The Effect Of Relationship Marketing On Customer Loyalty In The Banking Industry The Case Of Commercial Bank Of Ethiopia Gondar Branches)

Wondim Atnafu Ashenef

Abstract: Customer loyalty in banking sector has seen a major concern to practitioners due to severe competition and higher customer expectations. Further to that, one way to enhance customer loyalty in banking sector is by focusing on creating long term relationship with customers in the developed countries there is a big problem of relationship marketing in insurance companies which results in customers not to be loyal for the company. This problem of not paying serious attention to relationship marketing and loyalty also occurs in developing countries including in Ethiopia .Banks need to have a good understanding of their customer behavior so that appropriate marketing strategies directed towards relationship building and customer retention can be developed. The objective of this study is, therefore, to examine the cause and effect relationships of antecedents of effective customer relationship management practices and extent of customer loyalty in the context of branches of the commercial bank of Ethiopia in Gondar city. In doing so, 398 samples were selected and incorporated in the study and both qualitative and quantitative research methods ,including a cross sectional survey approach has been used in gathering and analyzing the data and to identify the effect of relationship marketing on customer loyalty. By using multiple linear regression model independent variables were tested effectively based on beta value. The result of the study shows that the four relationship marketing dimensions namely trust(0.254), commitment (0.415), conflict handling(0.238),and empathy(.103) are significantly affecting customer loyalty in branch bank of commercial bank of Ethiopia operating in Gondar city.

Keywords; Relationship Marketing, Trust, Commitment, Conflict Handling, Empathy, and Customer Loyalty.

1. Introduction

1. 1 Background of the Study

Today's market place is very dynamic, energetic and competitive. The customers are better informed about any product or service, and have an access to many channels and choices which they take less effort to exercise. Customer can simply defect to competitors who promise and give better offerings at lower prices (Bhardwaj, 2007). The current business environments are characterized by increasingly saturated markets, caused by changes in the nature of competition to attain a comprehensive appreciation of customer needs. Meeting the growing complexity of the business environment has led to an ever-more diversified and demanding customer base (Barnes et al., 2004).

In the past several years the interest in retaining customers increased considerably. The attention of marketers shifted gradually but definitely from mutually independent transactions to loyalty based repeat purchases and cross-sell opportunities (Berry, 2005).
Berry (2005) perceived relationship marketing as a tool from which customer loyalty can be secured and, as a result, the attainment of higher competitiveness and increased customer loyalty. The empirical findings of Eisingerich, and Bell (2006), study suggests that, in managing client relationships, financial institutions should consider the relative effectiveness of individual relationship building strategies in increasing customer loyalty. Studies of financial services markets suggest that the use of relationship marketing can generate higher returns from customers (Greenbaum et al, 2003).
By building long lasting relationship with customers, organizations can also gain quality sources of marketing intelligence for better planning of marketing strategy. The application of relationship marketing is vital in these days. Because of stiff competition in the world and the influence of globalization .unablity in accepting relationship marketing will result for an organization to lose its potential customers and market share, failure of employees to understand the needs of customers which will have a negative impact on long term profitability of the organization (Kalyan Kumar, 2010).

It is important, therefore, to empirically examine the actual effect of the dimensions of relationship marketing on customer loyalty. Such understanding will help in effective management of bank-customer relationship and in achieving higher level of loyalty among customers. The study investigates the effect of four dimensions of relationship marketing – trust, commitment, conflict handlings, and empathy – on customer loyalty in commercial Bank of Ethiopia operating in Gondar City as branch bank.

1.2 Statement of the Problem

As the competitive environment becomes dynamic, the most essential issue the sellers face is not only giving excellent and quality products, but also to keep loyal customers who will contribute for long term profit to the organization(Liljander, V. and Roos, I. ,2002,). To compete in such turbulent marketplace, marketers are forced to go beyond the traditional 4p's strategy.
In the banking industry the big deal is not only providing quality service to customers, but stressing on how to build long term relation with the customers (Tabachnick, B. G, Fidell, L. S. ,1996). Relationship marketing has the power to create customers more loyal to the firm(Sheth, J.&Parvatiyar, A.,1995).

In the developed countries the use and application of relationship marketing did not perform properly(William h.green,2010). There is a big problem of relationship marketing in Iran financial institutions which results in customers not to be loyal for the company, which means poor attention and application of relationship marketing results in customer dissatisfaction and will enforce the customers to shift to other competitors in developed countries (Afshin Rahnama, 2012). There is also a relationship marketing and loyalty problems in Malaysia's banking industry, which assessed that low level of relationship marketing practice in Malaysian banks results lack of loyalty of customers with their bankers (Jalal R. M. Hanaysha,2011).

The above mentioned problems on the practice of relationship marketing and loyalty is also observed in African countries specifically in Nigeria banking industry due to poor attention and application of relationship marketing leads to lack of commitment and trust in the mind of customers and finally makes the customers not to be loyal (yakubu, 2010). Shifera bekele (2011), study established that though awareness of the relationship marketing
strategy by bank marketers was high, its implementation was rather low and unilateral in bank of Abyssinia which results in customers to shift to other banks finally customers are not loyal .
So the main reason what initiates the researcher to conduct this study is that there is no any research conducted electronically on this topic in commercial bank of Ethiopia operating as branch bank in Addis Ababa city and in detail to see the effect of relationship marketing on customers loyalty in commercial bank of Ethiopia operating in gondar City as branch bank. The target of this research is to investigate the relationship marketing dimensions such as trust, commitment, empathy and conflict handling of commercial bank of Ethiopia operating in Gondar City as branch bank to discover whether the dimensions have an effect on customers loyalty or not. The study wants to investigate the following issues;
1. Does relationship marketing dimensions have any effect upon the extent of bank customers' loyalty through effectuality?

2. Is there a relationship between relationship marketing dimensions (empathy, conflict handling, commitment, trust) and customer loyalty?

1.3 Objective of the study
1.3.1 General objective
The general objective of this study is to assess the effect of relationship marketing on customer loyalty in the case of Commercial Bank of Ethiopia operating in Gondar City as branch bank by analyzing the relationship of every construct in the theoretical framework.
1.3.2 Specific objectives
In assuring that the above general objectives will be achieved, there are few specific objectives that need to be accomplished in the case of commercial bank of Ethiopia operating in Addis Ababa city. These specific objectives of the study are the following.
➤To assess the extent of relationship marketing practice of Commercial Bank of Ethiopia in Gondar City.
➤To examine the loyalty level of customers of Commercial Bank of Ethiopia.
➤To identify the effect of banker's trust on customer's loyalty in commercial bank of Ethiopia.
➤ To examine the effect of banker's commitment to affairs of customers on customer's loyalty in commercial bank of Ethiopia.
➤ To identify the effect of banker's conflict handlings effectiveness on customer's loyalty in commercial bank of Ethiopia.
➤To identify the most influential independent variable that affects loyalty significantly.
➤To analyze the effect of banker's empathy to customers on customers loyalty in commercial bank of Ethiopia.

1.4 Hypothesis
H1: The extent of relationship marketing practice of Commercial Bank of Ethiopia in gondar City is low.
H2: The loyalty level of customers of Commercial Bank of Ethiopia in GONDAR City is low.
H 3: Banker's Trust on customers has a significant effect on customer's loyalty.
H 4: Banker's Commitment to customer's affairs has a significant effect on customer's loyalty.
H 5: Empathy of a banker to customers concerns has a significant effect on customer's loyalty.
H 6: Conflict handling effectiveness of a Banker has a significant effect on customer's loyalty.
H7: Conflict handling has more significant effect on customer's loyalty than other dimensions.

1.5 Significance of the Study

The results of this study will be significant in various respects. **Firstly**, on the basis of the findings of the study, the report draws some conclusions and identifies the effect of relationship marketing on customer's loyalty and gives signal to the banking sector to stress on the issue and customers will be benefited too because of improvement in the banking sector as a result of this study.

Secondly, it is a piece of contribution to the current knowledge in the practice of relationship marketing issues in Ethiopia and invites for further research to bring behavioral change in the areas of relationship marketing in the service sector at large.

Thirdly, it gives the researcher the opportunity to gain deep knowledge in the practice of relationship marketing in the banking sector.

2. Literature Review

2.1.1The Concept of Relationship marketing

Relationship marketing emerged in the 1980's as an alternative to the prevailing view of marketing as a series of transactions, because it was recognized that many exchanges, particularly in the service industry, were relational by nature (Berry, 1983; Dwyer et al., 1987; Grönroos, 1994; Sheth and Parvatiyar, 2000).Within a retail banking setting, Walsh et al. (2004, p. 469) define Relationship Marketing as "the tasks that the banks provide in order to create and interact with customers to have long lasting relationship''.

The concept of relationship marketing has emerged within the fields of service marketing and industrial marketing. The phenomenon described by this concept is strongly supported by ongoing trends in modern business. Grönroos defines relationship marketing in the following way: Marketing is to create, build, and foster relationships with customers, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfillment of promises. Such relationships are usually but not necessarily always long-term. Establishing a relationship, for example with a customer, can be divided into two parts: to attract the customer and to build the relationship with that customer so that the economic goals of that relationship are achieved Calonius et al(2000).

Another key element is *trust.* "The resources of the seller – personnel, technology and systems – have to be used in such a manner that the customer's trust in the resources involved and, thus, in the firm itself is maintained and strengthened". In a recent study of relationships on the market for one industrial service, Moorma *et al.* define trust as"...a willingness to rely on an exchange partner in whom one has confidence" (Philip Kotler,1991). This definition means, first of all, that there has to be a belief in the other partner's trustworthiness that results from the expertise, reliability or intentionality of that partner. Second, it views trust as a behavioral intention or behavior that reflects reliance on the other partner and involves uncertainty and vulnerability on the part of the trustor. If there is no vulnerability and uncertainty trust is unnecessary, because the trustor can control the other partner's actions. One should, however, bear in mind that in many relationship marketing situations it is not clear who is the trustor and who is the trustee; more likely, for example, in a simple two-partner relationship, both partners are in both positions (oliver,R.L. ,2006).

The Concept of Relationship Marketing Factors

In marketing literature, the relationship marketing has turned in to a theory according to key characteristics called trust, commitment, conflict handling and communication (Morgan &Hont, 1994, 20-38). This four dimensions as the bases for the relationship marketing directly affect the customer's loyalty and can easily predict it (Ndubisi, 2007, 99).

The Concept of Customer loyalty

Customer loyalty is defined as "a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts are having the potential to cause switching behavior" (Oliver, 1999, p. 34). Customer loyalty means that customers are committed t o purchasing products and services from a specific service provider and will resist the actions of competitors attempting to usurp their patronage, (Wilson, 1995, 335- 345). Loyalty must be seen as a biased repeat purchase behavior, or repeat patronage accompanied by a favorable attitude (Ndubisi,2007). Many companies tend to concentrate on seeking new customers after securing a customer's order,(Mowday et al., 1982).They do not understand the importance of maintaining and enhancing the relationships with their current customers i.e. too little emphasis is placed on generating repeat business, (Rensburg & Cant, 2003:119). Thus, the objective of relationship marketing is to turn new customers into regularly purchasing customers, and to progressively move them to being strong supporters of the organization (Ndubisi& Chan, 2005).

The Concepts Empathy and Loyalty

Relationship Marketing Orientation can be viewed as the ability to share, understand and feel another person's feelings in a relational situation. Thus, Sin et al. (2002) described empathy as dealing with a business relationship that enables two parties to see the situation from the other's perspective i.e. seeking to understand somebody else's desires and goals. In the banking sector for instance, the

front desk bankers must see themselves in the customer's shoe and serve them as such in other to keep them satisfied. Earlier studies have shown the relevance of empathy as a dimension of Relationship Marketing Orientation as shown in the work of Berry et al (1990) in designing SERVQUAL. Hwang (1987) in Chinese business relationships where empathy is seen as a sub-component of the Chinese dimension of guanxi in business and social relationships. Empathy is the ability to see a situation from another person's perspective (Wang, 2007). It is defined as seeking to understand somebody else desires and goals. It involves the ability of individual parties to view the situation from the other party's perspective in a truly cognitive sense (Chattananon & Trimetsoontorn, 2009). Empathy has a number of analogous meanings – the golden rule, the ethic of care and an "others" orientation. Empathetic marketers are not insensitive to the needs and concerns of the consumer. Empathy should not be equated with sympathy; marketers can be empathetic while still driving a hard bargain with customers (Murphy et al, 2007). In the personal selling literature, the empathetic abilities of the sales people are a prerequisite for successful selling (Sin et al, 2002).

The Concepts Commitment and Loyalty

Crosby and Taylor (1983) suggest that the tendency to resist changing preference provides the principle evidence of commitment. Beatty et al., (1988) define consumer commitment as the psychological attachment to a service that develops. A customer would be able to determine that their purchase behavior was derived from a sense of loyalty. A substantial research highlights that commitment is an affective nature (Garbarino & Johnson, 1991; Morgan & Hunt, 1994; Sheth & Parvatiyar, 2002). Affective commitment reflects a customer's sense of belonging and involvement with a service provider akin to emotional bonding (Fullerton, 2005), while calculative commitment is the way that the customer is forced to remain loyal against his or her desire (De Ruyter, Wetzels & Bloomer, 1998). In calculative commitment, customer can be committed to a selling organization because they feel that ending the relationship involves an economic to social sacrifice (Fullerton, 2005). However, although affective and continuance commitments are distinct components of commitment, there are not necessary mutually exclusive conditions (Allen & Meyer, 1990).

The Concepts of Trust and Loyalty

Liang and Wang (2006) states in this context that trust is "the perceived level of confidence in transaction partners' reliability and honesty". Trust is "the belief that a partner's word or promise is reliable and a party will fulfill his/her obligations in the relationship" (Schurr and Ozanne, 1985). Trust is an important construct in relational exchange because relationships characterized by trust are so highly valued that parties will desire to commit themselves to such relationships (Hreinian, 1974). To support this notion, trust has been posited as a major determinant of relationship commitment (Morgan and Hunt, 1994). Furthermore, (Moorman et al., 1993) found that trust by marketing research users in their research providers significantly affected user commitment to the research relationship.

The concepts of Conflict Handling and Loyalty

Dwyer et.al (1987) in interpersonal communication, conflict occurs when an individual perceives incompatibility between his or her personal goals, needs, or desires and those of the other party. In dealing with conflict, people use different strategies to accomplish their goals. In short, good conflict resolution will result relationship quality positively. Conflict handling is an important relationship builder. Even though it is difficult to service industries especially in banking sector to achieve zero service failure banks put in place effective conflict resolution or problem solving machinery.

Relationship marketing and its effect on Customer Loyalty

As noted, the ultimate goal of RM is to bolster already strong relationships and Convert indifferent customers into loyal ones (Ndubisi, 2007; Ndubisi and Chan, 2005; Hennig-Thurau et al., 2002). It is considered an effective strategy, not only for promoting loyalty and retaining customers, but is also crucial in moving target customers up the ladder of loyalty (Juhl , 2002). Relationship marketing brings stability and decreased uncertainty to the company by acting as a barrier to competitor entry and by keeping a stable and solid base of customers (Alexander and Colgate, 2000). For customers, close and long-term relationships yield three types of benefits: 1) Psychological or social benefits (familiarity, friendship and information-sharing). 2) Economic benefits (discount or other money-saving benefits). 3) Customization benefits (tailor-made services/products), as noted by (Simon, Seigyoung and Karen, 2005).

Review of Empirical Studies

Several studies have empirically demonstrated that there is a significant effect of RM strategies on customer loyalty. Within a banking context, Keltner (1995) found that German banks, by taking 240 samples and using a questionnaire as an instrument ,relationship marketing dimensions have a significant effect on customer's loyalty with beta value of 0.833. As lattimore (2011) stated in the study of examining relationship between relationship dimensions and customers loyalty in banking industry, a total of 250 customers were responded the questionnaire. The result of the study shows that commitment (0.70),trust(0.620 and empathy(0.55) are significantly affecting customers loyalty in Canada and united states.

Antecedents and consequences of trust are studied in a business-to-consumer services context in the banking industry by taking around 232sample in retail bank customers with checking accounts in London. In particular, it is shown that "trust" dimension has a significantly greater influence on customer loyalty (0.78) (Kantsperger, Kunz, 2010).

On the other hand ndubisi (2007) also conducted a research in other area that is in Malaysian retail banking on antecedents of relationship marketing with 321 questionnaires were distribute in the study to customers. The study shows that there is a significant positive effect of commitment (0.88), conflict handling (0.81) and trust (0.69) on customer's loyalty.

Conceptual Framework, and Variables of model of the Study

On the right side of proposed research model, relationship marketing dimensions include trust, commitment, empathy and conflict handling which are independent variables in research and on the left side of the research model customer loyalty is placed as dependent variable. And the assumption is that trust, commitment, empathy and conflict handling have effects upon loyalty of customer (Ndubisi *et al*, 2007). The proposed model is used by many researcher to investigate the effect of relationship marketing on loyalty namely used by yakubu(2010), Afshin Rahnama et al(2012), Ndubisi *et al*.(2007),shifera bekele,2011 **.**
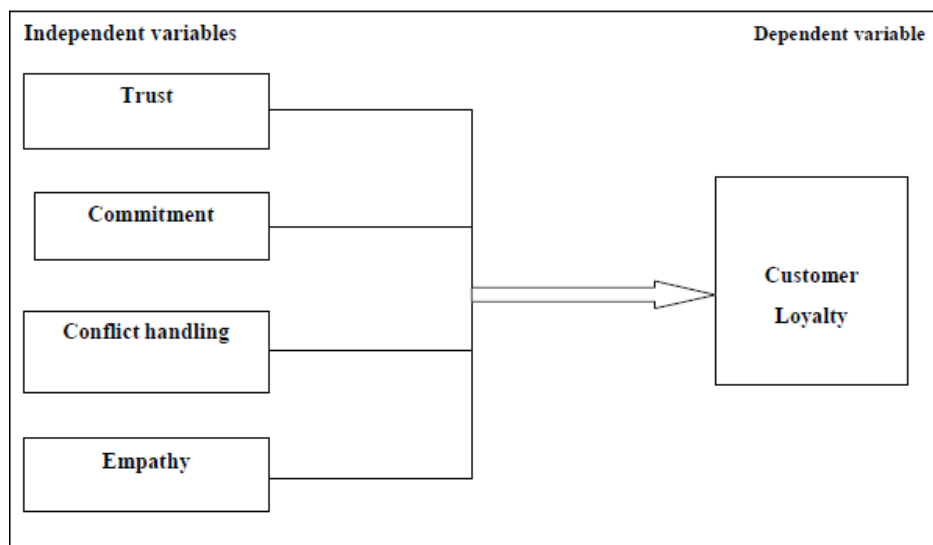

Figure 1.1 conceptual framework and variables of the study

Research Methodology

Study Setting

This study will be conducted in Branch Banks of Commercial Bank of Ethiopia that are operating in Addis Ababa City. The Commercial Bank of Ethiopia is a government owned public bank it has been playing a conspicuous role in economic development of the country for more than 70 years. According to the bank official website the bank established in 1942. Despite the flourishing of private commercial banks, the CBE has remained in the lead in terms of assets, deposits, capital, customer base and branch network. As on June 30th 2011, total deposits stood at birr 86.5 billion while total asset and capital of the bank reached birr 114 billion and 6 billion respectively. CBE Offer different kind of service that organized in four major categories CATS, credit, transfer and trade services. North east Addis Ababa district namely megenagna branch, bole branch, hayat branch and main branch will be included as part of the study population. The bank has 150 total employees 108 clerical and 42 non clerical worker.

Study Design

A triangulation and causal study design will be applied in this study. Mixed research approaches; qualitative and the quantitative will br used in which quantitative methodology as a dominant. The reason why the researcher planned to use qualitative method is just to minimize the subjectivity of results since the variable is by its nature more of psychological (Ruyter et al. ,1997).
Data Type and Data Source

As the research is intended to assess the effect of relationship marketing on customer loyalty, the primary data are collected from primary sources via close ended standardized questions.

Both primary and secondary data sources are employed. Primary data was sourced through customer survey where as secondary data was accessed from the commercial banks documents and other published materials. The primary data has been collected from the selected respondents with a help of a questionnaire and interview. The questionnaire is composed of close ended questions. The close ended items have been designed for respondents to choose their level of satisfaction from the presented loyalty dimensions.

Instruments

Questionnaire

The study was used a standardized questionnaire originally developed by Reena Samir El Hinnawi which were used by Ndubisi *et al*.(2007),Shifera Bekele(2011) with a reliability test of the questionnaire between 0.86 and 0.94 i.e reliable and acceptable.

The questionnaires were divided into three sections. The first section is to solicit data on demographic characteristics of the respondents (age, sex, year of service, educational background and income), the second section addresses the elements of relationship marketing (trust, commitment, empathy and conflict handling). To measure the dependant (loyalty) and independent variables, the researcher used a 5 point likert scale (Likert, 1932). This range from 1= strongly dis agree, 2 = disagree 3= no opinion, 4= agree 5 = strongly agree. The questionnaire consisted of 44 items split between five categories and four relationship dimension instruments that each measures loyalty, and consisting 6 demographic characteristics questions.

The questionnaire has been pilot tested by taking 30 customers to scale up its quality hence necessary correction has been incorporated to the questionnaire before dispatching the final version. Besides, a reliability test has been done with the help of Cronbach alpha on each group of items designed to measure a specific dimension of the variables. Accordingly, as presented in table3.1 below, all items have been confirmed reliable to measure the respective dimensions of the total scale (all values of the cronbach alpha are greater than the threshold i.e., 0.7).

Table 3.1Cronbach alpha's result

Reliability Statistics

Cronbach's Alpha	N of Items
.956	2

The instruments are developed in English and translated into Amharic to ensure proper understanding of the content of the items in the questionnaire taking into consideration the high ratio of Local residents.

Interviews

The interview questions used in the study were primarily used in testing the practice of relationship marketing and loyalty in branch bank of commercial bank of Ethiopia in Gondar city from the manager's point of view. In conducting the interview to branch managers, purposive sampling method is used from five branch managers and branch managers of jantekel and main district are selected. The reason why these branch managers are selected is due to having largest proportion of customers than others.

Population, Sample Size Determination and Sampling Techniques

The population of the study is the registered customers (both local and foreign bank service users of these branch banks of the Commercial bank of Ethiopia that was estimated at about 79, 000 (cbe,report,2005) .To determine the appropriate sample size a mathematical formulae developed by Yamane T. (1967:886) has been used.

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

Where,   n= Sample Size
          N = Total number of registered customers
          e= level of precision (0.05).

$$\frac{79000}{1 + 79000(0.05)^2} = 398$$

n= 398

Proportional quota sampling followed by accidental sampling technique were used to select the 398 samples from each of the five branch banks as presented below in **Table 3.2**

Table 3.2 : sample size determination.

No	Name of Branch bank	Registered customers	Sample size	Allotted Proportion (%)
1	Main branch	30000	151	38
2	Fassiledes branch	4000	20	5
3	Jantekel branch	31000	155	39
4	Maraki branch	7000	35	8
5	Azezo branch	8000	37	10
	Total	79000	398	100

Source; (cbe report,2020)

Methods of Data Analysis

The data collected was analyzed by using SPSS version 20. The data analysis techniques used in this research are descriptive statistics such as frequencies, mean, and percentage. Multiple linear regressions were used to test the research hypothesis, to assess the cause-and-effect relationship between independent and dependent variables. To analyze the distribution of respondent's based on selected background or biographical information, tables and percentages were applied. The data collected by interview as open-ended items have been analyzed qualitatively to support the findings of customer respondents.

4. Data Analysis, Results and Discussions

4.1. Demographic Profile of the Respondents

Table 4.1 demographic variables

Variables		Frequency	Percentage
Age of respondents	<20	33	8.3
	21-39	280	70.4
	40-59	60	15.1
	>60	25	6.3
	Total	398	100.0
Sex of respondents	Female	94	24
	Male	304	76
	Total	398	100.0
Educational level of Respondents	First cycle	17	4.3
	Second cycle	93	23.3

	Diploma	148	37.1
	first degree	81	20.3
	second degree and above	27	6.8
	Total	398	100.0
Occupation of respondents	Government sector	23	5.8
	Private sector	135	33.8
	Own business	155	38.8
	Student	80	20.1
	Others	5	1.3
	Total	398	100.0
Monthly Income	<1000	31	7.8
	1001-2999	222	55.6
	3000-4999	101	25.4
	5000and above	44	11.1
	Total	398	100.0
Length of time respondents use bank service	Below 1 year	-	-
	1-3 years	247	62
	3-5 years	109	27.4
	5-7 years	42	10.6
	More than 7 years	-	-
	Total	398	100.0

Gender wise distribution of the respondents, as depicted in **Table 4.1** above shows that most of the respondents are male (76.2%) while 23.8% are female.

With regard to age wise distribution of respondents as depicted in **table 4.1** shows that 70.2% are in the age of 20-39 years old, followed by respondent at the age between 40-59 years old with 15%, 8.3% were at the age below 20 years old. The remaining of the respondents 6.3% were 60 years old and above. The education qualifications of respondents as depicted in **table 4.1** shows that, 37.1% were diploma holder, while 23.3% of the respondents achieved secondary education 20.3% hold a first degree, 6.8% hold a postgraduate degree and the remaining 4.3% achieved primary education.

The results of respondent's occupation are indicated in **table 4.1** shows 38.8% are having their own business, that 33.8% of the respondents are working in private sector, 20.1% indicated that they are students 5.8% are working in government sector and 1.3% work in other occupation..

The monthly income of respondents are shown in table 4.1 55.8% had monthly income of between birr 1000-2999 monthly ,
25.4% had income of between birr 3000-4999 .11.1% of the respondents had monthly income of 5000 birr and above and the
remaining respondents 7.8% had monthly income of below 1000 birr. With regard to length of time the customers uses the banks
services as depicted in **table 4.1** 62% of the respondents have used for 1-3 years, 27.4% have used for 3-5 years and 10.6% have
used the banks services for 5- 7 years.

In general, the sample respondents are mature, well educated, have the strength to manage their businesses and moreover they have
enough experience in dealing with commercial Bank of Ethiopia operating as branch bank in Gondar city, so they were able to tackle
the statements of the questionnaire as per the survey result.

4.2 The level of Relationship Marketing and Customers loyalty in Commercial Bank of Ethiopia in Gondar city

In measuring the level of relationship marketing and customer's loyalty in commercial bank of Ethiopia operating in Gondar
city as low level, moderate level and high level, there should be a bench mark to come across with its level. But there is no any bench
mark done on the previous studies as the researcher has searched electronically. Therefore, the researcher used 2.5 midpoint of the
likert scale can be considered as a default benchmark and by observing the frequencies and means value of the respondents on
relationship dimensions.

Table 4.2: Level of relationship marketing practice of CBE branch bank of Gondar city

Variables	S disagree	Disagree	No opinion	Agree	S agree	Total N	Mean
Commitment	112(28%)	188(47.23)	45(11.3%)	24(6%)	29(7%)	398	1.6561
Trust	162(40.7%)	132(33%)	41(10)	33(8%)	30(7,5%)	398	1.6051
Conflict handling	138(35%)	192(48%)	51((13%)	17(4%)	-	398	1.6704
Empathy	128(32%)	202(51%)	41(10%)	27(7%)	-	398	1.6271
Average %	26.5%	44.75		-			
Loyalty	214(53%)	122(31%)	52	10			1.6307

As depicted in **table 4.2,** the mean of all the relationship marketing dimensions are found below 2.5 which means disagree
in a likert scale, And the frequency of respondents with regard to relationship marketing practice of CBE branch bank in Gondar city
said that 71%(majority of respondents) of their response is strongly dis agree and disagree. This implies that the level of relationship
marketing of branch bank of commercial bank of Ethiopia operating in Gondar city is low. This finding is also supported by the
interview result conducted with the bank branch managers said that there is concept of relationship marketing in CBE which stress
on how to retain and attract customers, but the problem is lack of paying great attention to relationship marketing variables. In other
area the level of loyalty of branch bank of CBE is 1.6 which is below 2.5 which means disagree in a likert scale and 84% (majority)
of the respondents said that they are strongly disagree and disagree with the bank's loyalty issues.

4.3 Regression Analysis of relationship marketing and Customers' Loyalty

Table 4.6:Model Summary of relationship marketing and loyalty analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.925ª	.855	.854	.12256

a. Predictors: (Constant), Conflict, Empathy, Commitm, Trust

The Results of regression analysis against customer's loyalty can be seen in **table 4.6**. The result shows that relationship marketing
has the power to explain customer loyalty. In this case the results of correlation of relationship marketing and customer's loyalty and

adjusted R Square (0.854) are taken into consideration. Therefore, it is pointed out that 85.4 percent of relationship marketing can explain the dependent variable that is customer's loyalty. But the remaining 14.6% of dependant variables can be explained by variables which are not included in this study.

Table 4.7: regression of the computed relationship marketing variables with loyalty

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.150	.034		4.412	.000
	Trust	.223	.035	.254	6.302	.000
	Commitm	.345	.029	.415	11.716	.000
	Empathy	.094	.030	.103	3.102	.002
	Conflict	.240	.043	.238	5.533	.000

a. Dependent Variable: Loyality (p<0.05)

As depicted in **table 4.7**, the results of regression analysis for commitment and customer's loyalty indicates that commitment as a dimension of relationship marketing has the highest beta value (0.415) as compared to other dimensions. Therefore, it is possible to state that 41.5% of customer's loyalty is affected by commitment. As it is indicated in **table 4.7**, commitment was considered as predictors of customer's loyalty and reported high level of significance p<0.05.
It is the highest of all the independent variables in affecting customer's loyalty.

As it is indicated in the regression analysis of **table 4.7**, trust as dimension of relationship marketing explains customer's loyalty with a beta value of (0.254), which means it is the second dimension with highest beta value. Therefore, it is pointed out that 25.4% of customer's loyalty is affected by trust. As it is indicated in **table 4.7**, trust was considered as predictors of customer's loyalty and reported high level of significance p<0.05. Trust as used for prediction was found to be significantly affecting the customer's loyalty as the p-value is less than 0.05.
The findings of Ndubisi (2007) suggested that the greater the trust in the bank, the higher the
level of the bank's commitment, the more reliable and timely its communications and the more
Satisfactorily it handles conflicts, the more loyal its customers will tend to be. Therefore, the result of this research is consistent with the findings of Ndubisi, (2007).

We can also look the regression analysis result of conflict handling and customer's loyalty in **table 4.7**, as it is clearly indicated in the table, conflict handling can significantly affect customer loyalty in banking industry, particularly in commercial Bank of Ethiopia Gondar city. As depicted in **table 4.7** conflict handling has a beta value of (0.238). Therefore, it is possible to state that 23.8% of customer's loyalty is significantly affected by conflict handling. Conflict handling was considered as predictors of customer's loyalty and reported high level of significance p<0.05 as it is indicated in **table 4.7**. Conflict handling as used for prediction was found to be significantly affecting customer's loyalty as p-value is less than 0.05.
As depicted in the result of regression analysis of empathy and customer's loyalty, empathy can affect customer's loyalty in some extent with the beta value of (0.103). Therefore, it is possible to conclude that 10.3% of customer's loyalty is affected by empathy. As it is indicated in **table 4.7**, empathy was considered as predictors of customer's loyalty and reported high level of significance p<0.05.

In general by observing the beta value under standardized coefficients the most significant independent variable is Commitment 0.415, Trust 0.254 and Conflict Handling 0.238, and. This finding is also supported by (shefera bekele, 2011).
His result show that the highest number in the beta is 0.806 for commitment dimension and the second highest is trust with 0.742. Therefore, commitment and trust are the major determinant of customer's loyalty.

4.5 Results of Hypothesis Testing

H: 1 The extent of relationship marketing practice of Commercial Bank of Ethiopia in Gondar City is low.
As it is depicted in **table 4.2**, the level of relationship marketing and loyalty in commercial bank of Ethiopia operating as branch bank in Gondar city is low. Because the mean of relationship marketing dimensions is below 2.5 (1.67), which is disagree in a likert

scale .Since there is no bench mark to measure level of relationship marketing, the midpoint of likert scale 2.5 can be considered as default benchmark. we can conclude that there is low level of relationship marketing in commercial bank of Ethiopia in Gondar city. Therefore, the alternative hypothesis should be accepted and null hypothesis should be rejected.

H2: The level of customers loyalty in Commercial Bank of Ethiopia in Gondar City is low

Similarly the level of customer's loyalty in commercial bank of Ethiopia operating as branch bank in Gondar city is low with a mean of below 2.5 (1.63), which is disagree in a likert scale which implies that there is low level of loyalty in commercial bank of Ethiopia operating as branch bank in Gondar city. Therefore, the alternative hypothesis should be accepted and null hypothesis should be rejected.

H: 3 Trust has a significant effect on customer's loyalty

As depicted in regression **table 4.7**   that the beta value between customer trust and customers' loyalty in commercial bank of Ethiopia equals 0.254 and the p-value (Sig.) equals 0.000*. The p-value (Sig.) is less than 0.05, so trust is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant effect of customer trust on customers' loyalty in commercial Bank of Ethiopia Gondar city Which means the more the bank enhances the level of trust provided, the more customer are loyal. Therefore, the alternative hypothesis should be accepted and null hypothesis should be rejected.

This result is supported by Ndubisi (2007) the more customers trust the banks, the more they are loyal to the services provided.

H: 4 Commitment has a significant effect on Customer's Loyalty
Table 4.7 shows that the beta value between customer commitment and customer's loyalty in commercial Bank of Ethiopia Gondar city is 0.415 and the p-value (Sig.) equals 0.000*. The p-value (Sig.) is less than 0.05, so commitment is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant effect of customer commitment on customer's loyalty in commercial Bank of Ethiopia operating in Gondar city. Which means the more the bank reinforces the commitment level, the more customers are loyal. Therefore, the alternative hypothesis should be accepted and null hypothesis should be rejected. These findings are supported by Al Ajmi et.al (2009) study which found there exists a significant effect of commitment in their choice of the bank.

H: 5 Empathy has a significant effect on Customer's Loyalty
 As it is indicated in **Table 4.7**,   the beta value between customer empathy and customer's loyalty in commercial Bank of Ethiopia equals 0.103 and the p-value (Sig.) equals 0.000*. The p-value (Sig.) is less than 0.05, so empathy is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant effect of empathy on customer's loyalty in commercial Bank of Ethiopia in Gondar city. This means the more the bank reinforces the level of empathy, the more customers are loyal. Therefore, the alternative hypothesis should be accepted and null hypothesis should be rejected. These findings are consistent with Varca (2009) study which shows that there exists a significant effect of employee's empathic behavior on customer's loyalty.

H; 6 Conflict Handling has a significant effect on Customer's Loyalty
        Table (4.7) shows that the beta value between customer conflict handling and customer's loyalty in commercial Bank of Ethiopia is 0.238 and the p-value (Sig.) equals 0.000*. The p-value (Sig.) is less than 0.05, so the conflict handling is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant effect of customer conflict handling on customer's loyalty in commercial Bank of Ethiopia in Gondar city. This means the more the bank handling conflicts effectively, the more customers are loyal. Therefore, the alternative hypothesis should be accepted and null hypothesis should be rejected.
        These finding are supported by Sadeeq (2008) study which found there exists a significant effect of handling conflicts in achieving effective relationship marketing. Whereas, in the foreign context Yang and Capel (2011) showed that there is a strong relationship between conflict handlings and relationship quality. In Dawes and Massey (2005) study showed there is a significant effect of the speeds of handling conflicts in achieving customer's loyalty, on the other hand Musa (2009) found there exists a strong effect of conflict handling on customer's loyalty in the banking industry.

H:7 There is positive and significant Relationship between Relationship Marketing dimensions and Customers Loyalty
        Table 4.7 shows that the correlation coefficient between relationship marketing dimensions and customer's loyalty in commercial Bank of Ethiopia is 0.925 and the p-value (Sig.) equals 0.000. The p-value (Sig.) is less than 0.05, so the correlation coefficient is statistically significant at $\alpha = 0.05$. So it can be said that there exists a significant relationship between relationship marketing dimensions and customer's loyalty in commercial Bank of Ethiopia in Gondar city. Therefore, the alternative hypothesis should be accepted and null hypothesis should be rejected. These findings are supported by the study of Musa (2009) which showed that there exists a strong correlation between the relationship marketing underpinnings and customer's loyalty, the more they are implemented well, the more the customers are loyal. Whereas in the study of Ndubisi (2007) found that there exists a significant

relationship between the relationship marketing antecedents and customer's loyalty, so the two studies are matching the above results.

H:7 Conflict Handling has more significant effect on Loyalty than other dimensions of Relationship Marketing

As it is indicated in regression tables, from the relationship marketing dimensions a variable which has the most significant effect on customer's loyalty with high beta value is commitment 41.5%, conflict handling 23.8%, trust 25.4 %and empathy 10.3% respectively. Therefore, the alternative hypothesis should be rejected and null hypothesis should be accepted.

This finding is supported by shifera bekele(2011), His result shows that the highest number with the beta value is 0.806 for commitment dimension and the second highest is trust with 0.742. Therefore, commitment and trust are the major determinant of customer's loyalty. Therefore, Commitment has the most and highly significant effect on customers loyalty than other dimensions of relationship marketing.

Conclusions, Recommendations and Future Research Directions

5.1 Conclusions

The objectives of this study is to examine the effect of relationship marketing such as trust, commitment, conflict handling, and empathy towards customers loyalty in commercial Bank of Ethiopia in Gondar city.

➤ The mean value of relationship marketing and customer's loyalty of branch bank of commercial bank of Ethiopia is 1.650 and 1.632 respectively. Which is less than the mid value of likert scale (2.5), from this We can conclude that the practice of relationship marketing (trust, commitment, conflict handling and empathy) and loyalty of branch bank of commercial bank of Ethiopia operating in Gondar city is too low.

➤The beta value of trust, commitment, conflict handling and empathy is 0.254, 0.415, 0.238, 0.103, with a significant value which is less than 0.05.This means relationship marketing dimensions are affecting customers loyalty. Therefore, we can conclude that all the independent variables are significantly affecting the dependant variable that is customer loyalty in branch bank of commercial bank of Ethiopia in Gondar city.

➤ The study shows that the correlation coefficient of relationship marketing and customer's loyalty is 0.925 as indicated in the analysis. The study reveals that there is a significant relationship between relationship marketing and customer's loyalty in branch bank of commercial bank of Ethiopia in Gondar city.

➤From the relationship dimensions commitment has the highest beta value. From this we can conclude that commitment is significantly affecting customer loyalty in branch bank of commercial bank of Ethiopia in Gondar city.

➤ Although many relationship marketing dimensions have potential for developing customer loyalty, some dimensions like commitment and trust are more sensitive than others in this research. And it is rightly pointed out that a major problem which had been resolved satisfactorily may leave in its wake a happy and loyal customer, but maybe minor issues if not handled carefully will result in defection. Lastly empathy as dimension of relationship marketing gets less sensitive than others in this research.

5.2 Recommendations

Now, bank managers knew that delivering quality service to customers is very important for success and survival in today's global competitive banking environment. In this relation, the bank must prepare valuable information to build strong relationship with the customers for the purpose of gaining their loyalty and hence preventing them from switching to other banks. Relationship marketing is viewed as a strategy to attract, maintain and enhance customer relationships.

This study has demonstrated that the effect of the "dimensions" of relationship marketing on customer's loyalty in commercial bank Of Ethiopia Gondar city . Here are some of the proposed recommendations for managers to be considered in order to improve and reinforce customer's loyalty in commercial Bank of Ethiopia Gondar city.

1. In branch bank of commercial bank of Ethiopia in Gondar city, the relationship marketing dimensions need to be developed and improved through the following;

❖ The branch bank of Commercial bank of Ethiopia operating in Gondar city should improve the level of trust by the continuous development of the services and benefits, training of employees to perform the service effectively, being consistent in providing quality services; fulfill the obligations to the customers, giving a great attention to the customer transaction.

❖. The branch bank of Commercial bank of Ethiopia operating in Gondar city should improve the level of commitment, on serving the needs of customers, by giving a special attention, offering price reduction for existing customers, providing consultancy for them, and offering personalized services to satisfy the customers.

❖ The branch bank of Commercial bank of Ethiopia operating in Gondar city should Eliminate the problems by solving conflicts as soon as the problem exists to assure that the bank system is well managed, has the ability to openly discuss solutions when problem arise, service providers show a sincere interest in solving customer complaints and making regular meetings to revise the conflicts and find solutions.

5.3 Future Research Directions

This study was conducted in commercial bank of Ethiopia in Gondar city. Care should be taken in applying the findings of this study to other banks or other financial sectors. Alternatively, in the future research, by incorporating both private and governmental banks in different parts of Ethiopia the effect of relationship marketing should be effectively treated.
 Ideally, research should be conducted in all the remaining dimensions of relationship marketing such as communication and values for building long lasting relationship with the business customers and in turn will bring loyalty at large.

References

 Allen, N.J. and Meyer, J.P.(1990*)*,the measurement and antecedents of affective, continuance,   and normative commitment to the organization. Journal of Occupational Psychology, 63, 1-18.

Andreas, Leverin and Veronica Liljander.(2010), Does relationship marketing improve customer   relationship satisfaction and loyalty?

Anderson, E. W. and Mittal, V.(2000), Strengthening the satisfaction-profit chain. Journal of   Service Research, 3(2), 107-120

Angur, M.G. Natarajan, R. and Jahera, J.S. (1999), "Service quality in the Banking Industry: An Assessment in a Developing Economy", International Journal of Bank Marketing, No.3, pp.116-123.

Australian Journal of Basic and Applied Sciences, 5(9): 1547-1553, 2011

Beerli, A., J.D. Martin and A. Quintana, (2004). "A Model of customer loyalty in the Retail Banking Market", European Journal of Marketing, 38(1/2): 235-275

Berry, W. D. and Feldman, S. (1985). Multiple Regressions in Practice. Sage University Paper Series on Quantitative Applications in the Social Sciences, series no. 07-050). Newbury Park.

Christian Grönroos,(1997) Keynote paper: From marketing mix to relationship marketing – towards a paradigm shift in marketing Management Decision 35/4 ,p 322–339

Edvardsson, B., Johnson, M.D, Gustafsson, and Strandvik (2000), The effects of satisfaction and loyalty on profits and growth: products versus services", Total Quality Management.. p 917-27.

 Fedilu faris (2012), comparative study of customer satisfaction among private and public banks in case of ambo branch awash international bank and commercial bank of Ethiopia.

 Gronroos, C(1990), "Service Management and Marketing Lexington Books, Lexington, MA.

 Heskett, J. L, Jones, and Schlesinger, L. (1997), Putting the service profit chain to work, Harvard Business Review, 105-111

Frediric,w.(2000). Effect of relationship marketing on loyalty.p37-40

Jamal, A. and Nasser, K. (2002), "Customer Satisfaction and Retail Banking: An Assessment of some of the Key Antecedents of Customers Satisfaction in retail Banking", International Journal of Bank Marketing, No.4, pp.146-160.

Kalyan Kumar, Sahoo(2010). European Journal of Social Sciences ,Volume 16, Number 4

Kotler, P. and Armstrong, G. (2008), Principles of Marketing, Translated by Parsaiyan, A., published by Adabestan, Tehran, pp.870-871.

 Liljander, V. and Roos, I. (2002), "Customer Relationship Levels: From Spurious to True Relationships", Journal of Services Marketing, Vol. 16 No.7, pp. 593-614.

Morgan, R.M, & Hunt, S.D,(1994). The commitment -trust theory of relationship marketing, Journal of Marketing, 53(3), 20

Moorman, C. Zaltman, G. and Deshpande R. (1992), "Relationships between providers and   users of market research: the dynamics of trust within and between organizations", Journal of Marketing Research, Vol. 29 No. 3, pp.314-328

Mowday, R. Porter, L. and Steers, R(1982). Organizational linkages: the psychology of commitment. Journal of Vocational Behavior. 14: p224-47

Ndubisi, N.O. (2007), Relationship Marketing and Customer Loyalty. Marketing Intelligence & Planning**,** 25(1), 98-106.

Sadeeq, M.(2008).Relationship marketing : the vision of integrative philosophy, concepts and principles. Journal of the academy of marketing science,p374-390

Sweeney, J.G. and Morissa, D.M. (2004), "Predictors of equity in relationships between financial services providers and retail customers", International Journal of Bank Marketing, Vol. 16 No. 1, pp. 15-23.

Sheth, J. N. (2009). A factor analytical model of brand loyalty, Journal of marketing research, 5(November), pp. 395 - 404.

Shefera,bekele(2011). The impact of relationship marketing on customer's loyalty in bankof Abyssinia .

Tadajewski, M. (2009). Competition, cooperation and open price associations:

Taleeb, J. (2003).Measuring the level of quality service in the Islamic banks in Amman. European journal of operational research,130,347-360.

Talieb, G. (2002). Management trends in the Jordanian commercial banks to strengthen the relationships with the client. Journal of marketing week,25,30-31.

Tabachnick, B. G., Fidell, L. S. (1996). Using Multivariate Statistics (3rd ed.). New York: Harper Collins College Publishers.

Parasuraman, A., Zeithaml, V.A. and Berry, L.L. (1985). "A Conceptual Model of Service
     Quality and Its Implications for Future Research", Journal Of Marketing, 49

Philip Kottler And Gary Armistrong, (2004). "Principle Of Marketing", 10th Edition, Published   By Printce Hall India.

Pedhazur, E.J.(1997). Multiple Regression in Behavioral Research (3rd ed.). Orlando, FL:Harcourt Brace.

Reena Samir, El .Hinnawi.(2011).impact of relationship underpinning on customer loyalty in bank of Palestine.

Robert w. palmatier,(2009). Relationship Marketing.

Sheth, J.&Parvatiyar, A.(1995). Relationship marketing in consumer markets: antecedents and consequences, Journal of the Academy of Marketing Science, 23(4), 255-271

www. banking.about.com // types of banks. Html

www. Combanketh,comhttp:

yakubu, abubakar adamu.(2010). Impact of relationship marketing on the performance of banking industry in Nigeria. ahmadu bello university

Www.Nbe.Gov.Et/Aboutus.(2009), September 23, 2011