty factors added based on the research nature and context like commitment, switching cost, customer habit, technology... for this paper customer's satisfaction, trust, commitment, switching cost, and service quality will be used to measure customer loyalty factors in Awash bank.

2.5. Conceptual Framework and Research Hypothesis

2.5.1. Customer Satisfaction and Customer Loyalty

The extent of satisfaction is usually high when the customer provides minimum value and gets most of usage and profit (Jamal & Kamal, 2004), it is characterized as a client's general assessment of the performance of an offering to date. Different scholars consider customer satisfaction as one of the determinant factor for the customer loyalty. Customer loyalty decision is related with whether they are satisfied or not satisfied by the service. It is utilized to clarify loyalty as behavioral purposes. Different study Aregawi (2018), Muhammad et al.(2015) and Huseyin et Al. (2018), found that there is positive relationship between satisfaction and customer loyalty. satisfaction can be measured in different ways Aregawi(2018), used Four items to measure satisfaction as factor affects loyalty in the banking industry those are positive post purchase behavior, expectation, promised values and awareness creating efforts in particular. As a result, the first hypothesis is stated as follows:

Hypothesis 1

- **Ho:** Customer satisfaction has positive and significant influence in determining customer loyalty
- **Ha:** Customer satisfaction has no positive and significant influence in determining customer loyalty

2.5.2. Commitment and Customer Loyalty

Meyer and Allen (1997) defined Commitment as a force that binds an individual to buy from a supplier that can be affective, normative or instrumental. According to Morgan and Hunt (1994) Commitment is defined as a desire to maintain a relationship. Commitment stems from trust, shared values and the belief that it will be difficult to find partners that can offer the same value. Commitment inspires customers to be loyal for a given service provider. Company commitment is one of the variable that have an impact on customer loyalty, results from studies shows that

commitment is one of customer loyalty Aregawi (2018), and Afsar et Al. (2010) and . According to Aregawi (2018), commitment can be measured by using 5 items service adjustment effort, personalized service delivery effort, effort to change service, ability to be flexible and effort to give special attention in serving individual customer need. Therefore, a second hypothesis is proposed:

Hypothesis 2

- **Ho:** Commitment has positive and significant influence in determining customer loyalty
- **Ha:** Commitment has no positive and significant influence in determining customer loyalty

2.5.3. Switching Cost and Customer Loyalty

The other factor that affect customer loyalty is Switching cost, it makes difficult or costly for customer to change providers. It can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change brand Shergill and Bing (2006). Porter (1998) defines switching cost as one-time cost facing the buyer when switching from one supplier's product to another's. In addition to objectivity measurable monetary costs, switching costs may also pertain to the time and psychological effort involved in facing the uncertainty of dealing with a new service provider (Bloemeret al. 1998). Studies show that switching cost has one of the influencing factors in customer loyalty. Study by Afsaret Al. (2010), and Chunnoo, and Chen (2019),founds that When switching costs are high, customers generally are more likely to be compelled to stay with their current service provider. To measure switching cost the paper will use three items that are related to information or searching cost, relationship cost and opportunity cost. Therefore, the third hypothesis is proposed as below:

Hypothesis 3

- **Ho:** Switching cost has positive and significant influence in determining customer loyalty
- **Ha:** Switching cost has no positive and significant influence in determining customer loyalty

2.5.4. Trust and Customer Loyalty

Trust causes devotion because it reduces the cost of negotiating agreements and lessens customer's fear of opportunistic behavior by the service provider. According to Morgan and Hunt (2004) trust has been defined as the willingness of customers to rely on an exchange partners in who one has confidence or confidence in an exchange partners reliability and integrity. Research by, Muhammad et al.(2015)found trust has positive relationship with customer loyalty, Afsar et Al.(2010)also found that trust is one of the influencing factor of customer loyalty. Muhammad et al. (2015) use banks confidentiality, honesty, reliability. And ability to meets customer needs, as four measurement item. As a result, the fourth hypothesis is stated as follows:

Hypothesis 4

- **Ho:** Trust has positive and significant influence in determining customer loyalty
- **Ha:** Trust has no positive and significant influence in determining customer loyalty

2.5.5. Service quality and Customer Loyalty

Service quality is one of a profound input on customer loyalty . Service quality happens when a service association gives benefit that fulfills the consumer's needs (Metters et al., 2003). Basically service quality is characterized as the satisfaction of client expectations(Muhammad et Al., 2015). Almost all paper uses service quality as customer loyalty determinant and found that it influence positively. Therefore, the following hypothesis is stated as:

Hypothesis 5

- **H₀**: service quality has positive and significant influence in determining customer loyalty
- **H_a**: service quality has no positive and significant influence in determining customer loyalty

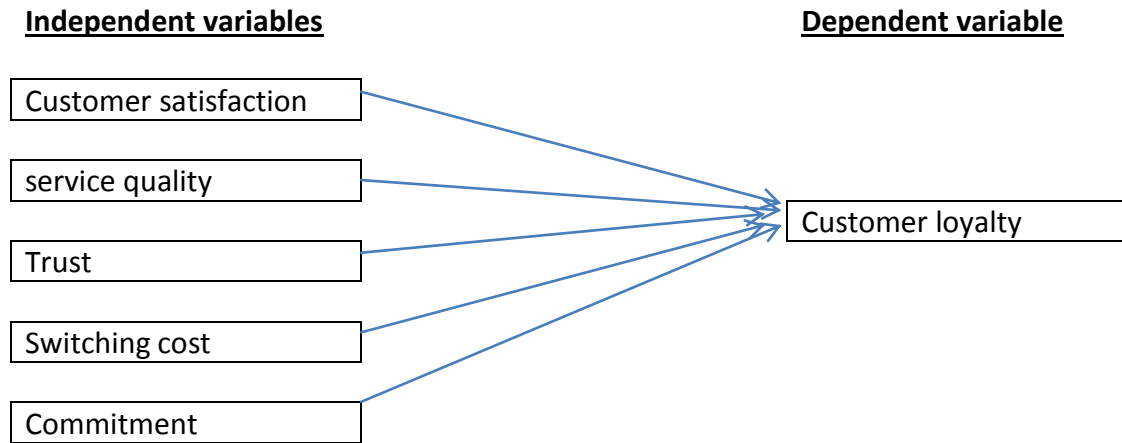


Figure 2.1. Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Area

This study was carried out in Addis Ababa City which is the capital city of Ethiopia. for the purpose of addressing different group of customer the researcher select purposely four different Awash bank branches;- Merkato Mehal Gebeya branch, Urael branch, Mehal Arada branch and Jacros Branch, which is one branch from each district.

3.2. Research Design

This study employs an explanatory survey research study design following more of quantitative approach to examine the determinants of customer loyalty in Awash bank. The research design in this study also used a descriptive analysis, to describe the customer characteristics and variables. Also It examine the independent variables and dependent variables and how they interrelated to each other. It uses a multiple regression analysis to test the hypothesis drown and their relationship.

3.3. Data Type and Source

This paper uses primary and secondary data. The primary data was collected from the customer by using questioner that includes three major parts and it used to address the objectives. Secondary data were collected from different articles and bank reports; it was used to support the argument in developing the variable and statement of the problem.

3.4. Data Collection Methods and Instruments

The primary data were collected from customer through questioner. The questioner have two parts the demographic questionnaire (DQ), and the customer loyalty questionnaire (CLQ). The DQ used to gather information about respondents' sex, age, educational level, and loyalty status, The CLQ were consist of 24 items related to the customer loyalty factors , based on the literature. The statements were phrased with a possible response continuum based on a Likert-scale, five-point scale (1 = strongly disagree to 5 = strongly agree).

3.5. Sample Size Determination and Sampling Methods

Sampling is process of selecting a smaller group of people that have the same characteristics and preferences as the total group (Wrenn. B et,al. 2002). Sampling of this study aimed at reaching the repeated customers who use Awash bank service in selective four branches in Addis Ababa. The sampling procedure used in the study were non-probability convenient sampling. As obtained from the bank documents, currently Awash bank has about 29,359 active bank service customers served by the selected four branches. According to Krejcie and Morgan (1970) table for sampling decision, a sample of 379 can used to represent 30,000 populations. from each branches to represent the population, the sample were selected proportionally related to their population or customer size. Based on Krejcie and Morgan (1970) table Sample customers of the study was, 379. To eliminate the sampling errors and ensure the representation of the population under study all sampling customer filled the questioner within two week intervals

Table 3.1.. Sampling table from four branches Based on April 2020, branches data

	Branch name	Over all account	Inactive account	Percentage of inactive customer	Current active accounts	branch population proportion	sample size
1	Mehal Gebeya	7781	3338	42.9	4443	15.13	57
2	Urael	9532	4626	48.5	4906	16.71	63
3	Jackross	4454	1392	31.3	3062	10.43	40
4	MehalArada	32644	15696	48.1	16948	57.73	219
	Total	54411	25052	46	29,359	100	<u>379</u>
<p><i>Source , Awash bank branches 2020</i></p>							

3.6. Methods of Data Analysis

In this study descriptive statistics were used as the first stage of the analysis of data to provide detail information about each relevant variable used. At this stage, mean, standard deviation, maximum and minimum values of the required variables were computed.

The study used the Pearson Correlation method to test the hypotheses and to show the relationship between independent variables (satisfaction, commitment, trust service quality of the bank and switching cost) and customer loyalty as a dependent variable. It also uses a multiple regression analysis to show the simultaneous impact of the independent variables on the dependent variable.

3.7. Data Processing and Presentation

to process and analyzed the data collected from the customers, IBM SPSS statistics version 20 software were used, and the processed data were presented by using tables.

3.8. Description of Variables

3.8.1. Dependent Variable

In this study, the dependent Variable is customer loyalty. According to Işoraitè (2016), customer Loyalty can be treated as a customer desire, willingness to be a regular customer for a long time, buying and using the goods of the chosen companies by recommending them to friends and colleagues.

3.8.2. Independent Variables

Customer Satisfaction it is characterized as a client's general assessment of the performance of an offering to date.

- **Commitment** a force that binds an individual to buy from a supplier that can be affective, normative or instrumental (Meyer and Allen 1997). According to Morgan and Hunt (1994) Commitment is defined as a desire to maintain a relationship.
- **Switching Cost the** technical, financial or psychological factors which make it difficult or expensive for a customer to change brand (Shergill and Bing 2006).
- **Trust;** trust has been defined as the willingness of customers to rely on an exchange partners in who one has confidence or confidence in an exchange partners reliability and integrity (Morgan and Hunt 2004)

- **Service quality** Service quality happens when a service association gives benefit that fulfills the consumer's needs (Metters et al., 2003).

3.8.3. Model Specification

The following general econometric model was used to estimate quantitatively the customer loyalty in selective four branches of Awash bank.

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$$

Where

- Y is the dependent variable - loyalty
- X_1 = trust , X_2 =satisfaction, X_3 =switching cost , X_4 =commitment, X_5 =service quality are the independent variables;
- β_0 is the intercept term-it gives the mean or average effect on Y of all the variables excluded from the equation, although its mechanical interpretation is the average value of Y when the stated independent variables are set equal to zero.
- $\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 are also refer to the coefficient of their respective independent variables which measure the change in the mean value of Y , per unit change in their respective independent variables.

CHAPTER FOUR

RESULTS AND DISCUSSION

This chapter presents the results and analysis of data that were gathered from Awash bank customers through questionnaire. As per the sampling design 379 questionnaires were distributed to Awash bank customers in four branches. From the total distributed questionnaires which distribute to customers 375 or 99% questionnaire were found to be completed correctly and used for further analysis and the remaining 4 questionnaires were found invalid.

Table 4.1. Respondent number

	respondent branch used				Total
	Mehal Gebeya	Mehal Arada	Urael	Jackross	
Sample plan	57	219	63	40	379
Actual collected data	57	217	62	39	375
Invalid response	0	2	1	1	4

Source , sample survey 2020

The questionnaire data were analyzed using SPSS. Simple descriptive statistics, correlation analysis and multiple regressions formed the major part of quantitative data analysis. Firstly, descriptive statistics were used to study the sample profile and variables. Pearson correlation coefficients matrix was used, to study the relationship between customer loyalty (dependent variable) and the independent variables (trust, customer satisfaction, commitment, service quality and switching cost) of the study, Then multiple regression analysis were performed to see the relationship between customer loyalty and customer loyalty factor variables (trust, switching cost, satisfaction, service quality and commitment) and to test the hypothesis.

4.1. Validity and reliability of the Instrument

4.1.1. Content validity

Involves the degree to which the study is measuring what it is supposed to measure. More simply, it focuses on the accuracy of the measurement (John et.al, 2007). All measures used to construct the instruments have shown acceptable level of construct and content validity in previous studies and are used in this study with slight modification. The questioners are adapted from journal of Muhammad et al. (2015) and Aregawi (2018), under related research title. Additionally, several measures were employed Such measures are clarity of instructions, clarity of the questions to ensure that the results are free from errors.

4.1.2. Reliability Analysis

To check the internal reliability of the instrument, Cronbach's Alpha (CA) was run and tested.

Table 4.2. reliability test		
	Reliability Statistics	
	Cronbach's Alpha	N of Items
Trust	.871	4
Satisfaction	.936	4
Swiching cost	.788	3
commitment	.886	4
Service quality	.921	5
Customer loyalty	.921	6
over all	0.968	26
<i>Source , sample survey 2020</i>		

The overall value of Cronbach's Alpha comes to 0.968, which is above the standard value proposed by Nunnally (1978) that is 0.70. This shows that the instrument used to measure customer loyalty is reliable. It implies we can apply different statistical tests and interpret the results with confidence.

4.2. Characteristics of Respondents

4.2.1. Respondent gender, marital status, education and occupation

Table 4.3. Respondent gender, marital status, education and occupation

		Number	Percentage
Respondents gender	Male	201	53.6
	Female	174	46.4
Total		375	1
Marital status	Married	170	45.33
	Single	199	53.07
	Divorce	6	1.6
Total		375	1
Respondents Educational level	8 and below grade 8	8	2.13
	10 and below grade 10	26	6.93
	12 and below grade 12	12	3.2
	TVET	22	5.87
	Certificate	28	7.47
	Diploma	111	29.6
	degree completed	149	39.73
	masters and above	19	5.07
Total		375	1
Respondents Occupation	business man	141	37.6
	Employee	224	59.73
	Student	10	2.67
Total		375	1
<i>Source , sample survey 2020</i>			

According to the survey, 46.4% (174) of the respondents are female and 53.6% (201) of the customers are males. This figure signifies that most of the respondents are men & this implies that more men are visiting the bank than female.

Moving on to marital status, the table above shows that 199(53.07 %) are single, 170(45.33 %) got married, and 6 (1.6 %) are divorced . This figure signifies that most of the respondents are single & this implies that more single are visiting the bank compare with other.

According to the survey result the respondent's educational levels shows ; 8 (2.13 %) of respondents are less than grade 8, whereas 26 (6.93 %) are less than 10 grade , 12 (3.2 %)less than 12 grade, 22 (5.87 %) of respondent's are TVET level , 111 (7.47 %) , 28 (29.6 %) respondents are certificate holder, respondents are diploma completed,149 (39.73 %) respondents are degree level completed , and 19 (5.07 %) are masters and above holders. The above result indicates clearly that majority of the banks customers are educated.

Regarding respondent occupation type from the overall respondents based on the survey result 141(37.6 %) of the respondents are business man, 224 (59.73 %) of the respondents are employees and 10 (2.67 %) of them are students. The result indicates that majority of the respondents are employees, it implies majority of the customers visiting the bank are employees.

4.2.2. Respondents age and income

Table 4.4 shows the collective average or mean income and Age value of the total respondents. Based on the survey result the average or mean value shows income of 19,320 birr and age of 31. The result implies that most respondent that participate in this study are young with the average income of 19,320 birr per month.

Table 4.4. Respondents age and income

Descriptive Statistics				
	N	Minimum	Maximum	Mean
Respondents Monthly income	375	600.000	500000.000	19320.08533
Respondents Age	375	19.0	55.0	31.144
Valid N (listwise)	375			
Source , sample survey 2020				

4.2.3. Time in using the bank

Table 4.5. Time of use

		Total	percentage
Time in using Awash banks service	Below 1 year	22	5.87
	1 – 5 years	180	48.
	5 - 10 years	104	27.73
	10 – 15 years	46	12.27
	Above 15 years	23	6.13
Total		375	1
Source , sample survey 2020			

The above table show the loyalty time of the respondent, from the overall respondents asked to indicate how long they have been using the bank service, 22 (5.87%) are selected below one year 180(48.%) lie under 1-5 years, 104(27.73%) under 6-10 years, 46(12.27%) under 11-15 years and 23(6.13%) above 15 years. The result indicates majority of respondents are a loyal customer with experience of using the bank service for years.

4.3. Variables descriptive analysis

4.3.1. Trust

Table 4.6. Trust mean result

trust items		SA	D	N	A	SA	Total	Mean	Std. Deviation
This bank keeps my information confidential.	Frequency	38	10	45	176	106	375	3.81	1.178
	Percentage	10.1	2.7	12.0	46.9	28.3	100		
This bank is honest.	Frequency	43	20	78	113	121	375	3.66	1.291
	Percentage	11.5	5.3	20.8	30.1	32.3	100		
This bank is reliable.	Frequency	42	2	44	171	116	375	3.85	1.198
	Percentage	11.2	.5	11.7	45.6	30.9	100		
This bank meets my needs.	Frequency	33	60	48	118	116	375	3.60	1.308
	Percentage	8.8	16.0	12.8	31.5	30.9	100		
Over all average	Frequency	39	23	53.75	144.5	114.75	375	3.728	1.243935
	Percentage	10.4	6.13	14.33	38.53	30.6	100		
SD=Strongly Disagree, D=Disagree , N=Neutral, A=Agree And SA= Strongly Agree Source , sample survey 2020									

The above table shows summary frequency, mean and standard deviation analysis result for items or questions related to trust factors,. The mean is the average value of participants“ response, and the standard deviation is the measure of dispersion from the mean. The overall mean of trust related factors is 3.73. Regarding the frequency result even if more than half of the respondents selected agree (38.5%) and strongly agree (30.6%) to all trust items, but there are also significant number of respondents says neutral(14.3%), disagree(6.1%) and strongly disagree(10.4%) for all trust item. This result shows us large number of the respondents has good level of trust by which the average result is above the average, 3.73 level that is approximates to agree level.

4.3.2. Customer satisfaction

Table 4.7 customer satisfaction mean

Satisfaction items		SD	D	N	A	SA	total	Mean	Std. Deviation
I am satisfied with the decision to choose this bank	Frequency	38	16	24	199	98	375	3.81	1.173
	Percentage	10.1	4.3	6.4	53.1	26.1	100		
This bank leaves me a pleasant impression	Frequency	29	58	89	114	85	375	3.45	1.216
	Percentage	7.7	15.5	23.7	30.4	22.7	100		
I want to return to this bank in the future	Frequency	38	24	42	192	79	375	3.67	1.176
	Percentage	10.1	6.4	11.2	51.2	21.1	100		
I will advise about this bank to my friends.	Frequency	39	32	46	175	83	375	3.62	1.216
	Percentage	10.4	8.5	12.3	46.7	22.1	100		
Over all average	Frequency	36	32.5	50.25	170	86.25	375	3.6375	1.19525
	Percentage	9.575	8.675	13.4	45.35	23	100		
SD=Strongly Disagree, D=Disagree , N=Neutral, A=Agree And SA= Strongly Agree									
Source , sample survey 2020									

the above customer satisfaction items table result shows 45.35 % and 23% of the respondent agree and strongly agree that, they are satisfied with the decision to choose Awash bank, bank make them pleasant impression, they want to be loyal and willing to advise Awash bank to their friends, but still respondents of 9.57% and 8.67 % are strongly disagree and disagree respectively, while the remaining 13.4% are neutral. from the mean value 3.64 which shows that customers have good level of satisfaction because the mean value is considered as moderate. Therefore, we can conclude that customers' of Awash Bank have good level of satisfaction because the mean value shows 3.64 that is close to agree or 4.

4.3.3. Switching cost

According to table 4.8. result summary frequency, mean and standard deviation analysis result for questions related to customer switching costs , from the over all respondents only 14.07% and 22.97% respondents says strongly agree and agree respectively, it means less than 50% of respondents. The overall mean result shows 3.01 that is the average, it implies large number of the respondents believes that there are low level of switching costs and it indicates the costs (information, relationship and dissatisfaction) related to switching from Awash bank to other competitive banks for respondents are minimum

Table 4.8 switching cost mean result

Switching cost Items		SD	D	N	A	SA	Total	Mean	Std. Dev
To change to another bank involves investing time in searching for information about other banks	Frequency	53	115	88	55	64	375	2.9	1.3
	Percentage	14.1	30.7	23.5	14.7	17.1	100		
To change to another bank will lose a lot of personal relationship with current bank employee and management	Frequency	51	87	112	91	34	375	2.92	1.17
	Percentage	13.6	23.2	29.9	24.3	9.1	100		
To change to another involves a risk in choosing another bank which might turn out not to satisfy me	Frequency	39	79	85	112	60	375	3.2	1.24
	Percentage	10.4	21.1	22.7	29.9	16	100		
Overall average	Frequency	47.67	93.67	95	86	52.67	375	3.01	1.24
	Percentage	12.7	25	25.37	22.97	14.07	100		
SD=Strongly Disagree, D=Disagree , N=Neutral, A=Agree And SA= Strongly Agree									
Source , sample survey 2020									

4.3.4. Commitment

According to The table 4.9 result summary frequency, mean and standard deviation analysis result for questions related to commitment, from the overall respondents 20.87% and 34.2% respondents says strongly agree and agree respectively, it means above average .but

significance number of the respondents believes that there are low level of commitment. The overall mean result shows 3.5 that is above the average , which shows that good level of commitment because the mean value is considered as moderate. Therefore, we can conclude that Awash Bank have good level of commitment because the mean value shows 3.5 that is close to agree or 4

Table 4.9 commitment mean result

Commitment items		SD	D	N	A	SA	total	Mean	Std. Deviation
The bank makes several service adjustments to suit my needs	Frequency	24	48	67	145	91	375	3.62	1.169
	Percentage	6.4	12.8	17.9	38.7	24.3	100		
The bank offers personalized services to meet different customer needs differently	Frequency	18	53	93	156	55	375	3.47	1.057
	Percentage	4.8	14.1	24.8	41.6	14.7	100		
The bank is flexible when its services are changed	Frequency	26	34	127	105	83	375	3.49	1.137
	Percentage	6.9	9.1	33.9	28	22.1	100		
employees give you special attention	Frequency	32	46	106	107	84	375	3.44	1.206
	Percentage	8.5	12.3	28.3	28.5	22.4	100		
Overall average	Frequency	25	45.25	98.25	128.25	78.25	375	3.505	1.14225
	Percentage	6.65	12.075	26.225	34.2	20.875	100		
SD=Strongly Disagree, D=Disagree , N=Neutral, A=Agree And SA= Strongly Agree Source , sample survey 2020									

4.3.5. Service quality

the service quality items table 4.10 result shows 34.98 % and 27.04% of the respondent agree and strongly agree that, they easily withdraw money, equipment's are functional and continuous, bank staffs are interested in solving problems, error free recording and clear and understandable information but still 7.46% and 10.54 % respondents are strongly disagree and disagree respectively, while the remaining 19.6% are neutral on Awash bank service quality level. from the mean value 3.64 which shows that customers get good level quality service because the mean value is considered as moderate. Therefore, we can conclude that customers' of Awash Bank get good level of service quality because the mean value shows 3.64 that is close to agree or 4.

Table 4.10 service quality mean result

Service quality items		SD	D	N	A	SA	Total	Mean	Std. Deviation
Ease of depositing and withdrawing money from any branch	Frequency	26	44	63	139	103	375	3.66	1.195
	Percentage	6.9	11.7	16.8	37.1	27.5	100		
Continuous and ordered functionality of equipment such as computer and printer etc	Frequency	30	12	88	146	99	375	3.73	1.129
	Percentage	8	3.2	23.5	38.9	26.4	100		
Staff takes interest in solving problem	Frequency	28	68	46	134	99	375	3.55	1.261
	Percentage	7.5	18.1	12.3	35.7	26.4	100		
Bank Maintains error free records	Frequency	24	20	122	114	95	375	3.63	1.111
	Percentage	6.4	5.3	32.5	30.4	25.3	100		
Information provided by bank employees are clear and understandable.	Frequency	32	54	55	123	111	375	3.61	1.279
	Percentage	8.5	14.4	14.7	32.8	29.6	100		
Overall average	Frequency	28	39.6	74.8	131.2	101.4	375	3.636	1.195
	Percentage	7.46	10.54	19.96	34.98	27.04	100		
SD=Strongly Disagree, D=Disagree , N=Neutral, A=Agree And SA= Strongly Agree									
Source , sample survey 2020									

4.3.6. Customer loyalty

The table below shows summary frequency, mean and standard deviation analysis result for items or questions related to customer loyalty. The overall mean of loyalty related factors is 3.52.

This result shows us large number of the respondents went to be remain the customer of Awash bank because mean result is above the average, 3.52 level that is approximates to agree level.

Table 4.11 customer loyalty mean result

loyalty items		SD	D	N	A	SA	Total	Mean	Std. Deviat
I regularly visit this bank	Frequency	34	12	30	168	131	375	3.93	1.172
	Percentage	9.1	3.2	8	44.8	34.9	100		
I seldom think of changing this bank to another one	Frequency	36	64	119	104	52	375	3.19	1.163
	Percentage	9.6	17.1	31.7	27.7	13.9	100		
I use this bank each time	Frequency	32	45	74	131	93	375	3.55	1.224
	Percentage	8.5	12	19.7	34.9	24.8	100		
I need to make any financial transaction	Frequency	36	92	46	120	81	375	3.31	1.311
	Percentage	9.6	24.5	12.3	32	21.6	100		
I consider this bank as my preferred choice	Frequency	36	40	60	161	78	375	3.55	1.207
	Percentage	9.6	10.7	16	42.9	20.8	100		
Each time I want to make any financial transaction, this bank is my first choice.	Frequency	34	28	91	127	95	375	3.59	1.202
	Percentage	9.1	7.5	24.3	33.9	25.3	100		
Overall average	Frequency	34.67	46.83	70	135.17	88.33	375	3.52	1.21
	Percentage	9.25	12.5	18.67	36.03	23.55	100		
Source , sample survey 2020									

4.4. Gender and marital status difference on customer loyalty

Table 4.12 shows, mean and standard deviation of all variables by respondents gender, male and female. The result indicates male mean value for trust , satisfaction and quality is higher than female mean value with difference of 0.0554, 0.0049 and 0.1954 respectively, and also for loyalty questions male mean value is higher than female mean value with 0.1425. but in commitment and switching cost the female respondent mean value shows higher value than males with 0.0195 and 0.0956 respectively. the difference is little for all variables with mean difference 0.2 and less.

Table 4.12 gender mean result

Report							
Respondents gender		Trust	Customer Satisfaction	Service Quality	Commitment	Switching cost	Customer Loyalty
Male	Mean	3.7537	3.6629	3.7264	3.4963	2.9619	3.5879
	N	201	201	201	201	201	201
	Std. Deviation	1.06873	1.08709	1.06346	1.06198	1.10814	1.03683
Female	Mean	3.6983	3.658	3.531	3.5158	3.0575	3.4454
	N	174	174	174	174	174	174
	Std. Deviation	1.04601	1.10315	1.01336	0.89522	0.9519	1.01501
Total	Mean difference (m-f)	0.0554	0.0049	0.1954	-0.0195	-0.0956	0.1425

Source , sample survey 2020

The result in table 4.13 shows, mean and standard deviation of all variables by respondents marital status. Married respondents mean value for trust, satisfaction and quality, commitment and loyalty is higher than single and divorce, whereas switching cost mean value for single status respondent higher value than married and divorce respondents.

Table 4.13 marital status mean result

Report							
Marital status		Trust	Customer Loyalty	Service quality	Commitment	Switching cost	Customer Satisfaction
Married	Mean	3.8176	3.6784	3.8447	3.6118	2.8529	3.8176
	N	170	170	170	170	170	170
	Std. Deviation	.93493	.98101	1.03037	1.01687	1.00685	.98389
single	Mean	3.6508	3.4037	3.4884	3.4447	3.1072	3.5163
	N	199	199	199	199	199	199
	Std. Deviation	1.16282	1.06340	1.02938	.95549	1.05394	1.17692
Divorce	Mean	3.7500	3.0000	2.6000	2.5000	4.0000	4.0000
	N	6	6	6	6	6	6
	Std. Deviation	0.00000	0.00000	0.00000	0.00000	0.00000	0.0000
Total	Mean	3.7280	3.5218	3.6357	3.5053	3.0062	3.6607
	N	375	375	375	375	375	375
	Std. Deviation	1.05720	1.02786	1.04370	.98686	1.03831	1.09310

Source , sample survey 2020

4.5. Correlation analysis

Correlation intended to answer the direction and magnitude of relationship between the two variables (Cohen L, et al, 2005), the direction of the relationship can be +1 that is a perfect positive relationship -1 is a perfect negative relationship (Greener S, 2008). Pearson r is the most common used statistic for parametric correlation. According to Crano W D and Brewer B. (2002), Pearson correlation measure the extent to which variation in one measurement is accompanied consistently by direct or inverse variation in the other measure. Based on the correlation coefficient The association between variables can be very strong (for correlation coefficient > 0.7), Substantial (for correlation coefficient From 0.50 upto 0.69), Moderate (for

correlation coefficient From 0.30 up to 0.49), Low (for correlation coefficient From 0.10 up to 0.29), or negligible (for correlation coefficient From 0.01 up to 0.09),

Table 4.14 correlation

Correlations							
		Customer Loyalty	Trust	Service quality	Switching cost	Commitment	Customer Satisfaction
Customer Loyalty	Pearson Correlation	1	.812**	.832**	.307**	.786**	.849**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	375	375	375	375	375	375
Trust	Pearson Correlation	.812**	1	.793**	.337**	.756**	.905**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	375	375	375	375	375	375
Service Quality	Pearson Correlation	.832**	.793**	1	.263**	.815**	.827**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	375	375	375	375	375	375
Switching cost	Pearson Correlation	.307**	.337**	.263**	1	.355**	.387**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	375	375	375	375	375	375
Commitment	Pearson Correlation	.786**	.756**	.815**	.355**	1	.801**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	375	375	375	375	375	375
Customer Satisfaction	Pearson Correlation	.849**	.905**	.827**	.387**	.801**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	375	375	375	375	375	375
**. Correlation is significant at the 0.01 level (2-tailed).							
Source , sample survey 2020							

The Pearson correlation result in the above table shows service quality, commitment, trust and customer satisfaction are strongly association with loyalty at a correlation result of 0.832, 0.786, 0.812 and 0.849 respectively. On the other hand, switching cost has a moderate association with loyalty at correlation result of 0.307. Study by Pasha A T And Waleed A, (2016), Ali, R Et Al (2014), And Khokhar Z. Et. Al (2019) support the idea that there is positive relationship between loyalty and the three variables service quality, customer trust and customer satisfaction.

4.6. Multiple Regression analysis and Model Summary results

Regression analysis describes the proportion of variation in one dependent variable accounted for by the other independent variable (Greener S, 2008). In this paper multiple regression analysis used to see the relationship between loyalty and its variables and to test the hypothesis stated in the previous chapter. Crano W D and Brewer B. (2002), states multiple regression method used to know in what way the combination of several different variables relates to some particular measure.

4.6.1. R square

Table 4.15 R square

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.886 ^a	.784	.781	.48051
a. Predictors: (Constant), Service Quality, Switching Cost, Trust, Commitment, Customer Satisfaction				
Source , sample survey 2020				

R square measures weighted combination of scores on the “predictor” measures is used to create a predicted value on the variable of interest (the “criterion” measure)(principle). According to the above table result , the weighted combination of scores the independent variables is78.4%. it means the sum of factors of independent variables (trust, switching cost, customer satisfaction, commitment and service quality) factors explains 78.4% (R²=0.784) of the dependent variable (loyalty) .From this we can conclude that 78.4% of customer loyalty decisions are dependent up on the five loyalty factors in this study. Whereas, 21.7% of customer loyalty decisions are dependent up on other unspecified independent variables.

4.6.2. ANOVA

F-ratio shows or tests whether the overall regression method is a good fit for the data (*Dhakal c p (2019)*). According to *Dhakal c p (2019)* if $p < 0.05$ the regression model is good fit of the data. Based on the respondent ANOVA table result below $p = 0.000$ that is less than 0.05. The result indicates the regression model is good fit of the data

Table 4.16. ANOVA result

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	309.930	5	61.986	268.469	.000 ^b
	Residual	85.197	369	.231		
	Total	395.128	374			
a. Dependent Variable: LOYALTYLL						
b. Predictors: (Constant), service quality, Switching cost, Trust, Commitment, Satisfaction						
Source , sample survey 2020						

4.6.3. Multi-collinearity

Multi-collinearity occur when the independent variable are too highly correlated with each other. VIF value shows the degree that the variance in the regression estimates is increased due to multi- coluniarity. VIF value higher than 10 indicates that multi-colluniarity is a problem. As indicated in the table above, the VIF value of independent variables are below 10, this indicates that multi-collenearity is not the problem for the regression analysis.

Table 4.17. multi collinearity result

Model		Correlations			Collinearity Statistics		
		Zero-order	Partial	Part	B	Tolerance	VIF
1	(Constant)				.365		
	Trust	.812	.119	.056	.084	.425	2.354
	Customer Satisfaction	.849	.265	.128	.453	.229	4.361
	Switching cost	.307	-.018	-.009	-.011	.821	1.217
	Commitment	.786	.166	.078	.190	.250	3.996
	Service quality	.832	.319	.156	.329	.244	4.092

4.6.4. Normality and Homoscedasticity

Here normality and heteroscedasticity of the multiple regression was checked by using P-P plot and scatter plot can. Normality of residuals with a normal P-P plot in the picture below shows that the points generally follow the normal (diagonal) line with no strong deviations; this indicates that the residuals are normally distributed.

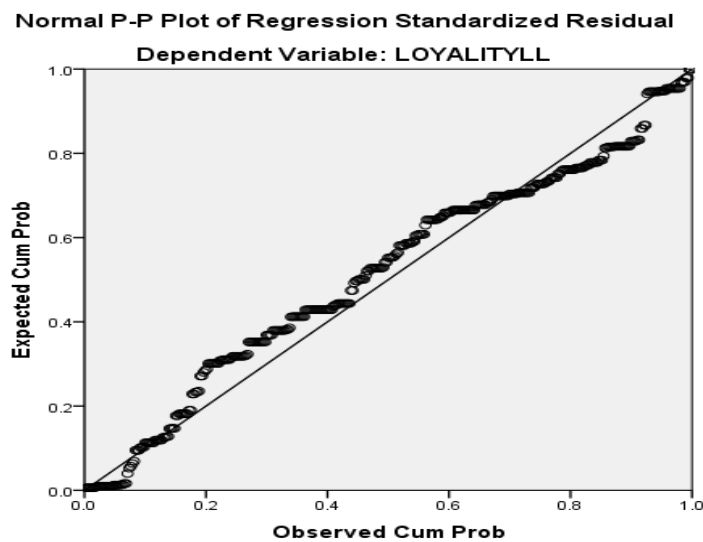


Figure 4.1 p-p plot for normality

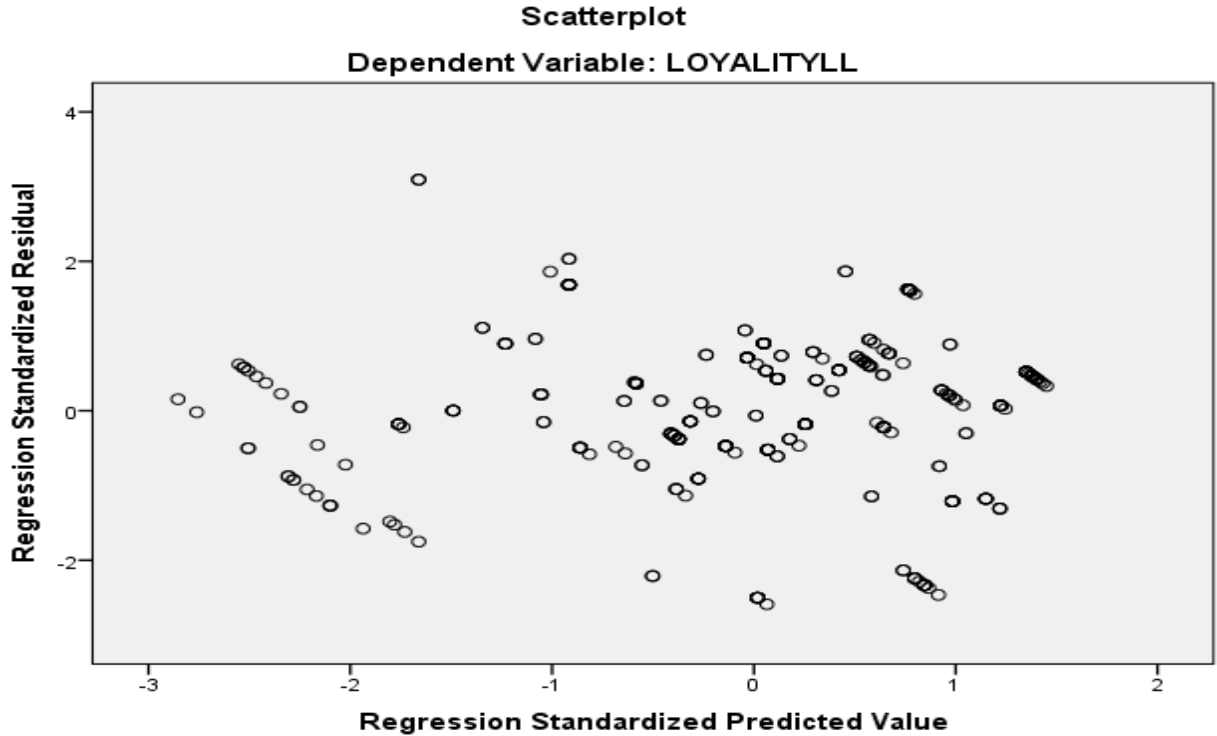


Figure 4.2 scatter plot for homoscedasticity

Homoscedasticity is the variance of the residual from the model is constant and unrelated to the independent variable(s), while non-constant variance is called heteroscedasticity. This variance can be estimated from how far the dots in the above scatterplot lie apart vertically. Therefore, the height of the above scatterplot should neither increase nor decrease as we move from left to right. We don't see any such pattern that's not the case here so linearity also seems to hold here.

4.6.5. Multiple regression Coefficients

According the table 4.17 beta result Customer satisfaction explain strongly the customer loyalty decision with (Beta=0.349), it means a one unit increase or positive change in customer satisfaction would lead to a 0.349 unit increase in the level of customer loyalty. service quality followed customer satisfaction with (B=0.319) and commitment and trust, followed with beta result of 0.149 and 0.133 respectively. But switching cost effect on loyalty is inverse with beta= -

0.009, it means for one level increase in switching cost there is a decrease in customer loyalty with 0.009.

Statistical significance of each independent variables measured to see the usefulness of each explanatory variable in the multiple regression model (Dhakal *c p*, 2019). According to Dhakal *c p* (2019) if $p < 0.05$ the coefficients are statistically significance.

Table 4.17. Multiple regression Coefficients

Model		Unstandardized Coefficients		Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Standardized Coefficients Beta			Lower Bound	Upper Bound
1	(Constant)	.179	.108		1.661	.098	-.033	.390
	Trust	.130	.056	.133	2.303	.022	.019	.241
	Customer Satisfaction	.328	.062	.349	5.285	.000	.206	.450
	Switching cost	-.009	.026	-.009	-.352	.725	-.061	.043
	Commitment	.155	.048	.149	3.242	.001	.061	.249
	Service quality	.315	.049	.319	6.465	.000	.219	.410
a. Dependent Variable: customer Loyalty								

Based on the above table, significant value of service quality, commitment, customer satisfaction and trust shows 0.000, 0.001, 0.000 and 0.022 respectively, that is below the significance level ($p < 0.5$), this means the four variables are significant to predict loyalty with significant coefficient of 0.32, 0.15, 0.35 and 0.133 respectively. Based on the above analysis we can conclude that the first (satisfaction), second(commitment), forth(trust) and fifth (service quality) null hypotheses that say there is positive and significant influence in determining

customer loyalty are accepted and the alternate hypotheses are rejected, which say there is no positive and significant influence in determining customer loyalty.

But switching cost result of p value shows 0.725, it is above 0.5, it indicates switching cost is not significant and not useful for the model. So that the third (switching cost) null hypotheses that say Switching cost has positive and significant influence in determining customer loyalty is rejected and the alternate hypotheses are accepted, which is Switching cost has no positive and significant influence in determining customer loyalty

4.6.6. Multiple Regression Model

The multiple regressions model on this study shows the influencing relationship between dependent variables (loyalty) and independent variables (satisfaction, service quality, trust, commitment and switching cost). The basic objective of using regression equation on this study is to make the researcher more effective at describing, understanding, predicting, and controlling the stated variable.

Mathematically,

$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5$ it means \underline{Y} is the dependent variable - loyalty , X_1 = trust , X_2 =satisfaction, X_3 =switching cost , X_4 =commitment, X_5 =service quality are the independent variables and β_0 is the intercept term and also β_1 , β_2 , β_3 β_4 and β_5 are also refer to the coefficient of their respective independent variables which measure the change in the mean value of Y, per unit change in their respective independent variables.

Based on the significant level result because switching cost or X3 influence on loyalty is not significant, it is not included in the regression model. Therefore, the mathematical formula becomes.

$$Loyalty = \beta_0 + \beta_1 (trust) + \beta_2 (satisfaction) + \beta_3 (commitment) + \beta_4 (service\ quality)$$

Or

$$Loyalty = 0.179 + 0.130 (trust) + 0.328 (satisfaction) + 0.155 (commitment) + 0.315 (service\ quality)$$

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

This descriptive and explanatory study assessed the influence of loyalty factors on Awash bank customer loyalty decision, to make recommendations about how to improve the customer loyalty level and reduce customer turn over. The discussion centered on the most important findings regarding the customer loyalty and its determinant variables. The survey method involved 375 respondents for better understanding the factors effect on loyalty. The respondent selected based on non-probability sampling method. Data were collected based on a structured person assisted questionnaire from customers of Awash bank. Analysis was done using both descriptive statistics including tools such as frequency, mean, standard deviation and correlation and a multiple linear regression analysis to identify the relationship between loyalty and its factors.

5.1. Summary of findings,

In this part the major findings that found from descriptive statistics, correlation and multiple regressions were presented in a summarized form, the summery result presented as follows:

Based on the descriptive analysis frequency and arithmetic mean values generated by the descriptive statistics, it shows that satisfaction (mean=3.64), trust (mean=3.74), commitment (mean=3.5), and service quality (mean=3.64) are above average closest to agree that is 4 and switching cost (mean=3.01) it is also above average but closest to the average cut-off point 3. This figure shows that customers of Awash bank are moderately agreed or satisfied with the bank performance and practice related to the five variables of loyalty.

The mean analysis result of gender and marital status shows. Married respondents mean value for trust, satisfaction and quality, commitment and loyalty is higher than single and divorce, whereas switching cost mean value for single status respondent higher value than married and divorce respondents. The gender result shows the number of male visiting the bank is higher than female and male mean value for trust, satisfaction and quality is higher than female mean value but in commitment and switching cost the female respondent mean value shows higher value than male.

The Pearson correlation result shows service quality, commitment, trust and customer satisfaction are strongly association with loyalty at a correlation result of 0.832, 0.786, 0.812 and 0.849 respectively. On the other hand, switching cost has a moderate association with loyalty at correlation result of 0.307. Study by Pasha A T And Waleed A, (2016), Ali, R Et Al (2014), And Khokhar Z. Et. Al (2019) support the idea that there is positive relationship between loyalty and the three variables service quality, customer trust and customer satisfaction. (14) Found positive correlation result between satisfaction and loyalty

Based on The multiple regression analysis result, the four variables service quality, commitment, customer satisfaction and trust are significant to predict loyalty and they have positive and significant influence in determining customer loyalty with significant coefficient of 0.32, 0.15, 0.35 and 0.133 respectively.. But switching cost is not significant and not useful for the multiple regression models and it has no positive and significant influence in determining customer loyalty Pasha A T And Waleed, A (2016) And Khokhar Z. et. al (2019) support the idea that there is positive and significant influence of the three variables service quality, customer trust and customer satisfaction on loyalty.

5.2. Conclusion

This explanatory study assessed the determinant factors for customer loyalty in Awash bank selective four branches in Addis Ababa to make recommendations about how to other branches can successfully make customer loyal. The discussion centered on the most important findings regarding the impact on customer loyalty in Awash bank. Data were collected based on a structured person assisted questionnaire from CUSTOMERS of the BANK. Analysis was done using both descriptive statistics including tools such as frequency, mean, and correlation and a multiple linear regression analysis to identify the relationship between.

The loyalty factors investigated in this study are good, according to the findings customers of Awash bank are moderately agreed or satisfied with the bank performance and practice related to the five variables of loyalty. From this result we can conclude that the bank is still not reaching the highest level to make its customer loyal. Because Awash bank is one of the leading bank in the industry to keep its position still it need improvements to make customer more loyal.

The mean analysis result of gender and marital status shows married respondents mean value for trust, satisfaction and quality, commitment and loyalty is higher than single and divorce, The gender result shows the number of male visiting the bank is higher than female and male mean value for trust, satisfaction and quality is higher than female mean value but in commitment and switching cost the female respondent mean value shows higher value than male. Based on this result we can conclude that there is in difference between treatment and focus based on gender and marital status, this violet the value of the business to treat customer equally irrespective of their gender and marital status.

From the finding service quality, commitment, trust and customer satisfaction are strongly association with loyalty with value of 0.832, 0.786, 0.812 and 0.849 respectively. This shows any positive improvement in service quality like improving the Easiness in depositing and withdrawing money, functionality of equipment, interest in solving problem, providing clear and understandable information and Maintaining error free records can improve customer loyalty positively, commitment, trust and customer satisfaction can bring a positive improvement for customer loyalty. So we can conclude that the four variables are very important for improving the customer loyalty in awash bank.

Based on The finding on multiple regression the four variables; service quality, commitment, customer satisfaction and trust are significant to predict loyalty and they have positive and significant influence in determining customer loyalty. But switching cost is not significant and not useful for the multiple regression models and it has no positive and significant influence in determining customer loyalty. From this finding it is found that satisfaction, commitment, trust and service quality plays a very crucial role towards the customer loyalty in Awash bank. Hence, all four (4) factors namely satisfaction, commitment, trust and service quality has a significant direct (positive) relationship on customer loyalty. For example one positive improvement in service quality like improving the Easiness in depositing and withdrawing money, functionality of equipment, interest in solving problem, providing clear and understandable information and Maintaining error free records can improve customer loyalty positively by 0.32, this effect is similar to all the rest three variables commitment, customer satisfaction and trust means one positive improvement of each variable will improve customer loyalty with value of 0.15, 0.35 and 0.133 respectively for each variable. To generalize any positive change in service quality, commitment,

customer satisfaction and trust will significantly and positively affect the customer decision to be loyal for the bank.

5.3. RECOMMENDATION

Based on the study descriptive findings, the result reveals that the Bank should improve on the loyalty variable to make customer more loyal for Awash bank. Especially on commitment and switching cost which have the lowest mean values compare with the other,

The number of women bank customers is lower compared to men and their mean response value for majority variable is below male. The bank should ensure that all customers are equally valued by staff to increase loyalty levels.

The study also reveals a significant relationship between service quality, commitment, and trust and customer satisfaction with loyalty. Therefore, it is highly recommendable for the bank to work on service quality, commitment, trust and customer satisfaction, especially on satisfaction and service quality because their effect on customer loyalty is larger.

Results provide evidence that service quality, commitment, trust and customer satisfaction influences customer loyalty significantly. Therefore, this research could be used as a guide for Awash bank to keep their focus on the variables service quality, commitment, trust and customer satisfaction affecting customer loyalty, and the managers need to take them into consideration in formulating strategies for developing and improving customer loyalty.

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ANNEXES

RESEARCH QUESTIONER

ST.MARY'S UNIVERSIY COLLEGE

SCHOOL OF GRADUATE STUDIES

MASTER OF MARKETING MANAGEMENT PROGRAM

Research Questionnaire

Dear sir/madam! the following questions are prepared for research purpose to be undertaken on factor affecting customer loyalty - in case of Awash bank in Addis Ababa for the partial fulfillment of master's degree in marketing management from st.mary's universiy college in masters of marketing management program. Your participation is greatly appreciated and all responses will be kept confidential. There are no right and wrong answers. All we are interested in is your opinion on quality of services about the bank.

Instruction

For the fulfillment of the purpose of this paper you are kindly requested to answer all of the following questions appropriately as per the requirements listed below. Your answers are confidential and only use for this master thesis study. No need for write your name.

I would like to thanks for your participation

Part I- Personal Information questions

Please select your choice and show your choice by making (√) on the box for your choice.

For example

1. please indicate your gender 1 Male 2 Female
2. Marital status 1. Married 2. Single 3. divorce
3. please indicate your Educational level
 1. not learned 2 8 and below grade 8
 - 3 10 and below grade 10 4 12 and below grade 12
 - 5 TVET 6 Certificate
 - 7 diploma 8 degree completed
 - 9 masters and above
4. please indicate your Occupation
 - 1 business man 2 Employee 3. student 4. Other _____
5. Monthly income _____
6. Age _____
7. **How long have you been using Awash banks service?**
 Below 1 year 1 – 5 years 5 - 10 years 10 – 15 years Above 15 years

Part two: customer loyalty measurement

- Please indicate your choice for the five scale interval statements List below about Awash Bank. Your choice indicates how you agree or disagree to each statement about the bank by using the following scale.

Strongly agree (SA) =5 Agree (A) =4 Neutral (N) =3

Disagree (D) =2 and strongly disagree (SD) =1.

- Please Show your selected choice by using (√) sign.

	Variables and Items	SD	D	N	A	SA	
	TRUST						Muhammad et
8	This bank keeps my information confidential.						al. (2015)
9	This bank is honest.						
10	This bank is reliable.						
11	This bank meets my needs.						
	CUSTOMER SATISFACTION						
12	I am satisfied with the decision to choose this bank						Muhammad et
13	This bank leaves me a pleasant impression						al. (2015)
14	I want to return to this bank in the future						Aregawi
15	I will advise about this bank to my friends.						(2018),
	SWITCHING COST						
16	To change to another bank involves investing time in searching for information about other banks						
17	To change to another bank will lose a lot of personal relationship with current bank employee and management						
18	To change to another involves a risk in choosing another bank which might turn out not to satisfy me						
	COMMITMENT						
19	The bank makes several service adjustments to suit						Aregawi

	my needs						(2018),
20	The bank offers personalized services to meet different customer needs differently						
21	The bank is flexible when its services are changed						
22	The employees give you special attention						
SERVICE QUALITY							
23	Ease of depositing and withdrawing money from any branch						Muhammad et al. (2015)
24	Continuous and ordered functionality of equipment such as computer and printer etc						
25	Staff takes interest in solving problem						
26	Bank Maintains error free records						
27	Information provided by bank employees are clear and understandable.						
CUSTOMER LOYALTY		SD	D	N	A	SA	
28	I regularly visit this bank						Muhammad et al. (2015)
29	I seldom think of changing this bank to another one						
30	I use this bank each time						
31	I need to make any financial transaction						
32	I consider this bank as my preferred choice						
33	Each time I want to make any financial transaction, this bank is my first choice.						