

2023-06

DETERMINANTS OF CUSTOMER RETENTION IN ETHIOPIAN COMMERCIAL BANKS IN THE CASE OF BAHIR DAR BRANCHES

FETENE, LIJADIS

<http://ir.bdu.edu.et/handle/123456789/16961>

Downloaded from DSpace Repository, DSpace Institution's institutional repository



BAHIRDAR UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

**DETERMINANTS OF CUSTOMER RETENTION IN ETHIOPIAN
COMMERCIAL BANKS IN THE CASE OF BAHIR DAR BRANCHES.**

BY: LIJADIS FETENE

JUNE, 2023
BAHI DAR, ETHIOPIA

**BAHIRDAR UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT**

**DETERMINANTS OF CUSTOMER RETENTION IN ETHIOPIAN
COMMERCIAL BANKS IN THE CASE OF BAHIR DAR BRANCHES.**

BY: LIJADIS FETENE

**A THESIS SUBMITTED TO BAHIRDAR UNIVERSITY IN THE PARTIAL
FULLFILMENT OF THE ACHIEVEMENT OF MASTER DEGREE IN BUSINESS
ADMINISTRATION**

**JUNE, 2023
BAHIR DAR, ETHIOPIA**

DECLARATION

I hereby declare that this work entitled **-Determinants of customer retention in the Ethiopian commercial banks in the case of Bahir Dar branches** is my work and that, to the best of my knowledge and belief, it contains no material previously published or written by another person nor material which has been accepted for the award of any other degree or diploma of the university or other institute of higher learning, except where due acknowledgment has been made in the text.

Lijadis Fetene

Candidate Name

Signature & date

BAHIRDAR UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

APPROVAL OF THESIS FOR DEFENSE

I hereby certify that I have supervised, read, and evaluated this thesis titled "Determinants of customer retention in the Ethiopian commercial banks in the case of Bahir Dar branches" prepared by Lijadis Fetene under my guidance. I recommend the thesis be submitted for oral defenses.

Advisor's name

Signature

Date

BAHIRDAR UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MANAGEMENT

APPROVAL OF THESIS FOR DEFENSE RESULT

We hereby certify that we have examined this thesis entitled "Determinants of customer retention in the Ethiopian commercial banks in the case of Bahir Dar branches" by Lijadis Fetene. We hereby certify that the thesis is accepted for fulfilling the requirements for the award of the degree of "Master of Art (MBA) in Business Administration." Board of Examiners

External examiner's name

Signature

Date

Internal examiner's name

Signature

Date

Chair person's name

Signature

Date

ACKNOWLEDGMENTS

My special thanks and gratitude is extended to Alem Gebremedhin (Ph.D.) my research advisor, for his unfailing guidance, invaluable comments, and unreserved intellectual and moral assistance in undertaking this study.

I would like to thank all respondents and staffs of commercial banks for giving me enough support and information, without their cooperation, this research project would not have been possible.

Finally, I am profoundly grateful to my family members and friends for their support and understanding during this intensive challenging research project and the course as a whole.

Table of contents

Contents	page
DECLARATION	i
APPROVAL OF THESIS FOR DEFENSE.....	ii
APPROVAL OF THESIS FOR DEFENSE RESULT	iii
ACKNOWLEDGMENTS	iv
Table of contents	v
List of tables.....	viii
List of figures	ix
ACRONYMS	x
<i>Abstract</i>	xi
CHAPTER ONE	1
1. Introduction	1
1.1. Background Of The Study	1
1.2 Statement of Problem	3
1.3 Research Questions:	5
1.4 Objectives of the Study	5
1.4.1. General Objective	5
1.4.2. Specific Objectives:	5
1.5 Significance of the Study	6
1.6 Scope of the Study	6
1.7 Limitations of the Study	7
1.8 Organization of the Study	7
1.9 Operational Definitions Of Terms	7
CHAPTER TWO	9
2. Literature Review	9
2.1. Introduction.....	9
2.2. Customer Retention	10
2.3. Customer life cycle theory	11

2.4. Customer Retention and Business Performance	12
2.5. Benefit of Customer Retention.....	12
2.5.1 Lower cost.....	12
2.5.2 Higher sales volume	13
2.5.3 Lower promotion cost.	13
2.5.4 Increase usage and spending	13
2.5.5 Financial benefit.....	13
2.5.6 Lower price elasticity	14
2.5.7 Referrals	14
2.6 Factors that influence customer retention	14
2.6.1 Service quality and customer retention	14
2.6.1.1. SERVQUAL Model (Theoretical Framework).....	15
2.6.1.2 SERVQUAL Dimensions in Banking Sector	15
2.6.2. Customer Satisfaction and Customer Retention.....	16
2.6.3 Customer Relationship and Customer Retention	16
2.6.4 Switching cost and customer retention.....	17
2.6.5 Trust and Customer Retention	18
2.7 Customer Retention Measure.....	19
2.8 Empirical Studies	20
2.9. Conceptual Framework	22
2.10 HYPOTHESIS	22
CHAPTER THREE.....	23
3. RESEARCH METHODOLOGY	23
3.1 Research Design.....	23
3.2 Research approach	23
3.3 Population	24
3.4 Sample Size.....	24
3.5 Sampling Techniques	25
3.6 Source of Data.....	26

3.7. Data Collection technique	26
3.8. Data Analyzing Techniques.....	27
3.9. Ethical Consideration.....	27
3.10. Reliability Test Result.....	27
CHAPTER FOUR: RESULT AND DISCUSSION	29
4.1. Response Rate on Questionnaire.....	29
4.2 Demographic Information of Respondents	29
4.3. Descriptive Analysis of Data Collected from Customer Survey	32
4.4 Correlation Analysis	36
4.5. Inferential Statistics	37
4.5.1. Test for Linear Regression Model Assumption	37
4.5. Autocorrelation Test	42
4.5.1. Multiple Regression Analysis	43
4.6. Hypothesis Testing.....	46
4.6. Relationship between Personal Profile and Customer Retention.....	49
4.6.1 Gender and Customer Retention	49
4.6.3. Age and Customer Retention	50
4.6.2. Marital Status and Customer Retention	50
4.6.3. Educational Level and Customer Retention.....	50
4.6.4. Service Duration and Customer Retention.....	51
4.6.5. Occupation and Customer Retention	51
CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATION	52
5.1. Summary of the Major Findings	52
5.2. Conclusions:.....	53
5.3. Recommendations:.....	54
5.4. Limitations and direction for future research.....	56
References:.....	57
Appendix A: Questionnaire English Version	65
Appendix B: Questionnaire in Amharic Version	69

List of tables

Table 3.1 List of commercial banks and their mark share based on the network of branches.....	25
Table 3.2. Cronbach's Alpha for each field of the questionnaire	28
Table 4.1: Demographic profile of respondents	30
Table 4.2 Responses related to trust	32
Table 4.3 Responses related to customer satisfaction.....	33
Table 4.4 Responses related to switching cost.....	34
Table 4.5 Responses related to customer relationship	34
Table 4.6 responses related to quality customer service	35
Table 4.7 Responses related to customer retention.....	36
Table 4.8 Correlation between the Variables and Customer Retention	37
Table 4.9: Co- Linearity Statistic	38
Table 4.10 Tests of Normality	40
Table 4. 11 Durbin-Watson test.....	42
Table 4.12: Multi Regression analysis results of determinants and customer retention.....	43
Table 4.13: ANOVA	44
Table 4.14: Coefficients of determinant factors	45
Regression Model Equation	45
Table 4.15: Summary of hypothesis testing	49
Table 4.16. Independent samples T-Test between Gender and Customer Retention.....	49
Table 4.17. One-way ANOVA between Age and Customer Retention.....	50
Table 4.18. One-way ANOVA between Martial Status and Customer Retention	50
Table 4.19. One-way ANOVA between Educational Level and Customer retention.....	50
Table 4.19. One-way ANOVA between Service Duration and Customer retention.....	51

List of figures

Figure 2.2. Conceptual Framework of the Study	22
Figure 4.1: Normal Point Plot of Standardized Residual	39
Figure 4.2: Normal Q-Q Plot of Standardized Residual	40
Figure 4.3: Test of outliers Standardized Residual	40
Figure 4.4: Normal Distribution curve	41
Figure 4.5: Scatter plot of Determinants and Customer Retention	42

ACRONYMS:

CS	Customer Satisfaction
CR	Customer Relationship
CRT	Customer Retention
NBE	National Bank of Ethiopia
SERQUAL	Service Quality
SQ	Service Quality
SC	Switching Cost
SPSS	Statistical Package for Social Science
TR	Trust

Abstract

The general objective of this study is to examine the determinants of customer retention in Ethiopian commercial banks in the case of Bahir Dar branches with a view of the local banking industry market context. To attain this objective five factors namely quality customer service, trust, customer satisfaction, switching cost, and customer relationship were considered as predictors for the analysis of the study based on the review of related literature. Explanatory research design and quantitative approach were employed to analyze data. The hypotheses were tested on a sample of 366 out of 384 respondents of commercial banks customers giving a valid response of 95.3%. The data collection process was done using a self-administered questionnaire filled out by customers and it has taken place in different branch premises of the selected banks. The statistical package for social science (SPSS) V.26 .was used to analyze the data collected. Reliability analysis, correlation, and regression analyses were used to analyze the data. Based on adjusted R^2 of the study independent predictors explain 67.9% of the variation in customer retention. Besides all independent variables (quality customer service, customer satisfaction, customer relationship, Trust, and switching cost have a significant correlation with the dependent variable “customer retention. The results of regression analysis also showed that all predictors have a significant influence on customer retention. In this case, trust, customer satisfaction, and switching costs were the major predictor of customer retention than the other two independent variables. Given these findings, recommendations were forwarded to the management of banks to focus and have in-depth insights on predictors of customer retention to develop and implement the appropriate policies and procedures to enhance the retention of their existing customers.

Key Words: Customer retention, quality customer service, Trust, customer relationship, switching cost.

CHAPTER ONE

1. Introduction

This chapter contains the introductory part of the entire study. It provides some insights into the background and assumptions under which the study is conducted. It states the background of the study, statement of the problem, objective, research question, significance, scope, definition of terms, and organization of the study. Accordingly, it begins with the background of the study.

1.1. Background of the study

Financial institutions are essential to economic growth in the majority of nations. By getting involved in every aspect of corporate operations, banks in particular play a key role in accelerating the growth process. Banks are significant participants in the money market, and deposits from them are used as currency in contemporary society. They effectively control a sizeable portion of the money supply because their lending and investment operations alter the amount of money in circulation, which in turn affects the type and character of output in every nation. Bank financing makes industrial advancements and commercial expansions possible. Banks mobilize the nation's idle capital for useful purposes. Banks are institutions that seek profit and are required to give shareholders acceptable returns. (Agyapong & Darfor, 2011).

Building customer loyalty has become a crucial strategy for the majority of financial institutions due to the fierce competition and growing globalization of the industry. To succeed in the competitive retail banking market, the banking sector must create a plan for customer retention. Numerous studies have revealed that customer retention and banks' profitability are closely related (Garland, 2012; Anderson, Fornell, & Lehmann, 2014). The longer a bank can retain a customer, the greater the revenue and cost savings from that customer. Due to the ability to spread out the expenditures of promotion, sales, and set-up across a longer customer lifetime, maintaining an existing customer is five times more affordable than acquiring a new one. (Morgan, 2004)

The termination of a relationship with a specific service provider by the customer and the beginning of a relationship with another service provider is a phenomenon known as ‘customer switching behavior’ (Malallah, 2011). According to Zhang's (2009) findings, price, reputation,

service quality, effective advertising, voluntary switching, distance, and switching costs, all affect customers' behavior when switching banks.

Among the numerous reasons identified, factors influencing customer switching behaviors are service quality, product quality, prices, reputation, convenience, effective advertising competition, involuntary switching, and switching costs (Malallah, 2011).

Until a proclamation was issued to affect the deregulation and liberalization of the financial sector in 1994, the Ethiopian banking sector operated like a monopoly. However, with the entry of private banks, the industry has taken a more competitive form and banks are now faced with very high and intense competition. Banks are under increased pressure to achieve competitive differentiation due to the homogeneity of the services provided and competition within the banking sector. The hardest thing for each bank to deal with is keeping its current customers.

According to the second quarter 2021/2022 fiscal year national bank report, the number of banks operating in Ethiopia reached 21, including 19 private and 2 state-owned banks. These banks opened 401 new branches during the second quarter of 2021/2022, thereby raising the total number of bank branches to 8,043. As a result, the population-to-bank branch ratio reached 12,805.9. Of the total bank branches, 35.3 percent are located in Addis Ababa. The share of state-owned bank branches was 26 percent, and that of private bank branches was 74 percent.

According to Hull (2002), the banking industry is highly competitive. The high cost of requiring new customers makes many customer relationships unprofitable because the new customer only stays in the initial stage of the transactions. Therefore, customer retention is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment.

The current stiff competition among banks in the financial sector requires in-depth insight and the development of effective customer retention strategies. Customers are one of the main assets of the banks, and many customers interact with banks every day and avail of a variety of services (Jackson, 2011). According to Negesu (2015), the causes of the stiff competition in the Ethiopian banking sector are aggressive branch openings by commercial banks coupled with the fact that all these banks provide similar services. On the other hand, customers are becoming more conscious and demanding, so they could easily switch from one bank to another competitor bank.

Thus, such a situation challenged the management of the banking sector in terms of the customer retention process.

The above realities justify the need to examine the effect of unexplored factors (i.e., quality customer service, customer satisfaction, switching cost, customer relationship, and trust) on customer retention in commercial banks to gain in-depth insight into the area and develop an appropriate customer retention strategy.

1.2 Statement of Problem

In today's highly competitive world, many top-performing organizations have identified the importance of customer retention and have taken strategic approaches to encourage and enhance customer retention (Gupta, 2006). The marketing departments of every company realize that it costs less to retain existing prior customers than to get new customers, and it requires more finance to sell the product or services to fresh customers rather than to existing customers (Coyles &Gokey, 2005).

Switching is a dear problem from the firm's point of view and an important decision for the customer. Whenever a service failure occurs, people expect to be adequately and fairly compensated. However, recent studies show that many customers feel they have not been treated fairly or received adequate compensation. (Christopher and Jochen, 2011).

It is also important to recognize that in banking and marketing, two fundamentally different functions must be performed. I.e., it must attract depositors on the one hand and borrowers and users of the service on the other. This double-sided nature of the banking business makes the market stiffer, and their competition increases from time to time. Hence, marketing strategies are becoming increasingly necessary in today's competitive environment. Marketers' understanding of the diversity of customers' buying behaviors will help them serve their customers effectively and efficiently and attract new customers. Chetan et al. (2005)

Lwiza and Nwankwo (2002) state that as a result of the banking sector's financial reforms and globalization, there has been greater public awareness of the various financial products and services offered by various banks. As a result, customers are now much more aware of the level

of service quality provided. Customers have been shifting from one bank to another due to bank failures and issues, demanding audited reports, brochures, and even branch changes within the same bank to get the finest services. Due to the circumstances, banks are now required to pay close attention to their customers needs and work hard to keep them as clients (Lwiza and Nwankwo, 2002).

According to Mudie and Pirrie (2006), there has been a shift from a transactional to a relationship-focused focus in marketing. It has been suggested that firms frequently focus on attracting customers ("the first act") but then pay little attention to what they should do to keep them ("the second act"). Due to their lack of attention, their relationship is weak, and customers may not be satisfied with what they get from the service provider. Hence, customers decide to switch to a different service provider.

Negesu (2015) states that due to aggressive new branch openings and the fact that all of these banks in the industry offer similar services, there is a high likelihood that bank customers could easily switch from one bank to another competitor bank in the face of the current fierce competition within the Ethiopian banking sector. This presents a challenge to the banks in terms of keeping their current customers. To the best of the researcher's knowledge, a few prior studies, including those of Negesu (2015) and Mekonnen (2015), addressed customer retention in the local market environment from a brand equity and business performance perspective.

This research was mainly conducted to fill the following gaps: First, most researchers used a cross-sectional survey design, so it cannot describe the process of change from time to time in the variables studied. Secondly, some researchers conclude that service quality has no significant effect on customer retention, but some researchers, like Daniel 2019 (unpublished), conclude that service quality has a significant effect on customer retention. Third, the findings of khalifa and Liu (2003), (Cheng et al.1996), (Patterson et al.1997) and Vavra (1995) They found that customer satisfaction is the crucial element for customer retention. On the contrary according to Reichheld (1996), customer satisfaction is not becoming significant in banks in their marketing strategies. So there is inconsistency in the findings.

Though customer retention is well recognized and studied by researchers, most of these studies are undertaken in different socio-cultural and economic environments. As a result, the findings

of these studies have a contextual limitation to the local banking industry environment to adopt their research findings.

Thus, in light of these realities, this study aims to explore and generate empirical evidence that may bridge the contextual and empirical gap in the area of customer retention in commercial banks in Ethiopia by investigating the effects of quality customer service, customer satisfaction, trust, switching cost, and customer relationship on customer retention based on an in-depth review of the related literature in the area.

1.3 Research Questions:

The research tried to address the following basic questions:

1. What is the influence of customer service on customer retention in Ethiopian commercial banks in the case of Bahir Dar branches?
2. What is the impact of customer satisfaction on customer retention in Ethiopian commercial banks in the case of Bahir Dar branches?
3. What is the influence of customer relationships on customer retention in Ethiopian commercial banks in the case of Bahir Dar branches?
4. What is the influence of trust on customer retention in Ethiopian commercial banks in the case of Bahir Dar branches?
5. What is the influence of switching costs on customer retention in Ethiopian commercial banks in the case of Bahir Dar branches?

1.4 Objectives of the Study

1.4.1. General Objective

The general objective of this study was to investigate the determinants of customer retention in Ethiopian commercial banks in the case of Bahir Dar branches.

1.4.2. Specific Objectives:

1. To analyze the effect of customer service on customer retention in Ethiopian commercial banks, the case of Bahir Dar branches

2. To examine the effect of customer satisfaction on customer retention in Ethiopian commercial banks in the case of Bahir Dar branches,
3. To investigate the effect of customer relationships on customer retention in Ethiopian commercial banks in the case of Bahir Dar branches,
4. To examine the effect of trust on customer retention in Ethiopian commercial banks, the case of Bahir Dar branches
5. To examine the effect of switching costs on customer retention in Ethiopian commercial banks in the case of Bahir Dar branches,

1.5 Significance of the Study

The importance of this study can be viewed in two dimensions: theoretical contributions and practical implications. Theoretically, the study can fill an empirical gap in the literature regarding customer retention in the Ethiopian banking industry. Therefore, the findings of this study can add to the existing body of literature and serve as a starting point for future studies. On the practical side, the study can help stakeholders in the field identify the major factors that may determine the effectiveness of customer retention. On top of that, such information will help the management of the banks have in-depth insight into formulating appropriate marketing strategies to retain their customers based on mutual benefit.

1.6 Scope of the Study

The population of the study was limited to Bahir Dar City. The researcher chose Bahir Dar because there are many banked populations and the users are more knowledgeable about the services, products, and technologies given by banks because they are near the media and promotion.

Theoretical scope

From the theoretical review, only customer satisfaction, trust, switching cost, customer service, and customer relationship were considered as determinates of customer retention. Other determinates of customer retention were excluded from this study.

Methodological scope

The study used both descriptive and explanatory methods, and it only included data collection from the participants through questionnaires that were distributed and administered to them. The study relied on a quantitative approach. In terms of sampling technique, this study was carried out using non-probability sampling techniques such as the convenience sampling method.

1.7 Limitations of the Study

Although this study has contributions from both a theoretical and practical perspective, it has a few limitations: First, part of the sampling technique employed was "convenience sampling," which may impact the generalizing of the research results from a methodological perspective. Secondly, the study has only targeted the customers of commercial banks Bahir Dar branches. Thirdly, the survey did not include the staff and management of the banks.

1.8 Organization of the Study

The arrangement of the research paper was organized into five chapters; the first chapter dealt with the background of the study, the statement of the problem, the research question, the objectives of the study, the significance of the study, the scope of the study, the limitations of the study, and the organization of the study. The second chapter of the paper focused on presenting a review of the related literature, which described the detailed theoretical aspects that support and clarify the practical aspects of the study. The third chapter concentrated on research design and methodology. The fourth chapter discusses data presentation and analysis. Finally, the last chapter presented the summary, conclusion, and recommendation of the study.

1.9 Operational Definitions Of Terms

Customer: Any individual who opens a bank account and all other capable people who operate banks (Wang and Spiegel, 1994).

Customer satisfaction: It is a judgment that a product or service feature, or the product of the service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment (Oliver, 1997).

Trust is when one party has confidence in the other party's reliability and integrity (Ranaweara and Prabhu, 2003).

Switching: Customers' switching intention means forsaking one service provider for another (Garland, 2002).

Switching cost: the technical, financial, or psychological factors that make it difficult or expensive for a customer to change brands (Shergill and Bing, 2006).

Service quality is a focused evaluation that reflects the customer's perception of elements of the service such as outcome quality, interaction quality, and physical environmental quality (Zeithmaland Bitner, 2003).

Customer Retention: It is a process by which customers stay with the provider in the course of an established period, for example, a year" (Dawes, 2009).

CHAPTER TWO

2. Literature Review

2.1. Introduction

This chapter contains concepts and theories regarding customer retention, and the researcher reviews earlier studies on the research topic area. The aim is to provide pertinent research in the area of customer retention and develop an appropriate conceptual framework. Additionally, empirical evidence was briefly mentioned in earlier articles that were comparable to this one. The definitions of words, the theoretical perspective on customer retention, and the factors affecting customer retention make up the structure of this chapter. Finally, a conceptual framework has been constructed as part of the final section of the literature review.

Customers can best be described as those who use the output of work, the end users of products or services. They may be internal, such as the employees and directors, or external, like members of the public, other businesses, or the government (Dei Tumi, 2005). A customer purchases goods or services from the service provider. Customers are indeed an asset to firms (Hogan et al., 2002). A good customer base ensures a continuous source of future revenue due to repeat purchases made by them and cross-buying of other products offered by the service provider (Dawes, 2009). As competition rises, there is a need to generate creative and new ways of meeting the ever-increasing demands of modern-day customers, who are very sophisticated and knowledgeable, demand excellent products and/or services, and have alternatives.

According to business experts Don Peppers and Martha Rogers (2004), the value that originates from customers—both the ones you have now and the ones you will have in the future—is the only value that your company will ever create. Customer acquisition, retention, and growth are the keys to business success. The sole reason to construct factories, hire personnel, arrange meetings, or carry out any other company activity is to serve customers. You can't run a business if there are no clients. Consumers today want businesses to do more than just connect with them, satisfy their needs, and even thrill them, thanks to the development of digital technologies like the Internet. They anticipate a response from businesses after being heard.

Every organization needs to succeed in the market. The worldwide competitive market provides today's customers with choices they've never had before. Companies do not only want to get new customers, but they also try to retain their customers, as the customers have a great choice and can change their preferences if they are not satisfied with their sellers. Marketer thinks about new trends to satisfy their customers and improve their relationship with them (Oliver, 1999).

2.2. Customer Retention

Customer retention is considered a very important goal and a competitive component in any business environment (Oliver, 1999). Customer retention may be defined as a strategy used by businesses or organizations to keep current customers by building positive relationships with everyone who purchases their goods (Kotler, 2008). Customer retention marketing is a tactically driven approach based on customer behavior. The actions a selling organization takes to lower client attrition are referred to as customer retention. Successful customer retention begins with the initial interaction a company has with a client and lasts for the duration of the relationship. Numerous studies have been done to demonstrate the importance of client retention for businesses as well as the elements that influence it (Reichheld & Sasser, 1990).

As globalization proceeded in the world economy, the products and services changed, and the competition between the firms started to increase and become more complicated. The firms started to lose their customers, and they were spending a lot of money attracting new customers; thus, interest in customer retention started to increase since then (Goyles & Gokey, 2005). Hence, different companies transformed from obtaining new clients to retaining existing ones and adding and attracting clients apart from competitors (Goyles & Gokey, 2005).

According to this study, an outcome of several factors relating to the time the customer spends with the organization, which include the higher initial costs of introducing and attracting a new customer, increases in both the value and number of purchases, the customer's better understanding of the organization, and positive word-of-mouth promotion (Havaladar, 2012). In addition, retaining customers saves the effort and cost of gaining new ones. Rust and Zahorik (1993) argue that the financial implications of attracting new customers maybe five times as costly as keeping existing customers.

In addition, longer-term customers buy more and, if satisfied, may generate positive word-of-mouth promotion for the company. Additionally, long-term customers also take less of the company's time and are less sensitive to price changes (Srivastava & Lurie, 2001). These findings highlight the opportunity for management to acquire referral business, as it is often of superior quality and inexpensive to obtain. Thus, it is believed that reducing customer attrition by as little as five percent can double profits (Srivastava & Lurie, 2001). Customer retention only focuses on developing marketing strategies that cause repeat-purchasing behavior and ignores factors that influence such behavior (Hennigsthuurau & Klee, 1997). Currently, although the concept of customer retention applies to all types of businesses, the medical device and pharmaceutical business sectors seem to be at the forefront of studying the impact of retention on profits. This makes customer retention one of the priorities of strategic management. But retaining customers is not an easy task. Many factors are making retention a difficult task for managers.

2.3. Customer life cycle theory

A customer's life cycle consists of different stages and can be defined through various methods. The most common approach is that of Jim Sterne and Matt Cutler (2000). In their paper, E-Metrics: Business Metrics for the New Economy, Jim Sterne and Matt Cutler (2000) proposed different ways of calculating the customer lifetime value.

Reach: Reach is the first phase of the customer lifecycle. Companies use this strategy to try to draw in potential customers for whom they have created products and services.

Acquisition: In the acquisition stage, companies attract customers and bring them into the influence sphere of the organization that was attracted in the previous stage.

Conversion: In this stage, once the company has reached its customers and established a relationship with them, the customers make the ultimate decision to purchase.

Retention: This stage comes when the customer decides to buy a product or service for the second time from the same provider. It can be either the same product or service, cross-selling, or up-selling (Tsai *et al.*, 2013).

Loyalty: Every business wants to get to this point in the client lifecycle. At this point, a customer might be described as more than just a consumer; rather, they become a brand evangelist or a devoted partner.

2.4. Customer Retention and Business Performance

The practice of customer retention is seen as one of the most important tools for competing successfully and boosting performance (Padmashantini, 2013). Customers are regarded as the organization's main focus. Every organization's primary goal is to increase its client base to meet its objectives and to keep those customers satisfied by offering the highest caliber of services. Without their clients, businesses are unable to improve their operational performance (Ahmad, 2002). According to Ang (2006), organizations should focus on customer retention rather than the recruitment of new customers. Since different financial measures have been adopted, organizations can now measure their business performance by taking into account non-financial performance metrics as well. In the past, organizations used financial measures and accounting standards to evaluate their financial performance

2.5. Benefit of Customer Retention

2.5.1 Lower cost

Levins (2009) found that brand loyal customers reduce the marketing cost of the firm as much as the cost of attracting a new customer, and the cost of seeking new customers is six times higher than the cost of retaining an old one. Holt (2009) states that loyal customers translate into lower marketing costs and increase revenue over a customer's lifetime relationship with a company. Patterson (2007) asserts that many firms are beginning to shift their marketing focus from new customers to existing customers in an attempt to secure a cohort of brand-loyal customers to first ensure sustainability.

2.5.2 Higher sales volume

Every five years, the average business loses half of its customers, which works out to a 13% yearly customer decline. These numbers highlight the difficulties businesses encounter when attempting to expand in a competitive marketplace. Increase sales to clients, both current and potential, by 14% to achieve even a 1% yearly increase. Reduced customer turnover can significantly boost business development and customer loyalty, which results in consistent and even higher revenues because customers stick with the same brand more often (Giddens, 2010).

2.5.3 Lower promotion cost.

Loyal customers are willing to search for their favorite brand and are less sensitive to competitive promotions. This inelasticity results in lower costs for advertising, marketing, and distribution. It is easier to reinforce behavior than change them, and a sale is just the beginning of an opportunity to turn the purchaser into a loyalist. It costs four to six times as much to attract a new customer as it does to retain an old one (Giddens, 2010).

2.5.4 Increase usage and spending

Perceived quality has been shown to positively affect customer usage. The customer tends to select brands they perceive to be quality brands. This also relates to repeat buying or brand loyalty. Customers tend to continue buying brands that reward them with a good experience rather than repeating the evaluation time after time (Aaker, 1996). For example, a customer who repeatedly stays at the same hotel becomes more familiar with the hotel's full product line, such as gift shops and banquet rooms, and that customer will likely sample other product lines of the company, thus helping the company achieve a larger share of customers.

2.5.5 Financial benefit

The advantage of customer loyalty is that it is long-term and commutative. The longer a customer remains loyal, the more profit a business can get from that single customer. The results of research conducted by Giddens reveal that positive financial benefits can be attained through customer loyalty (Giddens, 2010).

2.5.6 Lower price elasticity

Customers' loyalty can be associated with lower price elasticity and willingness on behalf of the customer to pay more for the privilege of doing business; higher margins almost always drop to the bottom line. Brands with a high level of brand loyalty experience lower price elasticity as customers accept the price and pay for the brand name and brand association. Some studies indicate that price reductions have had negative results in sales due to the disapproval of brand loyalists (Aaker, 1996).

2.5.7 Referrals

Loyal customers can be equated with the mother of all profitability engines. If loyal customers are happy customers, then it is likely they are unpaid ambassadors for a company, spreading the word on how wonderful it is to do business with the company. That saves the company real money in reduced customer acquisition costs. Customers also value their relationship with their branded possessions and with marketing agents and institutions that own and manage the brand, and as such, they announce the value of the brand to family, friends, social groups, and work colleagues (Aaker, 1996).

2.6 Factors that influence customer retention

Several factors affect customer retention; however, most scholars focus on customer satisfaction, service quality, perceived price fairness, switching costs, customer relationships, and trust. Hence, these factors are discussed in the following subsections:

2.6.1 Service quality and customer retention

Service quality literature indicated that perceptions of high service quality and high service satisfaction resulted in a very high level of purchase intentions. Customer loyalty was affected by product quality, service quality, and retailer image (Gungor, 2002). He also suggested that the quality of products and services is directly related to customer satisfaction and leads to customer loyalty.

2.6.1.1. SERVQUAL Model (Theoretical Framework)

This model was first introduced in 1985, and it is one of the most popular tools used to measure service quality. The SERVQUAL Model measures the gap that exists between customer expectations and the actual service received from the customer. This model consists of five service quality dimensions, and they are:

Tangibility: It includes the exterior of physical facilities, equipment, written signs and signals, and personnel.

Reliability: Focuses on how service promises are delivered.

Responsiveness: Focuses on how organizations are willing to help customers and offer prompt services.

Assurance: Focuses on inspiring trust and confidence in employees while delivering services.

Empathy: Focuses on providing individual attention and caring for the customer by providing customized services because every customer is unique (Wilson et al., 2012).

2.6.1.2 SERVQUAL Dimensions in Banking Sector

SERVQUAL dimensions play a vital role in measuring service quality in the banking sector. A tangible related factor in the banking sector relates to adequate staff to provide services, advanced and usable equipment, and an easy physical layout. So, these factors should be properly maintained in the banks because they help increase customer satisfaction. Reliability focuses on delivering promised services. Banks with high reputations and dependability will always fulfill the promises made to customers, and banks will also ensure a high level of security.

The goal of responsiveness is to assist customers and deliver the correct services. Many banks make an effort to customize as well as adapt their services based on the customer's level, which raises customer satisfaction. The customer seeks assurance from the bank in a similar way.

Therefore, bank employees must thoroughly explain every product and service to customers so that they feel at ease using financial services. Finally, because each customer is different, bank workers need to treat each one with empathy (Lau et al., 2013).

2.6.2. Customer Satisfaction and Customer Retention

According to Pizam and Ellis (1999), customer satisfaction can be thought of as a psychological notion that comprises the happiness and pleasure one has after realizing one's aspirations and expectations. Because it is not a common miracle, not everyone finds the same level of fulfillment in the same event. This is because, even though it is the same industry, different customers may have varying wants, goals, and experiences that affect their expectations. According to Frederick and Reichheld's (2001) clarification, consumer satisfaction can be a key factor in keeping customers. Retention and satisfaction have a close link.

In 2010, A survey of nearly 200 senior marketing managers also establishes the relationship between customer satisfaction and loyalty, 71% responded that they found a customer satisfaction metric very useful in managing and monitoring their businesses. Unsatisfied customers are not loyal customers; thus, customer satisfaction is seen as a key performance indicator within the business. The author has observed that Customer satisfaction has a significantly positive direct impact on customer loyalty. Thus, as the level of customer satisfaction increases, the level of customer loyalty increases. Customer satisfaction inversely influences customer complaints. Thus, as the level of customer satisfaction increases, the level of customer complaints decreases. Customer complaints have a significantly inverse impact on customer loyalty. Thus, as the level of customer complaints increases, the level of customer loyalty decreases.

2.6.3 Customer Relationship and Customer Retention

Customer relationship raises in the '90s and has been very important in the business approach. To emphasize the importance of relationships, a new marketing approach has been created and named 'relationship marketing'. Even relationship marketing has been termed for the banking industry as 'relationship banking' to establish long-term bonds with customers (Mukherjee and

Nath, 2003).

For the banking industry, after the 2000s, with the increasing number of internet users, customers had great opportunities to be more powerful and effective against the banks. Thus, banks understood that they could only be successful if they focused on customer long-lasting relationships (Koçoğlu and Kirmaci, 2012) because developing positive relationships with the customer link him/her loyalty, and the loyal customer has the potential to provide various advantages and benefits (Roig et al, 2006).

Jobber (2001) states those retention strategies vary in the degree to which they bond the parties together. There are three levels of retention strategies based on the types of bond used to strengthen the relationship: at the first level bond is primarily through financial incentives. The problem here is that the potential for sustainable competitive advantages is low because price motivations are easy for competitors to copy. The second level is based on building long-term relationships through social as well as financial bonds. Customers become clients and the relationship becomes personalized and the service customized. This type of relationship includes frequent communication with customers, and providing the service through personal treatment for the customer. By placing this level of retention strategy into practice the company raises the potential for a sustainable competitive advantage. The third level, or the top level, of retention strategies, is focused, not only on financial and social bonds but also on structural bonds. This includes providing solutions to customers' problems that are designed into the service delivery system. For example, logistic companies often supply their clients with equipment that ties them into their system.

2.6.4 Switching cost and customer retention

Organizations should build some switching barriers to hold their customers. If the switching cost increases by the organizations then as a result the risk will be increased for the customers and the company should be more efficient as the dependency increased on the company's side (Jones, 2002). If the companies build positive switching barriers, then it will be a positive effect on the customers. To create a long-term relationship between the company and the customers, the company should provide more benefits to their customers to increase the retention level of the

customers (Berry, 1995). The benefits should be personal interaction with the customers and effective communication in a friendly manner, emotional benefits that may relax the customer's mind, and financial benefits such as offering different discounts to their customers (Bejou, 1998). When the customers are totally satisfied with the services provided by the organization, and they never think about the alternate options describes the possibility of customers switching to another organization will be reduced to an acceptable level (Ang, 2006). If the customer gets attracted to any other option or alternative, then the existing may build the switching barrier. Service recovery is also one of the components of the switching barrier which means that the organizations that are providing the services to the customers can resolve the problems of the customers and reduce the dissatisfaction of the customers. Service recovery is one way to build a customer relationship into a long-term relationship (Anderson, 1994).

Customer satisfaction is very significant to retain customers. It has been evaluated that the effect of the switching barrier directly affects the level of customer retention therefore organizations take innovative steps to adjust the relationship between customer retention and customer satisfaction (Abrat, 1999).

The interpersonal relationship between the company and the customers can be an important factor as a switching barrier. The continuous interpersonal relationship becomes a relationship-specific asset that acquires the customer to pay the cost to be out of the relationship and therefore protects the customer from being apart from the relationship with the company (Berry, 1995).

2.6.5 Trust and Customer Retention

Security is essential to every trade and especially in the banking sector where clients leave their money based on promises done (Knell and Stix, 2009). Gaining customers' trust and making them feel secure have a great influence on the bank's performance. The banks should be very reliable in any decision. The essential thing is not only to be reliable and trustworthy but also trustful to their customers and to develop a win-win relationship with them. What customer expects from the bank is to listen, care and deal with their problems (Bell, 2000). Customers witnessed weaknesses of the bank spread very quickly among customers. To save and increase market share, banks should pay attention to their reputation and image as well (Hassan et. al,

2012) and they don't damage their positive intangible possessions such as trustworthiness.

In a study conducted on customer retention focusing on professional service firms Mascareigne (2014) noted that trust and confidence are perceived as vital elements by professional service providers. Several of the customers argued that without trust, no business can be done, mostly because clients cannot evaluate performances beforehand. As clients cannot trust an agency that they have not worked with earlier, they demand to see references from previously carried out projects. Some clients chose an agency based on recommendations made by other clients. The study among other variables concluded that creating close deep trustworthy and long-term relationships are key factors in retaining customers.

2.7 Customer Retention Measure

The customer retention rate determines the percentage of customers that the company retained over a given period. Different industries have their own good and bad retention rates that are updated almost every year. Keeping track of the retention rate is as important as tracking your growth in revenue during every financial period (Tada, 2019). Measuring retention rate is important for several reasons, predicting retention lies at the heart of any attempt to calculate lifetime value and customer equity, retention drives from profitability and value. A 1% increase in retention rate produces nearly a 5% increase in customer Equity (Gupta et. Al, 2004) measuring retention rates over time can provide a metric of the firm's health. There are several dimensions to consider when measuring retention; the most common measure of retention is the retention rate, quantified as a Zero-one indicator at the individual level and the percentage of customers retained at the aggregate level (Ascarza E. et.al, 2017).

The customers who stay in touch with the organization for a longer period are called -retained customers. Accordingly, there are three methods to evaluate the retention rate of customers; the compound method, the behavioral method, and the attitudinal method. The behavioral method of retention rate shows the repetitive and constant buying behavior of the customers (Anderson, 1994). The attitudinal method describes the emotional attachment of the customer towards the product or the brand. These customers are considered to be the authentic customers. These are

the customers who always show a positive attitude towards the brand or the product. These customers convince others to buy the product or the brand for which the new customers are not ready to purchase because of the higher prices (Berry, 1995).

The last method is the composite method, as the composite method is the combination of both the behavioral method as well as the attitudinal method. These customers are loyal and retain customers in the organization. They continue to make purchases and always hold favorable and auspicious attitudes toward the organization. The composite method is considered to be the greatest tool for implementing the retention rate of the customer. Loyal customers also can compromise with the new prices to receive the best quality of services from the organization (Reichheld, 1990). Generally, according to Bowen J.A, new customers have so many complaints regarding the organization or the products or the service provided by those organizations, but the usually retained customers have fewer complaints regarding the products or services provided by the organizations (2001).

2.8 Empirical Studies

Radomir and Scridon (2010) in the study improving bank quality dimensions to increase customer satisfaction examined the relationship between service quality dimensions and customer satisfaction with bank territorial units. According to the study, bank management should take into account "convenience and efficiency" and "bank personnel" as dimensions in their efforts to raise and maintain the level of service quality. Human resources had the biggest impact on customers' satisfaction with bank territorial units. Mascareigne (2009) explained several factors that influence customer retention. For customers to remain devoted and stay longer with the organization, he specifically mentioned creating customer satisfaction, creating customer trust, creating customer involvement, creating switching barriers, communication effectiveness, service quality, and price, as well as several customer retention strategies and processes. The study found that professional service providers don't have any standard operating procedures for keeping customers, and their customer retention methods are customized for each customer based on a small sample size.

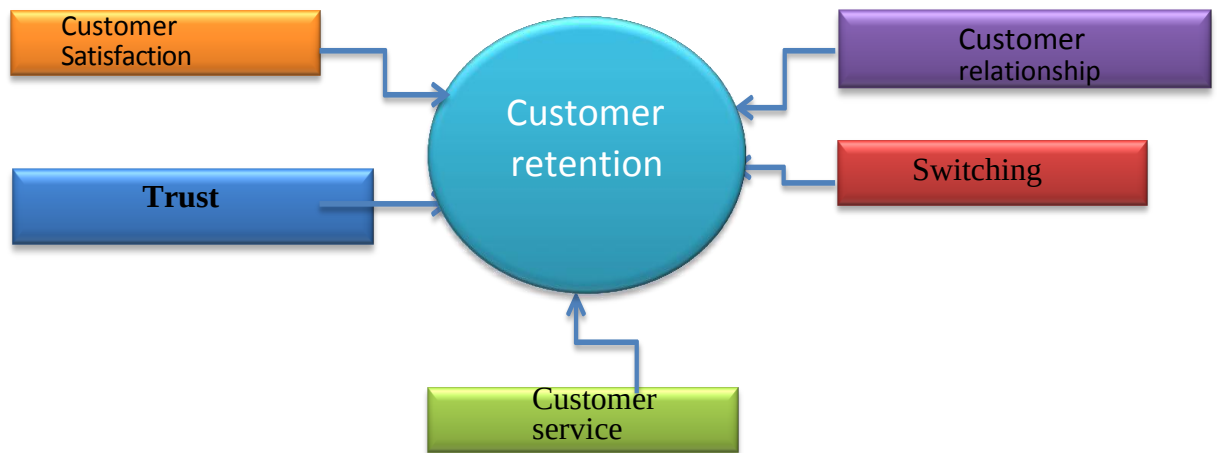
Moreover, Filip and Anghel (2009) aimed at researching customer level of loyalty toward Romanian organizations acting in the retail banking sector and the factors influencing customers' actions in the relationships with banking institutions including reasons for customer retention. According to the study's findings, Romanian clients of banks continued to do so because of inertia and because both favorable views and positive incentives existed. Additionally, the degree of loyalty claimed by customers depended not only on satisfaction but also on other elements like the bank's attitude towards its clients, the degree of client trust in the company or its employees to protect their financial interests, and the degree of client commitment. According to the study, a high level of consumer discontent influences switching behavior. The study, however, was unable to demonstrate the connection between customer satisfaction, product quality, product pricing, and customer service.

Elly (2010) in the study on service quality and customer retention in Tanzanian commercial banks the purpose of the study was to investigate the link between service quality and retention of customers in Tanzanian commercial banks. The research findings revealed that the overall service quality provided by commercial banks had a direct relationship with customer loyalty. Fasha (2007) in the study of the impact of service equality on customers' satisfaction and retention in Tanzanian commercial banks, the elements were the provision of information to customers with variables, which were availability of information when needed, understanding consumers' language, and accuracy of the information, the relevance of information and reliability information. Findings indicated that information provision, complaint handling, and service quality had a significant impact on customers' satisfaction and hence, their retention.

2.9. Conceptual Framework

Creating a conceptual framework to direct the study is the goal of this part. A conceptual framework, according to Miles and Huberman (1994), "explains, either graphically or in narrative form, the key factors, constructs, or variables to be studied, as well as the presumptive relationship between them." When creating a conceptual framework, we are compelled to make choices about which variables are most significant, which relationships are most likely to have practical significance, and thus, what data should be gathered and examined.

Figure 2.2. Conceptual Framework of the Study



Source: Adapted from Beerli (2004). "A model of customer loyalty in the retail banking market."

2.10 HYPOTHESIS

- H1: Trust has a significant and positive influence on customer retention.
- H2: customer satisfaction has a significant and positive influence on customer retention.
- H3: customer service has a significant and positive influence on customer retention.
- H4: switching costs has a significant and positive influence on customer retention.
- H5: customer relations have a significant and positive influence on customer retention.

CHAPTER THREE

3. RESEARCH METHODOLOGY

The methodology is simply the systematic way in which the researcher attempts to find the answers to the research questions. Methodology refers to the overall approach to the research process, from the theoretical foundation to the collection and analysis of the data. On the other hand, research methodology is a way of systematically solving the research problem. Thus, in this particular chapter, the research methodologies that the researcher followed to collect information from target respondents, analyze it, interpret it, present it, and provide a necessary recommendation were briefly discussed.

3.1 Research Design

The researcher uses explanatory research is developed to investigate a phenomenon that has not been studied or explained properly. Its main intention is to provide details about where to find a small amount of information. Explanatory research is responsible for finding the *why* of the events by establishing cause-effect. It identifies how much one variable may cause a change in the other. Causal research is important for evaluating current processes and procedures and determining if and how changes should take place.

Causal research, seeks to determine cause and effect relationships between variables. It identifies how much one variable may cause a change in the other. Causal research is important for evaluating current processes and procedures and determining if and how changes should take place, hence the researcher use this research type.

3.2 Research approach

The researcher has used quantitative research methods in this study to investigate the variables that have a significant effect on customer retention in Ethiopian commercial banks in Bahir Dar branches. The researcher has followed the positivist research approach because the subject of the study is independent of and neither affected nor affected by the subject researched. It is also a

deductive approach because theories and hypotheses are developed first, and the research strategy is designed to test the formulated hypotheses. Here, the main task of the researcher is to examine the determinants of customer retention.

3.3 Population

A population consists of all elements (individuals, items, or objects) whose characteristics are being studied (Mann, 1995). According to Ngechu (2004), a population is a well-defined set of people, services, elements, events, groups of things, or households that are being investigated. Since this research will be confined to the commercial banks, the population consists only of individuals who have experience using banking services in any one of the commercial banks in Bahir Dar city.

In this study, the population is composed of commercial banks that have operated for more than one year with customers in Bahir Dar City. Hence, based on the large sample size determination formula for the population, those are large enough to yield a representative sample for the population (Cochran, 1997).

3.4 Sample Size

Determining sample size is a very important issue because samples that are too large may waste time, resources, and money. While samples that are too small may lead to inaccurate results, According to Saunders (2007), researchers normally work to a 95% level of certainty. According to G.Cochran (1977), the large population yields a representative sample for proportions, which is valid; where N is the sample size, Z is the abscissa of the normal curve that cuts off an area " α " at the tails, and the tails are $(1 - \alpha)$ equals the desired confidence level, i.e., 95%. "E" denotes the desired level of precision, and "p" is the estimated probability of an attribute that is present in the population. "q" is $1-p$. The value for Z is found in the statistical tables, which contain the area under the normal curve. The resulting sample in this study will be determined as follows:

$$\begin{aligned}
 N &= Z^2 pq/E^2 \\
 &= \frac{(1.96)^2 * (0.5)*(0.50)(0.05)^2}{1} \\
 &= 384
 \end{aligned}$$

Table 3.1 List of commercial banks and their mark share based on the network of branches

No	Name of commercial Banks	Number of branches	% share	Sample taken
1	Commercial Bank of Ethiopia	2006	25	97
2	Awash bank	692	9	34
3	Bank of Abyssinia	764	10	37
4	Dashen bank	557	7	27
5	Berhan international bank	318	4	15
6	Bunna international bank	339	4	17
7	Addis international bank	107	1	5
8	Nib international bank	424	5	21
9	Abay bank	370	5	18
10	Enat Bank	93	1	5
11	Debub global bank	132	2	6
12	Zemen bank	68	1	4
13	Wegagen bank	420	5	20
7154	Oromiya international bank	353	4	17
15	Cooperative Bank of Oromiya	561	7	27
16	Hibret bank	419	5	20
17	Lion international bank	289	4	14
total		7912	100	384

Source; National bank report, Second Quarter 2021/22 Fiscal year Series

3.5 Sampling Techniques

Questionnaires were distributed using the non-probabilistic sampling technique of convenience sampling because all the consumers of banks could not be available at the same time.

Convenience sampling is a type of non-probability sampling where the sample is taken from a group of people that are easy to contact or reach.

3.6 Source of Data

Once the research problem is defined and the type of research is selected, it is time to decide which technique is going to be used for collecting data. There are two major sources (primary and secondary sources) to collect information about a situation, person, or problem. In this study, both primary and secondary data were used. The primary data was collected through the distribution of a structured questionnaire to the customers of selected commercial banks. Moreover, in this study, the quantitatively administered questionnaire was the most extensively used technique to collect primary data. Secondary data was collected from previously conducted research and various books, bank web sites, annual reports of the banks, and various published journals to support the analysis of the data with conceptual and empirical evidence.

3.7. Data Collection technique

The structure of the questionnaire plays an important role in determining the quality of the data collection in research. The main measurement instrument expected to be used in this study was a structurally administered questionnaire using an ordinal scale of measurement. The questionnaire was adopted from Ravichandran et al. (2010) and Frank Kojo Kuranchie (2010) to measure the impact of the selected variable on customer retention in commercial banks. The questionnaire consists of two parts. The first part consists of demographic characteristics of respondents, and the second part includes different questions concerning their agreement with the impact of customer relationship management variables on customer retention in banks. To make the questionnaire more clear for the target respondents, a five-point Likert scale ranging from strongly agreeing = 5 to strongly disagreeing =1 was used to measure the determinants of customer retention in banking services.

Table 3.2: The components of questions related to factors affecting customer retention.

S/no	Factors	Items	Scale	Source
1	Trust	4	Five-point Likert	Ravichandran et al. (2010)
2	Customer satisfaction	4	Five-point Likert	Frank Kojo Kuranchie (2010)
3	Customer relationship	4	Five-point Likert	Frank Kojo Kuranchie (2010)
4	Quality customer service	5	Five-point Likert	Frank Kojo Kuranchie (2010)
5	Switching cost	4	Five-point Likert	Frank Kojo Kuranchie (2010)
6	Customer retention	6	Five-point Likert	Frank Kojo Kuranchie (2010)

Source: survey result, (2023)

3.8. Data Analyzing Techniques

After collecting the required information from the target respondents, the researcher employed different statistical tools to present, analyze, interpret, and conclude the findings. Thus, to minimize the burden of doing it manually, SPSS V.26 computer software was used to analyze the data. Moreover, descriptive analysis such as percentage, mean, and frequency distribution was used to present or categorize the demographic characteristics of the respondents. A correlation analysis was used to test the proposed hypothesis and to show whether the relationship between the independent and dependent variables is weak, strong, negative, or positive. Linear regression was used to identify the dominant customer relationship management dimensions that affect retention at large.

3.9. Ethical Consideration

Before the research was conducted on the selected banks, the researcher informed the participants of the study about the objectives of the study and consciously considered ethical issues in seeking consent, avoiding deception, maintaining confidentiality, respecting privacy, and protecting the anonymity of all respondents. A researcher must consider these points because the law of ethics on research condemns conducting research without the consensus of the respondents for the above-listed reasons.

3.10. Reliability Test Result

The reliability test is an important instrument to determine the degree of consistency of an attribute that is meant to live. The less variation the instrument produces in repeated measurements of an attribute, the greater its reliability. Cronbach's alpha is one of the four most commonly accepted measures of reliability (Mahon and Yarcheski, 2002).

It measures the interior consistency of things on a scale. It indicates the extent to which the things in a questionnaire are associated with one another. The standard range of Cronbach's coefficient alpha value ranges between 0 and 1, and therefore the higher values reflect a higher degree of internal consistency. Different authors accept different values of this test for internal reliability, but the most commonly accepted value is 0.70 because it should be adequate to or above internal reliability (Hair et al., 2003).

Table 3.2. Cronbach's Alpha for each field of the questionnaire

Dimensions	Number of items	Cronbach's Alpha	Result
Customer Retention	6	0.844	Good
Trust	4	0.877	Good
Customer satisfaction	4	0.896	Good
Switching cost	4	0.896	Good
Customer relationship	4	0.938	Excellent
Quality customer service	5	0.811	Good
Overall	27	0.887	Good

Source: survey result, (2023)

The Cronbach's alpha coefficient was calculated for each dimension of the questionnaire. According to Table 1, the value of Cronbach's alpha for each dimension of the questionnaire ranged from 0.811 to 0.938. This range is considered good and acceptable, as the result ensures the reliability of each dimension of the questionnaire.

Further, for the entire questionnaire, Cronbach's alpha equals 0.887, which indicates good reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

CHAPTER FOUR: RESULT AND DISCUSSION

In this chapter, the data collected from the respondents were analyzed and interpreted using quantitative analysis which involves analysis of the demographic information of respondents and the descriptive and inferential statistics employed to test the hypothesis and to investigate the effect of independent variables on dependent variables. To analyze the collected data, statistical procedures were undertaken using SPSS version 26.

4.1. Response Rate on Questionnaire

As explained above, 384 samples were taken from the estimated population through convenience and non-probability sampling techniques. Then the questionnaires were distributed among the total sample size, and 100% of the distribution was done. But 366 customers returned the questionnaire on time, and the remaining 18 did not. Thus, the returned questionnaire did not have an excessive number of missing values, and all are included for analysis purposes. This represents a response rate of 95.3%, which is still adequate to arrive at the desired and expected achievement of this study, and the researcher assumes that it is considered sufficient for the data analysis process.

4.2 Demographic Information of Respondents

To observe what demographic trend the sample population had, the questionnaire started with the demographic characteristics of the respondents. This part of the questionnaire requested a limited amount of information related to the personal and demographic status of the respondents. Accordingly, the subsequent variables about the respondents were summarized and described in the following table. These variables include gender, age, educational background, occupation, and duration of time.

Table 4.1: Demographic profile of respondents

Personal information of the respondents			
Personal Information	Frequency	Valid Percent	Cumulative percent
1. Gender			
Male	234	64	64
Female	132	36	100
Total	366	100	
2. Age			
18-30	142	38.8	38.8
31-40	94	25.7	64.5
41-50	65	17.8	82.2
51-60	59	16.1	98.4
Above 61	6	1.6	100
Total	366	100	
3. Marital status			
Married	285	78	78
Unmarried	63	17	95
Divorced	18	5	100
Total	366	100	
4. Education level			
Primary	49	13.4	13.4
High school	82	22.4	35.8
Diploma	133	36.4	72.4
BA Degree	88	24	96.2
Masters and above	14	3.8	100
Total	366	100	
5. Occupation			
Unemployed	32	9	9
Employed	89	24	33
Private business	194	53	86
Pensioner	18	5	91
Student	24	7	98
Housewife	9	2	100
Total	366	100	
How long did you stay as a customer at your first choice customer bank?			
Up to 1 year	16	5	4
Between 1 and 3 years	170	46	50
Between 3 and 5 years	86	24	74
Between 5 and 8 years	34	9	83
Between 8 and 10 years	26	7	90
Above 10 years	34	10	100
Total	366	100	

As presented in the above table, the gender composition shows that both male and female customers of the commercial banks participated in the study. Even though the majority of the respondents (234, or 64%) were male, female respondents also participated, accounting for 132 (36%). This indicates the majority of respondents in the city were male.

The second component of the table shows the age distribution of the respondents. From the five age categories, the dominant age group of the respondents is the one between the ages of 41 and 50 (30%), followed by respondents between the ages of 31 and 40 (28%) and those between 18 and 30 (17%). Finally, respondents between the ages of 51 and 60 and over 61 scored 16% and 9%, respectively.

The third component of the table represents the marital status of the respondents. It has three categories: single, married, and divorced. The highest score goes to married respondents, who are 78%; the remaining 17% are single, and 5% are divorced.

The distribution of respondents' educational level has five layers of categories, which represent elementary complete, high school complete, college diploma, first degree, and above first degree. According to the above table, the majority of respondents have college diplomas (36.3%), 24% have a first degree, 22.4% have completed high school, and those who have completed elementary school and above have a first degree of 13.4 and 3.8%, respectively.

The occupation of the respondent has been one of the variables considered, with six different layers of categories that represent unemployed, employed, self-employed, pensioners, students, and others. Out of which the majority of them fall under the self-employed category at 53%, employees take the second place with 24%, unemployed respondents account for 9%, those students are 7%, pensioners account for 5%, and finally respondents in housewife category score 2%.

The year of the business relationship with the bank is presented in the above table. The result shows most of the respondents have between 1-3 years of relationship with the bank, 24% have a 3-5 year relationship, 10% have above 10 years of relationship, and the remaining 9%, 7%, and 5% are between 5-8 years, between 8-10 years, and below one year, respectively.

4.3. Descriptive Analysis of Data Collected from Customer Survey

The analysis of the study was done using descriptive statistics by computing the mean and grand mean scores of each item and dimension, respectively. The main purpose of using this statistical parameter is to interpret the average response rate of respondents for each item. According to Poonlar Btawee (1987), the mean score ranges from 4.51–5.0 excellent/very good, 3.51–4.50 good, 2.51–3.50 average/moderate, 1.51–2.50 fair, and 1.00–1.50 poor.

Table 4.2 Responses related to trust

Indicators of trust	N	Mean	Standard Deviation
1. You believe that your money is in the safe hand and if a need arises you can easily withdraw at any time.	366	4.88	0.436
2. The staffs of your bank are honest & professional.	366	4.52	0.772
3 You believe your bank is a reliable and financially strong institution.	366	4.43	0.827
4. You believe your bank keeps financial information confidential.	366	4.16	0.979
Grand mean		4.5	

Source: survey result.

As shown from the above dimension of trust, all of the items scored the highest mean rates, ranging from 4.16 to 4.88. Specifically, your money is in safe hands, and if a need arises, you can easily withdraw it at any time. scored the highest mean value of 4.88 and a 0.436 standard deviation, followed by the honest and professional staff of your bank, with a 4.52 mean and a 0.772 standard deviation. Trust as a dimension has a 4.50 grand mean, which falls within the range of 3.5–4.50 of Poonlar-Btawee (1987 which is assumed to be a good determinant, and it

plays a third role in retaining customers as compared to other customer retention dimensions explained by this study

Table 4.3 Responses related to customer satisfaction

Indicators of Customer Satisfaction	N	Mean	Standard Deviation
1. The products and services provided by your bank are consistent and satisfactory.	366	4.47	0.881
2. Your bank designs its products and services based on customer needs.	366	3.99	1
3 . The product and service provided by your bank exceeds its customer's expectation.	366	3.89	0.942
4. Your bank provides user-friendly service and the latest technology.	366	3.63	0.95
Grand mean		3.995	

Source: survey result.

As shown from the above dimension of customer satisfaction, all of the items scored the highest mean scores, ranging from 3.63 to 4.47. Specifically, the products and services provided by your bank are consistent and satisfactory and scored the highest mean value of 4.47 and 0.881 standard deviations, followed by the bank designing its products and services based on customer needs with a 3.99 mean and 1 standard deviation. Customer satisfaction as a dimension has scored a 3.995 grand mean, which falls within the range of 3.5–4.50 of Poonlarbtawee (1987 which is assumed to be a good determinant of customer retention.

Table 4.4 Responses related to switching cost

Indicators of Switching Cost	N	Mean	Standard Deviation
1. If you switch to another bank, you may not get the best service as your bank provides.	366	4.89	0.455
2. If you switch to another bank, there can be a potential facing higher costs after switching to the new bank.	366	4.86	0.520
3. If You switch to another bank, you will lose a friendly relationship with the bank.	366	4.75	0.615
4. If you switch to another bank, You may face unexpected trouble after switching to a new bank.	366	4.60	0.751
Grand mean		4.775	

Source: survey result.

As shown from the above dimension of switching cost, all of the items scored the highest mean rates, ranging from 4.60 to 4.89. Specifically, if you switch to another bank, you may not get the best service, scoring the highest mean value of 4.89 and 0.445 standard deviations, followed by potentially higher costs after switching to a new bank with a 4.86 mean and 0.52 standard deviation. Switching cost as a dimension has scored a 4.775 grand mean, which falls within the range of 4.51–5 of Poonlartawe (1987) which is assumed to be an excellent determinant of customer retention.

Table 4.5 Responses related to customer relationship

Indicators of Customer Relationship	N	Mean	Standard Deviation
1. Your bank continuously seeks your feedback regarding the quality of its service and employees are engaged towards customer relations.	366	4.49	0.685
2. Your bank treats you based on personal banking needs and desires.	366	4.38	0.733
3. Your bank provides you with timely information about its products and service.	366	4.27	0.796
4. Your bank motivates its long-term customers by providing rewards and recognition.	366	4.26	0.776
Grand mean		4.35	

Source: survey result.

As shown from the above dimension of the customer relationship, all of the items have scored the highest mean scores, ranging from 4.26 to 4.49. Specifically, the bank continuously seeks your feedback regarding the quality of its service, and employees engaged in customer relations scored the highest mean value of 4.49 and 0.685 standard deviations, followed by the bank treating you based on personal banking needs and desires, with a 4.38 mean and 0.733 standard deviations. Customer relationship as a dimension has scored a 4.35 grand mean, which falls within the range of 3.5–4.50 of Poonlarbtawee (1987 which is assumed to be a good determinant of customer retention.

Table 4.6 responses related to quality customer service

Indicators of Quality Customer Service	N	Mean	Standard Deviation
1. Your bank's working hour and branch location is convenient.	366	4.98	0.208
2. Your bank's physical facilities and office layout associated with the service are verypleasing and comfortable.	366	4.90	0.382
3. Your bank delivers service as promised to its customer within a given time.	366	4.73	0.606
4. Your bank's staffs always provide prompt service and are willing to help customers.	366	4.25	0.876
5. Your bank continuously attends to its customer query, if any.	366	4.73	0.606
Grand mean		4.722	

Source: survey result.

As shown from the above dimension of quality customer service, all of the items have scored the highest mean ratings, ranging from 4.98 to 4.25. Specifically, the bank's working hours and branch location are convenient, scoring the highest mean value of 4.98 and 0.208 standard deviations, followed by the bank's physical facilities and office layout associated with service, which are very pleasing and comfortable, with a 4.90 mean and 0.382 standard deviations. Quality customer service as a dimension has scored a 4.772 grand mean, which falls within the

range of 4.51–5 of Poonlarbtawee, 1987, and is assumed to be an excellent determinant of customer retention.

Table 4.7 Responses related to customer retention

Indicators of Customer Retention	N	Mean	Standard Deviation
1. I intend to use other products and services of the bank.	366	4.92	0.303
2. I have said positive things about this bank to others.	366	4.70	0.633
3. I plan to continue my relationship with this bank in the future.	366	4.58	0.742
4. If I needed bank services now, this bank would be my first choice.	366	4.27	0.943
5 I would recommend this bank as the best service provider.	366	4.02	0.942
6. As compared to other banks my loyalty is with this bank	366	3.34	0.686
Grand mean		4.305	

Source: survey result.

As shown from the above dimension of customer retention, all of the items scored the highest mean rates, ranging from 4.92 to 3.34. Specifically, I intend to use other products and services of the bank, which scored the highest mean value of 4.92 and a 0.303 standard deviation, followed by saying positive things about this bank to others, which scored a 4.70 mean and a 0.633 standard deviation. Customer retention as a dimension has scored a 4.305 grand mean, which falls within the range of 3.5–4.50 of Poonlarbtawee (1987 which is assumed to be a good determinant of customer retention.

4.4 Correlation Analysis

The data from the scale-typed questionnaire were fed to SPSS to process the correlation analysis. Based on the questionnaires, the following correlation analysis was made: A correlation analysis is used to identify the direction and relationship between the variables. The correlation coefficient enables quantifying the strength of the linear relationship between two variables. Saunders et al. (2009) The correlation coefficient value ranges from -1 to +1. The correlation

strength $r = +/-$ (0.10 to 0.29) is small, $r = +/-$ (0.30 to 0.49) is a medium strength and $r = +/-$ (0.50 to 1.0) is large (Cohen, 1998) correlation.

Table 4.8 Correlation between the Variables and Customer Retention

Determinants of customer retention	Customer Retention		
	Pearson Correlation	Sig. (2- Tailed)	N
Trust	.591**	.000***	366
Customer satisfaction	.576**	.000***	366
Switching cost	.427**	.000***	366
Customer relation	.233**	.000***	366
Quality customer Service	.230**	.000***	366

**. Correlation is significant at the 0.05 level (2-tailed)

Table 4.15 illustrates the correlation between customer satisfaction, quality customer service, switching costs, customer relationships, and trust with customer retention. A high correlation strength is shown with trust ($r = 0.586$) and customer satisfaction ($r = 0.577$) with customer retention. A medium correlation strength is seen in switching cost ($r = 0.427$), customer relations ($r = 0.234$), and quality customer service ($r = 0.231$) with customer retention. In summary, the correlation between all independent variables and customer retention was positive and statistically significant (0.05).

4.5. Inferential Statistics

4.5.1. Test for Linear Regression Model Assumption

Before running regression, the researcher should examine the existence of Multi-co linearity, Linearity, Homoscedasticity, and Normality of data.

1. Multi-co linearity

The problem of multi-co linearity occurs when there are high correlations between some of the independent variables. The researcher checks this with the Variance Inflation

Factor (VIF) which calculates the influence of correlations among independent variables on the precision of regression estimates. The VIF factor should not exceed 10, and should ideally be close to one (Myers, 1990). Tolerance is an indicator of how much of the variability of the specified independent variable is not explained by the other independent variables in the model and is calculated using the formula $1 - R^2$ for each variable. If this value is very small (less than 0.20), it indicates that the multiple correlations with other variables are high, suggesting the possibility of multi-co linearity (Menard, 1995).

Table 4.9: Co- Linearity Statistic

Model	Co linearity Statistic	
	Tolerance	VIF
Constant		
Trust	.961	1.041
Customer satisfaction	.847	1.181
Switching cost	.916	1.092
Customer relationship	.933	1.071
Quality customer service	.969	1.032

a. dependent variable: customer retention

As it can be seen from Table No. 12, the result of the co-linearity statistics analysis shows the variance inflation factor (VIF) value is below 10 and the variance individual tolerance for each value is greater than 0.1. Thus, the values indicate that for this analysis, there is no multi-colinearity problem.

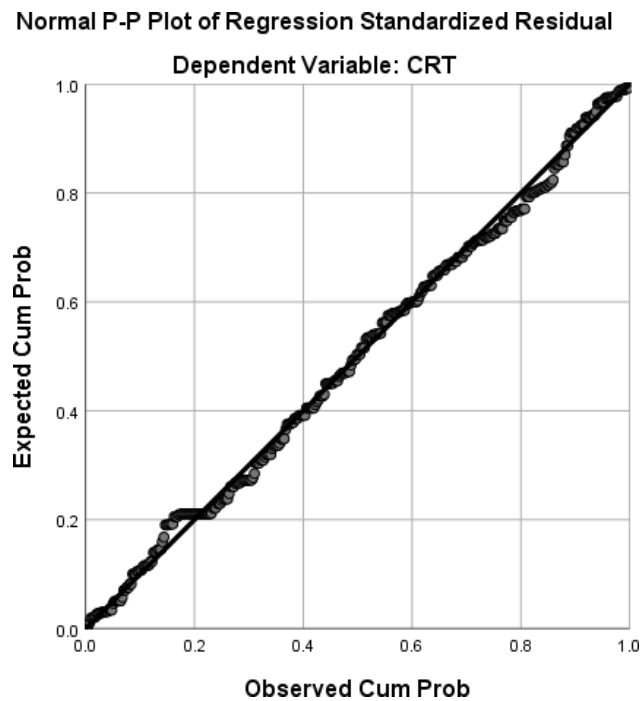
2. Linearity

Linearity refers to the degree to which the change in the dependent variable is related to the change in the independent variables.

Figure No. 4.1 below reveals no large deviation in the spread of the residuals as we look from left to right on the figure, and almost all residuals lie on the linear straight line; therefore, this

tells us the relationship between the predictor variables (determinants) and the dependent variable (customer retention) is linear.

Figure 4.1: Normal Point Plot of Standardized Residual



3. Normality

Normality tests require that the independent variables in the analysis be normally distributed. And also, as per the linear regression model assumptions, the error term should be normally distributed, or the expected value of the error term should be zero. If the residuals are normally distributed, the histogram should be bell-shaped, and this study implemented graphical methods to test the normality of the data.

Tests of Normality

Table 4.10 Tests of Normality

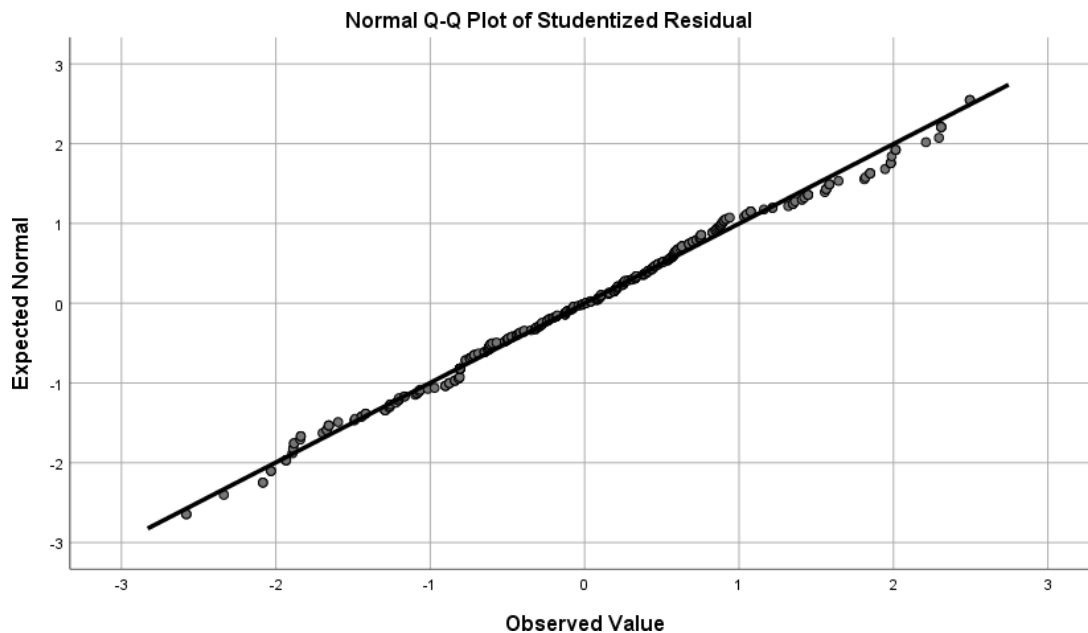
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	Df	Sig.
Studentized Residual	.040	366	.200*	.992	366	.054

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

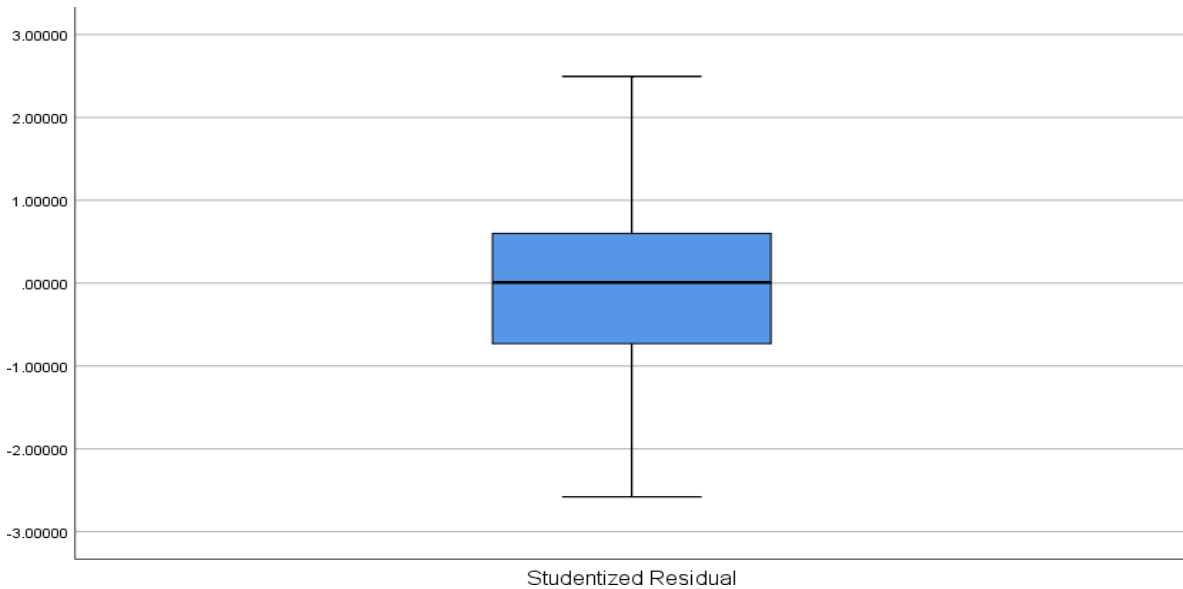
The result obtained from the Shapiro-Wilk test indicates that all the variables had a p-value greater than 0.05. Meaning that the variables involved in the study follow a normal distribution, and it can be concluded that the residual values are normally distributed.

Figure 4.2: Normal Q-Q Plot of Standardized Residual



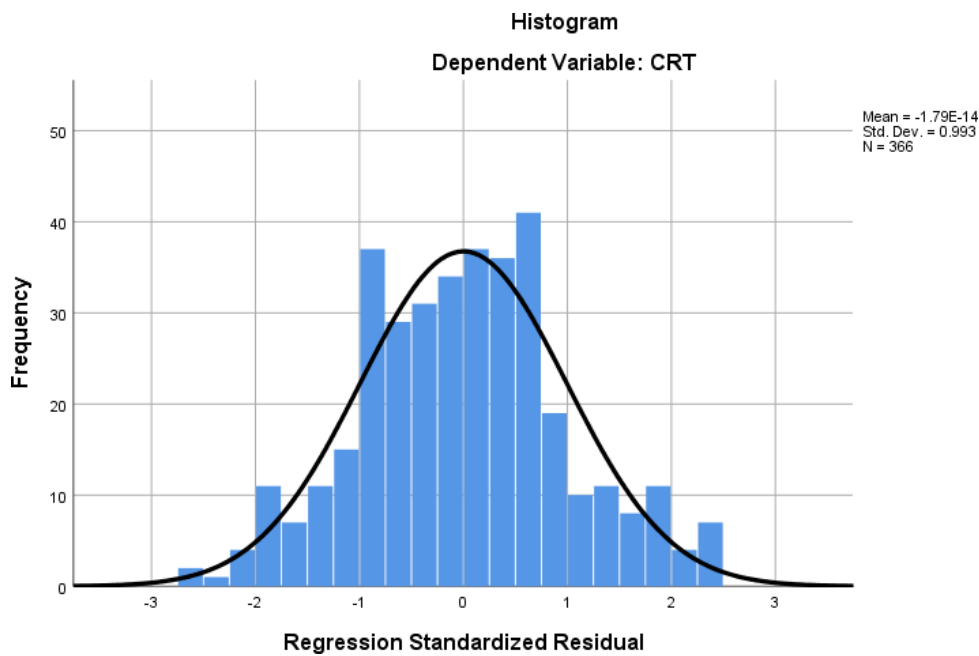
Test of outliers

Figure 4.3: Test of outliers Standardized Residual



If there are no circles or asterisks on either end of the box plot, this is an indication that no outliers are present. Therefore we can conclude that there are no outliers in this study.

Figure 4.4: Normal Distribution curve



4.5. Autocorrelation Test

Table 4.11 shows the autocorrelation test analysis, Durbin-Watson (1.813), which means there is a highly positive correlation and there is no autocorrelation of regression errors. Multiple linear regression models assume the residuals are independent of one another. The Durbin-Watson statistic is used to test for the presence of a serial correlation among the residuals. The residuals are not correlated if the Durbin-Watson statistic is approximately 2, and an acceptable range is 1.50–2.50. From the result, DW was within the range of 1.50-2.50, and as a result, the assumption of independence of residuals was satisfied.

Table 4. 11 Durbin-Watson test

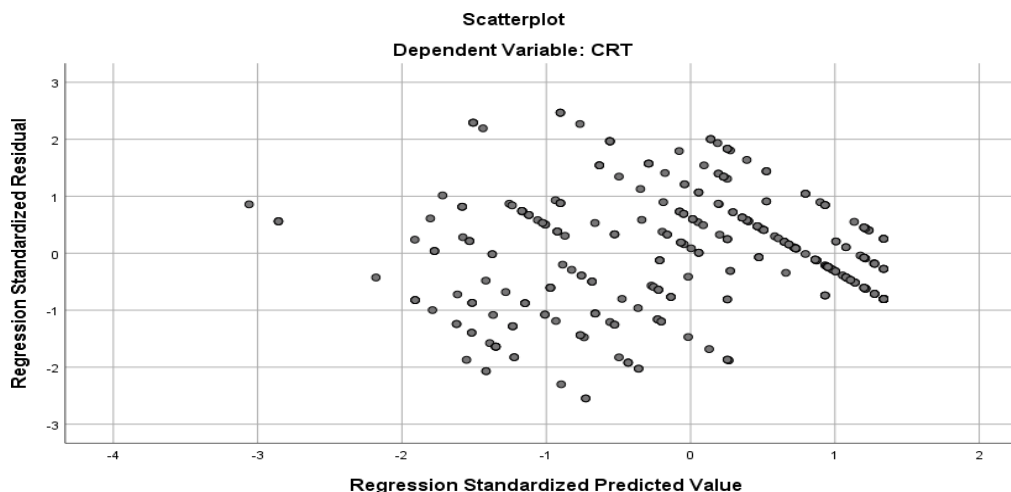
Model Summary	
Model	Durbin-Watson
1	1.813

- a. Predictors: (Constant), Quality customer service, Switching cost, Trust, customer relationship, Switching cost
- b. Dependent Variable: Customer retention

4. Homoscedasticity

Homoscedasticity is the assumption in a multivariate analysis that the residuals at each level of the predictor variables have similar variances. That is, at each point along any variable, the spread of residuals should be fairly constant.

Figure 4.5: Scatter plot of Determinants and Customer Retention



As can be seen above in the scattered plot in Figure No. 4.5, the residuals at each level of explanatory variables look like they are evenly dispersed around zero, and the graph is not something cone-shaped. Therefore, it is safe to say that this study has no homoscedasticity problem.

4.5.1. Multiple Regression Analysis

The multiple regression analysis was conducted to investigate the influence of the independent variable on the dependent variable and identify the relative significance of the influence. Therefore, the independent variable (customer satisfaction, trust, customer service, switching cost, and customer relationship) is the dependent variable, i.e., customer retention. The proposed hypothesis was tested using multiple regression analyses. The results of the regression analysis are presented in Table No. 4.12.

Table 4.12: Multi Regression analysis results of determinants and customer retention

Model Summary				
Model	R	R Square	Adjusted R Square	Std. error of the Estimate
1	.827 ^a	.684	.679	.31523

a. Predictors: (Constant), Quality customer service, Switching cost, Trust, customer relationship, Switching cost

b. Dependent Variable: Customer retention

The adjusted R square is the amount of variation in the outcome variable that is accounted for by the model, and it gives us some idea of how well our model generalizes (Field, 2005). The value of the adjusted R square of .679 indicates that 67.9 percent of the variance in customer retention can be predicted by the independent variables. In other words, 32.1 percent of the variation in customer retention is caused by other factors that are not considered by this study.

Table 4.13: ANOVA

ANOVA* the overall model fit of the regression

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	77.342	5	15.468	155.666	.000 ^b
	Residual	35.773	360	.099		
	Total	113.115	365			

a. Predictors: (Constant), Quality customer service, Switching cost, Trust, customer relationship, Switching cost

b. Dependent Variable: Customer retention

ANOVA determines the overall goodness of fit of the model. Table No. 4.13 using ANOVA shows a significant value of 235.154 for the F distribution with 5 and 378 df. The F-test can be taken as a measure of the overall model significance of the estimated regression, indicating that the p-value is less than 0.05, which implies that a significant relationship exists between the selected variables in this model.

The following Table No. 4.14, the coefficient table, illustrates the influence of determinant factors on customer retention. At this point, using these multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

Table 4.14: Coefficients of determinant factors**Coefficients^a**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.951	.251		3.794	.000
Trust	.422	.025	.505	16.688	.000
Customer satisfaction	.249	.022	.372	11.55	.000
Switching cost	.296	.031	.298	9.610	.000
Customer relationship	.062	.025	.077	2.520	.012
Quality Customer Service	.144	.039	.112	3.725	.000

a. Dependent Variable: Customer retention Source: Survey result, (2023)

Regression Model Equation

$Y = -0.951 + 0.422 \text{ trust} + 0.249 \text{ customer satisfaction} + 0.296 \text{ switching cost} + 0.062 \text{ customer relationship} + 0.144 \text{ quality customer service.}$

Table No. 4.14 above presents the result of the model predicting customer retention with the variables of customer satisfaction, trust, quality customer service, switching cost, and customer relationship. All variables have a positive effect at a 95% confidence level. The unstandardized coefficient (beta value) indicates the degree of importance of each determinant factor variable towards customer retention.

Therefore, if the value of beta is high, the effect of the independent variable on the dependent variable will be high; accordingly, the variables can be ranked in the following manners based on their contribution or importance:

1. Trust $\beta = 422$
2. Customer satisfaction $\beta = 249$
3. Switching cost $\beta = 296$
4. Customer relationship $\beta = 062$
5. Quality customer service $\beta = 44$

Since all independent variables are significant, the interpretations of the significant independent variables are:

- If trust with customer satisfaction, switching cost, customer relationship, and quality customer service increased by 1%, the level of customer retention increased by 44.2%.
- If customer satisfaction with the service that is provided by the bank increases by 1%, the probability of satisfied customer retention increases by 24.9%.
- If the bank switching cost increases by 1%, the probability of customer retention increases by 29.6%.
- If a customer's relationship with the bank increases by 1%, the probability of satisfied customer retention increases by 6.2%.
- If the quality of service provided by the bank increases by 1%, the probability of satisfied customer retention increases by 14.4%.

Among the five variables, trust has the most important effect on customer retention; however, on the descriptive analysis, the mean third variable from the five variables is 4.50. Therefore, it should be given high attention to the expectations of customers to offer a better service based on their expectation of having a happily retained customer.

4.6. Hypothesis Testing

Table 4.15: Summary of hypothesis testing

Hypothesis	Result	Sig
H1a: There is a significant and positive effect between trust and customer retention in commercial banks.	Accepted	.000
H2a: There is a significant and positive effect between customer satisfaction and customer retention in commercial banks.	Accepted	.000
H3a: There is a significant and positive effect between switching costs and customer retention in commercial banks.	Accepted	.000
H4a: There is a significant and positive effect between customer relations and customer retention in commercial banks.	Accepted	.012
H5a: There is a significant and positive effect between quality customer service and customer retention in commercial banks.	Accepted	.000

At this point, using these multiple regression coefficient results, the proposed hypotheses for this study were tested as follows:

H1o: There is no significant and positive effect between trust and customer retention in commercial banks.

H1a: There is a significant and positive relationship between trust and customer retention in commercial banks.

The result of multiple regression analysis in Table No. 4.14 above clearly indicates that in commercial banks, trust has a significant effect on customer retention ($p < 0.05$). Besides, the value of beta ($\beta = 0.505$) shows the positive effect of trust on customer retention. The above result is supported by Mascareigne (2014), a study conducted on customer retention focusing on professional service firms that noted that trust and confidence are found to be vital elements in predicting customer retention. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted.

H2o: There is no significant and positive effect between customer satisfaction and customer retention in commercial banks.

H2a: There is a significant and positive effect between customer satisfaction and customer retention in commercial banks.

The result of multiple regression analysis in Table No. 4.14 above clearly indicates that in commercial banks, customer satisfaction has a significant effect on customer retention ($p < 0.05$). Besides, the value of beta ($\beta = 0.372$) shows the positive effect of customer satisfaction on customer retention. The above result is supported by Rizwan et al. (2015), who found that satisfaction has a positive relationship with customer retention because only those customers are using company products and services that are currently satisfied by the company. Another result also supported by Ali et al. (2009) found a positive relationship between customer satisfaction and customer retention. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted.

H3o: There is no significant and positive effect between switching costs and customer retention in commercial banks.

H3a: There is a significant and positive effect between switching costs and customer retention in commercial banks.

The result of the multiple regression analysis in Table No. 4.14 above clearly indicates that switching costs have a significant effect on customer retention ($p < 0.05$). Besides, the value of beta ($\beta = 0.296$) shows the positive effect of customer service on customer retention. The result is supported by the study in Pakistan cellular industry showed the switching cost had a positive effect on customer retention (Usman Ahmad, 2014).

H4o: There is no significant and positive effect between customer relations and customer retention in commercial banks.

H4a: There is a significant and positive effect between customer relations and customer retention in commercial banks.

As far as Table No. 4.14 is concerned, it reveals that customer relations have a significant effect on customer retention ($p < 0.05$) in commercial banks, with a value of beta ($\beta = 0.077$), which indicates a positive effect on customer retention. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted. The above results from previous studies also found a positive relationship between customer relationships and loyal customers (Roig et al., 2006).

H5o: There is no significant and positive effect between quality customer service and customer retention in commercial banks.

H5a: There is a significant and positive effect between quality customer service and customer retention in commercial banks.

The result of multiple regression analysis in Table No. 4.14 above clearly indicates that in commercial banks, quality customer service has a significant effect on customer retention ($p < 0.05$). Besides, the value of beta ($\beta = 0.112$) shows the positive effect of customer expectations on customer retention. In the above results by Patricia (2017), it was found that customer service levels had a strong and significant correlation to levels of customer retention. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted.

CHAPTER FIVE: SUMMARY, CONCLUSION, AND RECOMMENDATION

The fifth and last chapter of this study revolved around the major findings of the study and what can be concluded from the findings and a recommendation based on these findings. This chapter, moreover, highlighted the limitations of this work and indicated future research areas for anyone interested in the applicability of customer retention in commercial banks.

5.1. Summary of the Major Findings

The general objective of the study is to identify determinants of customer retention in commercial banks in Bahir Dar, Ethiopia. So the study focuses on bank customers' perceptions and attitudes to examine the relationship between satisfaction, trust, relationship, switching cost, quality service, and customer retention. Based on the sample data, the study generalized the findings to the population. The researcher carried out the study using a questionnaire. The respondents indicated their extent of agreement and disagreement by circling one of the five points on a Likert-scaled item. The direction and degree of association between the independent variables and customer retention have been measured by the Pearson correlation coefficient. The relative importance of the independent variables in predicting customer retention has been investigated by multiple regression analysis. Besides, the role of personal profiles in determining customer retention had been examined using an independent sample T-test for gender and a one-way ANOVA for the remaining five personal profiles.

In terms of the demographic profile of respondents, there is male dominance. Besides, the majority of respondents who participated in the survey are found in the age group between 18 and 30. More than half of the respondents are married. Regarding educational level, the majority have a diploma. Concerning the duration of stay and occupation, the majority of the respondents have stayed for 1–3 years, and the lion's share of respondents are engaged in running their businesses.

The descriptive statistics show that the mean score values of the variables range from 3.995 to 4.775. According to (poonlar Btawee (1987) each of the variables under consideration was perceived as more important than average by the sample respondents.

The Pearson correlation coefficient reveals that trust ($r = .591^{**}$), satisfaction ($r = .576^{**}$), switching cost ($r = .427^{**}$), customer relationship ($r = .233^{**}$), and quality customer service ($r = .230^{**}$) are all independent variables that have a statistically significant positive correlation with customer retention, supporting all four alternative hypotheses of the research. The strength of the correlation is highest for trust, followed by satisfaction, switching costs, and customer relations. The correlation is also significant at a.05 level (2-tailed).

From the multiple regression results, the estimate of regression weight shows that all the independent variables trust ($\beta = .505$), satisfaction ($\beta = .372$), switching cost ($\beta = .298$), customer relationship ($\beta = .077$), and quality customer service ($\beta = .112$) predict customer retention. Trust is the most dominant factor influencing customer retention in commercial banks in Bahir Dar, Ethiopia. The adjusted R square value of .679 indicates that 67.9 percent of the variability in customer retention is accounted for by the explanatory variables integrated with the conceptual model.

Finally, the independent sample T-test and one-way ANOVA results indicate that all five personal profiles of the respondents are insignificant in determining customer retention.

5.2. Conclusions:

The banking industry in Ethiopia is getting highly competitive and dynamic from time to time. Hence, bank management must develop customer-oriented strategies to compete successfully in the competitive retail banking environment. In the face of the current competitive market, retaining existing customers must be the priority of every bank. The longer the bank retains a customer, the greater the revenue and cost savings from the customer. Accordingly, this research aimed to investigate the major factors that determine customer retention among customers of commercial banks located in Bahir Dar. Based on the conceptual framework and the measuring

instrument employed, five factors are identified and measured. Among the factors, the findings provide evidence that customer retention is significantly influenced by factors such as quality customer service, customer satisfaction, customer relations, trust, and switching costs.

According to the results of the study, trust was found to be the top influence on customer retention. Thus, banks are expected to exert the utmost effort to excel in trust. The research shows that trust is one of the predictors of customer retention. Security is essential to every trade, especially in the banking sector, where clients leave their money based on promises made. Gaining customers' trust and making them feel secure have a great influence on the bank's performance. Based on the research findings, the level of customer satisfaction was found to be the second most important factor in determining customer retention. Continuously tracking and reviewing customers' feedback and taking measures to meet the expectations of existing customers is of paramount importance. The research findings also indicated that establishing a strong and long-term relationship with the existing customer has a positive impact on retaining them. Thus, banks should understand that they can only be successful if they focus on building lasting relationships with their customers.

Switching costs were also a predictor of customer retention, based on the findings of the research. Hence, banks need to build positive switching barriers such as personal interaction with the customers and effective communication in a friendly manner, emotional benefits that may relax the customer's mind, and financial benefits such as offering different discounts to their customers. Finally, quality customer service was found to be the top influence on customer retention. Thus, banks are expected to exert the utmost effort to excel in their service quality by being responsive and providing accurate and consistent services. Their employees should also treat every customer individually because every customer is unique.

5.3. Recommendations:

It is found that trust is one of the strongest influences of customer retention. The result is in line with the nature of the banking industry, where reliability, integrity, and confidence in an exchange partner are very important. Hence, the management of commercial banks has to

consider building brand trust as the central construct during the design and implementation of their corporate strategy. Banks should pay attention to building their reputation and image to make their customers feel secure.

The findings of the study indicate that customer satisfaction is one of the major influences on customer retention among the independent variables of the study. The result is in agreement with the knowledge of marketers that they consider customer satisfaction to be the ultimate marketing instrument. Therefore, it is recommended that marketers and management of the banks work towards continuously tracking the level of customer satisfaction and put in place policies and procedures that enhance the level of customer satisfaction.

As revealed in the study, customer relationships are one of the major influences among the five independent factors. Therefore, management and marketers of the banks may bestow emphasis on how to strengthen long-term and beneficial relationships with their respective customers during the design and implementation of the marketing strategy by understanding that customer relationship is the most important factor that leads to effective customer relationships and competitive advantage.

Based on the research findings, switching costs are one of the factors that influence customer retention. Hence, the management of commercial banks may exert maximum effort to reduce customer switching by continuously reviewing and building positive switching barriers through offering incentives like discounts for various service charges and strengthening personal interaction between their employees and customers.

According to the results of the study, quality customer service is the predictor of customer retention among the independent variables. Thus, this study recommends that bank management take a major review of their daily banking activities to deliver quality customer service consistently across their service outlets. They should also develop a strategy that delivers a combination of superiority, uniqueness, and satisfaction for their customers. In today's

competitive banking environment, delivering customer-oriented service and coping with the dynamic of the environment is paramount to retaining existing customers.

5.4. Limitations and direction for future research

Although this study provides contributions from both a theoretical and practical perspective, there are a few limitations: First, one of the limitations of this study was the sampling issue since part of the sampling technique employed was "convenience sampling". So, from a statistical point of view, the result of the study may not be generalizable to the total population. So future researchers with more time and resources may employ probability sampling so that each member of the population will have an equal probability of being selected, and the result may also be more generalizable.

Third, this research is based on the survey responses of only customers of commercial banks; it did not survey the feedback of bank staff and management towards customer retention. Therefore, future research could expand their analysis by incorporating bank staff and management in examining the factors affecting customer retention. Fourth, R^2 of this study explains only 67.9% of the variation in the retention of commercial banks in Bahir Dar City. Thus, the rest (32.1%) of the variation was attributed to other factors that were not investigated in this research. Therefore, further research needs to be conducted on the other unexplored areas that may have a significant influence on customer retention.

References:

- Aderaw, G. and Manjit, S. (2016) Development of financial sector in Ethiopia, *Journal of Economic and Sustainable Developments*.
- Anderson, E., Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: Findings from Sweden. *Journal of Marketing*, 58(July).
- Ahmad, R. (2002) Customer retention management – a reflection of theory and practice: A case study, *Marketing Intelligence, and Planning*, Volume 20(3),
- Alvarez, E. J. (2001) Your Bank's Image: Keeping it Consistent. *Bank Marketing*, Volume 33(3), pp. 30-36.
- Aaker, P. (1996) Service loyalty: The effects of service quality and the mediating role of customer satisfaction. *European Journal of Marketing*, 36(7/8), 811-828.
- Aaker, D. A. (1991) Managing brand equity: Capitalizing on the value of a brand name.
- Agustin, C., & Singh, J. (2005). Curvilinear effects of consumer loyalty determinants in relational exchanges. *Journal of marketing research*, 42(1), 96-108.
- Agyapong, D., Agyapong, G. K. Q., & Darfor, N. K. (2011). Criteria for assessing small and medium enterprises borrowers in Ghana. *International Business Research*, 4(4), 132-138. <http://dx.doi.org/10.5539/ibr.v4n4p132>.
- Ali, I., Rehman, K. U., Yilmaz, A. K., Nazir, S., & Ali, J. F. (2010). Effects of corporate social responsibility on consumer retention in cellular industry of Pakistan. *African Journal of Business Management*, 4(4), 475-485
- Ang, L. A. B. F. (2006) Customer retention management processes. - a quantitative study, *European Journal of Marketing*, Volume 40(1/2), pp. 83-99.
- Ang, L., & Buttle, F. (2006) Customer retention management process Quantitative study. *European Journal of Marketing*, 40(1/2), 83-99.
- Anderson, E. W. F. C. a. L. D. R. (1994) Customer satisfaction, market share, and profitability: Findings from Sweden. *Journal of Marketing*, Volume 58, pp. 53-66, 149-161.
- Bejou, D. & P. A., 1998. Service failure and loyalty: an exploratory empirical study of airline customers. *Journal of Services Marketing*, Volume 12(1), p. 7-22.

- Berry, L.(1995) Relationship Marketing of Services-Growing Interest, Emerging Perspectives. journal of the Academy of Marketing Science, Volume 23, pp. 236-245.
- Bhattacharjee, Anol.(2012) Social Science Research: Principles, Methods, And Practices.2nd ed.Tampa.
- Bell, W. (2000)Selected determinants of consumer satisfaction and complaint reports.
- Bell, E., & Bryman, A. (2007). The ethics of management research: an exploratory content analysis. *British Journal of Management*, 18(1), 63-77.
- Carter, T. (2008). Customer engagement and behavioral considerations. *Journal of Strategic Marketing*, 16(1), 21–26.
- Chetan Bajaj, RajinishTuli and NidhivSrivastava, (2007), Retail Management, 6th edition, printed in indie by Ram Book Binding House, New Delhi, published by Oxford University Press, New Delhi.
- Christopher Lovelock and Jochen Wirtz, (2011), Service Marketing, people, Technology, Strategy, 7th edition, published by Pearson Education, publishing as prentice Hall.
- Creswell, J.W.(2012) Educational Research, Boston: PearsonEducation, Inc.
- Coyles, S., & Glkey, T.C.(2005) Customer retention is not enough. *Journal of Consumer Marketing*,22(2),101-105.
- Cochran, J. (1997) Statistical Power Analysis for the Behavioral Science. New Jersey, LawrenceErlbaum Associates.
- Cohen, J. (1988) Statistical Power Analysis for the Behavioral Science. New Jersey, Lawrence Erlbaum Associates.
- Dornyei, Z.(2007) Research methods in applied linguistics. New York: Oxford university press.
No. 4, pp. 37
- Dawes, J. (2009). The effect of service price increases on customer retention: The moderating role of customer tenure and relationship breadth. *Journal of service research*, 11(3), 232-245.
- Deloitte (2013) Culture in banking under the microscope.Unpublished Manuscript, United Kingdom. Dei-Tumi, E. (2005). Customer Service is an Attitude, not a Department. *Accra: Wisdom Centre International*.

- Dawkins, A. and Reichheld, J.(2003)Customer Loyalty Toward an Integrated Conceptual Framework. *Journal of the Academy of Marketing Science*, 22(2), pp. 99-113.
- Don, P., & Martha, R. (2004). *Managing customer relationships: a strategic framework*. *Editura Wiley, Hoboken*.
- Elly, M. (2010). *Service quality and customer retention in Tanzania commercial banks: the case study of Dar es Salaam city* (Doctoral dissertation, University of Dar es Salaam).
- Farhana, N., & Islam, S. (2012). Analyzing the brand equity and resonance of banking services: a Bangladesh consumer perspective. *World Review of Business Research*, 2(4), 148-163.
- Frederick F. Reichheld, Thomas Teal, 2001. *The Loyalty Effect: The Hidden Force Behind Growth, Profits, and Lasting Value*. s.l.:Harvard Business Press.
- Field, A.(2007).*Discovering Statistics using SPSS for Windows*. London: Sage
- Filip, A and Anghel, L.(2009) *Customer Loyalty and its Determinants in a Banking ServicesEnvironment*, the Bucharest Academy of Economic Studies, Romania
- Fasha, G. S. S. (2007) *The Impact of Service Quality on Customers' Satisfaction and Retention*, Master Thesis, University of Dar-es-Salaam
- Giddens, N. (2002). Brand Loyalty. *Ag Decision Maker*. Iowa State University Extensions, 5(54), 1-2.
- Gupta, S. A. Z. V.(2006) Customer metrics and their impact on financial performance. *MarketingScience*, Volume 25(6), p. 718–739
- George, D. & Mallery, P. (2003) *SPSS for Windows step by step: A simple guide and reference*. 11.0 update (4th ed.). Boston: Allyn & Bacon
- Garland, R. (2012) Estimating customer defection in personal retail banking. *The International Journal of Bank Marketing*, 20 (7), 317-325.
- Hair, J.F., Anderson, R.E., Tatham, R.L. and William, C., (2007) *Black Multivariate data analysis*,pp. 577-664
- Havaladar, Krishna, Jacob Alexander & Mihir Dash (2012). *Basic Customer Serviceand Its Impacton Customer Retention*.(Availableat <http://ssrn.com/abstract=1934385>)

- Hennig-Thurau, T., & Klee, A. (1997). The impact of customer satisfaction and relationship quality on customer retention: A critical reassessment and model development. *Psychology & marketing*, 14(8), 737-764.
- Heskett, J.L., W.E. Sasser Jr. and L.A. Schlesinger. (1997). *–The Service Profit Chain”*. The Free Press New York, NY.
- Holt, B.(2009)The antecedents of consumer loyalty in retail banking. *Journal of Consumer Behaviour*, 5(1), 15-31.
- Hogan, J. E., Lemon, K. N., & Rust, R. T. (2002). Customer equity management:Charting new directions for the future of marketing. *Journal of Service Research*, 5(1), 4-12.
- Hull, L. (2002) *_Foreign-Owned Banks: Implications for New Zealand's Financial Stability*, Discussion Paper Series, DP2002/05
- Jackson. (2011) Build customer relationships that last. *Harvard Business Review*
- Jabnoun N, Khalifa A (2005). A customized measure of service quality in the UAE, *Managing Service Quality*, 15(4): 374-388.
- Jim Sterne and Matt Cutler (2000).Customer life cycle theory.*Journal of marketing management, university of London*.
- Jones, M. A. M. D. L. a. B. E. (2002) Why customers stay: measuring the underlying dimensions of services switching costs and managing their differential strategic outcomes, *Journal of Business Research*, Volume 55, pp. 441-450
- Jobber, D. (2001) *Principles and practice of marketing* 3rd edition London: McGraw-Hill
- Koçolu D. and Kirmaci S. (2012) ‖Customer relationship management and customer loyalty; a survey in the sector of banking‗ *International Journal of Business and Social Science*, Vol.3 No. 3; February 2012
- Kothari, C.R.(2004) *Research Methodology: Methods and Techniques* New Age International Publisher. New Dehli,
- Kuranchie, F. K. (2010). The Effect of Customer Relationship Marketing on Customer Retention in the Ghanaian Banking Sector: A case study of Intercontinental Bank Ghana Limited.
- Kotler, P., & Armstrong, G. (2010) *Principles of Marketing* (13th ed.). New Jersey, USA: Pearson Education Inc.

- Lwiza, D. R., & Nwankwo, S. (2002). Market-driven transformation of the banking sector in Tanzania. *International Journal of bank marketing*, 20(1), 38-49.
- Liu, K. (2003). Using Liu-type estimator to combat collinearity. *Communications in Statistics-Theory and Methods*, 32(5), 1009-1020.
- Mahon, N. E., & Yarcheski, A. (2002). Alternative theories of happiness in early adolescents. *Clinical nursing research*, 11(3), 306-323.
- Malallah, S. (2011). Customer switching behavior and customer satisfaction in the retail banking industry in Kuwait. Unpublished master's thesis, Maastricht School of Management, Maastricht.
- Mann, L.(1995) Decision Analysis: An Overview, Operations research, Vol. 20, No. 5, pp. 803-838.
- Mascareigne, J. (2009). Customer retention: case studies of agencies in the professional service sector.
- Mekonnen, R(2015)Customer retention & Business Performance of Financial Institutions: A case study Eastern Harargie Commercial Banks.
- Menard, S. (1995). *Applied logistic regression analysis (sage university paper series on the quantitative application in social sciences, series no.106.*
- Miles, MB.& Huberman,M.A(1994) Qualitative Data Analysis.2nd ed. Thousand Oaks.California
- Mukherjee, A. & Nath, P. (2003) —A model of trust in online relationship banking|| *International journal of Bank Marketing*, Vol.21 No.1 pp.5-15.
- Morgan, R., Hunt, D. (2004) The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3):20-38.
- Mascareigne, J.(2014) Customer Retention - A case study of Agencies in the professional service sector. Unpublished Manuscript, Lulea University of Technology, Sweden.
- Mudie, P., & Pirrie, A. (2012). *Services marketing management*. Routledge.
- Mukherjee, A. and P. Nath, (2003). -Model of trust in online relationship banking||. *International journal of bankmarketing*.21 (1): 5 – 15.
- Miles, M.B.& Huberman,M.A (1994) Quantitative data Analysis.2nd ed.
- Myers, R. H. (1990). *Classical and Modern regression with applications*. second edition.
- Moolla, A.I. (2010) A conceptual framework to measure brand loyalty. North-West University. (PhD Theses) Potchefstroom.

- Morgan RM, Hunt SD (2004) The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3):20-38.
- Negesu, M.(2015) The determinants of Customer Retention in small-scale Private Commercial Banks In Addis Ababa.
- Ngechu, M.(2004) Understanding the research process and methods, quantitative and qualitative approach, Nairobi: Act Press.
- Oliver, R. (1997). Satisfaction: A behavioral perspective on the consumer. New York ' NY: Irwin-McGraw-Hill.
- Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985) A Conceptual Model of Service Quality and Its Implications for Future Research. *Journal of Marketing*, 49(4), 41-50.
- Pedhazur, E.J., (1982) Multiple regression and behavioral science. Explanation and Prediction.
- Patterson, G. (2007) Modelling the relationship between perceived value, satisfaction, and repurchase intentions in a business-to-business, services context: an empirical examination. *International Journal of Service Industry Management*, 8(5), 414-434.
- Poonlar Btawee (1987). Analysis of qualitative and quantitative research. Result interpretation.
- Pizam, A & Ellis, T. (1999) Are the determinants of bank loyalty brand specific? *Journal of Financial Services Marketing*, 9(2), 113-125.
- Rootman, C., Tait, M and Sharp, G. (2011) 'Relationship Marketing and Customer Retention Lessons for South African Banks', *Southern African Business Review* Volume 15, No. 3
- Reichheld, F. S. W. (1996) Zero defections: quality comes to services, *Harvard Business Review*, Volume 68, p. 105-111.
- Ravichandran, K., Mani, B. T., Kumar, S. A., & Prabhakaran, S. (2010). Influence of service quality on customer satisfaction application of servqual model. *International journal of business and management*, 5(4), 117.
- Ranaweera, C., & Prabhu, J. (2003) The influence of satisfaction, trust and switching barriers on

- customer retention in a continuous purchasing setting international journal of service industry management,14(4), PP3.74-395.
- Roig, J.C.F. & Garcia, J.S. & Tena, M.A.M. & Monzonis, J.L. (2006)Customer perceived value in banking services, International Journal of Bank Marketing, Vol. 24 No. 5, pp. 266-283
- Rizwan Qaiser Danish¹, F. A. (2015). Factors Affecting Customer Retention in Telecom Sector of Pakistan. *American Journal of Marketing Research*, 28-36 Vol 1.
- Rust, R. T., & Zahorik, A. J. (1993). Customer satisfaction, customer retention, and market share. *Journal of retailing*, 69(2), 193-215.
- Saunders, M.P., Lewis, P. & Thornhill, A. (2007) Research methods for business students. Fourth Edition. England: Financial Times Prentice Hall.
- Serkan, A., and Gökhan, O. (2005) Customer loyalty and the effect of switching costs as a moderator variable: A case in the Turkish mobile phone market Marketing.
- Sekaran, U. (2003) Research methods for business.4th ed. Hoboken, NJ: John Wiley & Sons.Planning Volume 23, No. 1,
- Shergill GS, Li Bing (2006). -Internet Banking-An Empirical Investigation of a Trust and Loyalty Model for New Zealand Banks. J. Int, 4(4): 101-118
- Srivastava J, Lurie N. A(2001). Consumer perspective on price-matching refund policies: effect on price perceptions and search behavior. Journal of retailer Res.
- Wilson, A., Zeithaml, V. A., Bitner, M. J., & Gremler, D. D.(2012) Services marketing: Integrating customer focus across the firm: McGraw Hill
- Wilson, A., Zeithaml, V. A., Bitner, M. J., & Gremler, D. D.(2012) Services marketing: Integrating customer focus across the firm: McGraw Hill.
- Ray, I., & Chiagouris, L. (2009). Customer retention: Examining the roles of store effect and store loyalty as mediators in the management of retail strategies. *Journal of Strategic Marketing*, 17(1), 1-20.
- Reichheld, F. F., & Sasser, W. E. (1990). Zero defections: quality comes to services. 1990, 68(5), 105-111.
- Worcester R.M. (1997). -Managing the image your bank: the glue that blinds. *International*

- journal of bank marketing*.15 (5): 146 – 152.
- Wang, Y., P.L. Hing, and Y.V. Hui. (2003). -The antecedents of service quality and product quality and their influences on bank reputation: evidence from the banking industry in China. *Managing service quality*.13 (1): 72 – 83.
- Woo, K. A. F. H., 2004. Retaining and divesting customers: an exploratory study of right customers, at-risk right customers, and wrong customers. *Journal of Services Marketing*, Volume 18, (3), pp. 187-197.
- William G. Cochran. (1977), sampling techniques, (3rd ed.).New York, Jhon Wiley & Sons
- einer, D. J. (2014). Convenience Samples and Respondent Pools. 1-36.
- Zhang, D., (2009), *Customer Switching Behavior In The Chinese Retail Banking Industry*, Lincoln University, Canterbury, New Zealand.

Appendix A: Questionnaire English Version

Bahir Dar University College of Business and Economics

MBA Program

Name of student: Lijadis Fetene Address: Email, Lijadis7777@gmail.com mob 0918585127

Questionnaire to be filled by customer of commercial banks

Dear Respondents,

I am a prospect postgraduate student of Masters of Business Administration at Bahir Dar University. Thus, this questionnaire is prepared to gather information in order to conduct a study on the title –Factors Affecting Customer Retention in Commercial Banks in Bahir dar City Accordingly all responses will be used to conduct a study for the partial fulfillment of Master of Business Administration in Bahir dar University –college of Business and Economics. As your name is not asked here, your Anonymity/ secrecy will be strictly maintained and the information obtained will not be used for any other purposes. Besides, this survey would probably take 10-15 minutes of your time.

I am grateful and would like to give heartfelt thanks for your kind cooperation in advance!

Thank you in advance for taking your time to fill out this questionnaire

Please put a „√“ mark to all your responses in the space provided beside to each Question.

Part I: General Information

I. Gender : Male ☐ Female ☐

II. Age Group : 18-30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ 61+ ☐

III. Marital Status: Married ☐ Unmarried ☐ Divorced ☐ widowed ☐

IV. Educational back ground: primary ☐ high school ☐ Diploma ☐ BA Degree ☐ Masters
Doctorate Degree ☐

V. Your current Occupation:

Unemployed ☐ Employee ☐ Self-employed ☐ Pensioner ☐ Student ☐ Housewife ☐

VI. How long did you stay as customer at your first choice customer bank?

Up to one year ☐ between 1 and 3 years ☐ Between 3
and 5 years ☐ between 5 and 8 years ☐
Between 8 and 10 years ☐ More than 10 years ☐

Part II

Direction: In the under likert scale questions, there are statements towards each factor of the study
.Please therefore, kindly Put tick mark (✓) based on the level of your agreement/disagreement on
statements mentioned below in the table.

1=strongly disagree 2=disagree 3=Neutral 4=Agree 5= Strongly Agree

	Factors	strongly disagree	disagree	Neutral	Agree	strongly Agree
	Quality Customer Service	1	2	3	4	5
QCS1	Your bank delivers service as promised to its customer within a given time.					
QCS2	Your bank's physical facilities and office layout associated with service are very pleasing and comfortable.					
QCS3	Your bank's working hour and branch location is convenient.					
QCS4	Your bank's staffs always provide prompt service and willing to help customers.					
QCS5	Your bank continuously attends its customer query.					
	Trust					
TR1	You believe your bank is a reliable and financially strong institution.					

TR2	The staffs of your bank are honest & professional.					
TR3	You believe that your money is on the safe hand and if a need arise you can easily withdraw any time.					
TR4	You believe your bank keeps financial information confidential.					
	Customer Satisfaction					
CS1	The products and services provided by your bank is consistent and satisfactory.					
CS2	Your bank designs its products and services based on customer need.					
CS3	The product and service provided by your bank exceeds its customer's expectation.					
CS4	I am satisfied with user friendly and leatest technology of the bank.					
	Switching Cost					
SC1	If you switch to another bank, You may face unexpected trouble after switching to new bank.					
SC2	If you switch to another bank, there can be a potential facing higher cost after switching to new bank..					
SC3	If You switch to another bank, you will lose the friendly relationship with bank.					
SC4	If you switch to another bank, you may not get the best service as your bankproviding.					

	Customer Relationship					
CR1	I have developed a friendly relationship with the people working fo the bank.					
CR2	Your bank providing you timely information about its products and service.					
CR3	Your bank continuously seeks for your feedback towards the quality of its service					
CR4	Your bank motivates its long term customers by providing rewards and recognition.					

	Customer Retention					
CRT1	I intend to use other products and services of the bank.					
CRT2	I have said positive things about this bank to others					
CRT3	I plan to continue my relationship with this bank in future					
CRT4	If I needed bank services now, this bank would be my first choice.					
CRT5	I would recommend this bank as the best service provider					
CRT6	As compared to other banks my loyalty is with this bank.					

Thank you again for your patience in responding to the questionnaire!

Appendix B: Questionnaire in Amharic Version

ባህር ዳር ዩኒቨርሲቲ

የቢዝነስ አድሚኒስትሬሽን ድህረ ምረቃ ትምህርት ክፍል ቃለ መጠይቅ

ይህ መጠይቅ የተዘጋጀው ባህር ዳር ዩኒቨርሲቲ ለቢዝነስ አድሚኒስትሬሽን ማስተርስ ፕሮግራም የሚሟሟ ጥናት “ባህር ዳር ውስጥ የሚገኙ የገጽ ባንኮች ደንበኞቻቸው ከእነርሱ ጋር በደንበኝነት እንዲዘልቁ የሚያደርጉ ጉዳዮች” በሚል ሪዕስ የተዘጋጀና ይህን ጥናት ለማካሄድ መረጃ ለማሰባሰብ ነው። ስለሆነም እርሶ የሚሰጡት መረጃ ለዚሁ ጥናት ግብአትነት ብቻ የሚውል ሲሆን ይህን መጠይቅ ለመሙላት ስም መጥቀስ የማያስፈልግና መጠይቁን የሞላው ግለሰብ ማንነት ሚስጥራዊነቱ የተጠበቀ ነው። በተጨማሪም ይህን መጠይቅ ለመሙላት ከ 10 እስከ 15 ደቂቃ ብቻ በቂ መሆኑን መግለፅ እወዳለው። በመሆኑም ይህን መጠይቅ ጊዜ ወሰደው በመሙላት መልካም ፍቃድ ስለሆነ ከልብ አመሰግናለሁ።

መጠይቁን በሚሞሉበት ጊዜ የመረጡት መልስ በሚገኝበት ቦታ አንፃር የ (✓) ምልክት በማስቀመጥ ያመልክቱ። ክፍል 1. አጠቃላይ

መረጃዎች

1. ያታ ወንድ ☐ ሴት ☐

2. እድሜ 20-30 ☐ 31-40 ☐ 41-50 ☐ 51-60 ☐ 61+

3. የጋብቻ ሁኔታ የገባ ☐ ያላገባ ☐ ፈት ☐ ባለቤቷ/ቱ የሞተበት

4. የትምህርት ደረጃ መጀመሪያ ደረጃ ☐ ከፍተኛ ደረጃ ☐ ዲፕሎማ ☐ ዲግሪ ☐ ማስተርስ ☐ ዶክትሬት ☐

5. የስራ ሁኔታ

ስራ የሌለው ☐ ተቀጣሪ ☐ ተማሪ ☐ የግል ስራ

☐ ጡረተኛ ☐ የቤት እመቤት

6. ከላይ በጠቀሱት ባንክ በደንበኝነት የቆዩበት ጊዜ

እስከ አንድ አመት ☐ በአምስት እና ስምንት አመታት መካከል ☐

በአንድ እና ሶስት አመታት መካከል ☐ በስምንት እና አስር አመታት መካከል ☐ በሶስት እና አምስት

አመታት መካከል ☐ ከአስር በአመታት ላይ ☐

ክፍል 2 እባክዎ ከዚህ በታች ለሚገኙት የጥናቱ መጠይቆች መልስ ይሆናል ብለው ያመኑትን ቦታ ይህን (✓)ምልክትበማድረግ በጥንቃቄ ይመልሱ፡፡

ተ.ቁ		በጣም እስማ ማለው	እስማማለው	እስ ተያየት	አልስማማም	በጣም አልስማ ማም
	የደንበኞች አገልግሎት ጥራት	1	2	3	4	5
QCS1	የእኔ ደንበኛ ባንክ ቃል በገባው መሰረት አገልግሎቱን በአግባቡ ለደንበኞች ያቀርባል፡፡					
QCS2	የእኔ ደንበኛ ባንክ አገልግሎት የሚሰጥበት ቅርጫፎች ውስጥ የሚገኙ መገልገያ መሳሪያዎች ምቹና አስደሳች ናቸው፡፡					
QCS3	የእኔ ደንበኛ ባንክ የስራ ሰዓት እና ቅርጫፎቹ የሚገኙበት ቦታ ምቹ ናቸው፡፡					
QCS4	የእኔ ደንበኛ ባንክ ሰራተኞቹ ቀልጣፋና ደንበኞችን ለመርዳት ሁሌም ዝግጁ ናቸው፡፡					
QCS5	የእኔ ደንበኛ ባንክ ለጥያቄዎቼ (ቅሬታዬ) ተገቢውን ትኩረት ይሰጣል፡፡					
	በባንኩ ላይ ያለ እምነት					
TR1	የእኔ ደንበኛ ባንክ አስተማማኝ እና ጠንካራ ባንክ ነው ብዬ አምናለሁ፡፡					
TR2	የእኔ ደንበኛ ባንክ ሰራተኞች ታማኝና ሙያዊ እውቀት አላቸው ብዬ አምናለሁ፡፡					
TR3	ደንበኛ ባንኬ ጋር ያስቀመጥኩት ገንዘብ በአስተማማኝ ባንክ እጅ እንዳለና በፈለኩበት ጊዜ ሁሉ መልሼ በቀላሉ ማግኘት እችላለሁ ብዬ አምናለሁ፡፡					
TR4	ደንበኛ ባንኬ የግል ሚስጢሬን በታማኝነት ይጠብቃል ብዬ አምናለሁ፡፡					
	የደንበኞች እርካታ	1	2	3	4	5
CS1	የእኔ ደንበኛ ባንክ አገልግሎቱ ሁልጊዜም ተመሳሳይ እና አጥጋቢ ነው፡፡					

CS2	የእኔ ደንበኛ ባንክ አገልግሎት አሰጣጡ የደንበኞችን ፍላጎት መሰረተ ያደረገ ነው።					
CS3	የእኔ ደንበኛ ባንክ አገልግሎት አሰጣጡ ደንበኞች ከባንኩ ከሚጠብቁት የላቀ ነው።					
CS4	የእኔ ደንበኛ ባንክ ለደንበኞቼ የሚሰጠው አገልግሎትና የሚጠቀመው ቴክኖሎጂ ምቹ እና ቀላል ስለሆነ በጣም እረክቻለሁ።					
	የደንበኛ ባንክ መቀየር ተፅዕኖ	1	2	3	4	5
SC1	ከደንበኛ ባንኬ ወደ ሌላ ባንክ ብቀዬር ያልገመትኩት ችግር ሊጋጥመኝ ይችላል ብዬ አሰጋለሁ።					
SC2	ከደንበኛ ባንኬ ወደ ሌላ ባንክ ብቀዬር ለተጨማሪ ወጪ ሊያጋልጠኝ ይችላል ብዬ አሰጋለሁ።					
SC3	ደንበኛ ከሆነኩበት ባንክ ወደ ሌላ ባንክ ብቀዬር ከባንኬ ጋር የነበረኝ ቤተሰባዊ ግንኙነት ሊያሳጣኝ ይችላል ብዬ አሰጋለሁ።					
SC4	ወደ ሌላ ባንክ ብቀዬር ባንኬ አሁን እየሰጠኝ ያለውን ጥራት ያለው የአገልግሎት ዓይነት ከሌላ ባንክ ላገኘ የምችል አይመስለኝም።					
	የደንበኞች ግንኙነት	1	2	3	4	5
CR1	ለባንክ ከሚሰሩ ሰዎች ጋር ወዳጃዊ ግንኙነት ፈጥሪያለሁ።					
CR2	ባንክዎ ስለ ምርቶቼ እና አገልግሎቶቼ ወቅታዊ መረጃ ይሰጥዎታል።					
CR3	ባንኬ ስለአገልግሎቱ ጥራት ያለኝን አስተያየት በመወሰድ በየጊዜው ማሻሻያ የሚያደርግ ነው።					
CR4	ባንኬ የረጅም ጊዜ (ነባር) ደንበኞችን እውቅና እና የተለያዩ የማበረታቻ ሽልማት የሚሰጥ ነው።					

	በደንበኝነት መዝለቅ	1	2	3	4	5
CRT1	የባንኩን ሌሎች አገልግሎቶች የመጠቀም ዕቅድ አለኝ።					
CRT2	ስለዚህ ባንክ ለሌሎች አዎንታዊ ነገር እናግራለሁ።					
CRT3	ወደ ፊት ከዚህ ባንክ ጋር ያለኝን ግንኙነት ለመቀጠል እቅድ አለኝ።					
CRT4	አሁን የባንክ አገልግሎት ካስፈለግን ይህ ባንክ የመጀመሪያ ምርጫዬ ይሆናል።					
CRT5	ይህንን ባንክ እንደ ምርጥ አገልግሎት ሰጪ አመክራለሁ።					
CRT6	ከሌሎች ባንኮች ጋር ሲወዳደር ታማኝነቴ ከዚህ ባንክ ጋር ነው።					

ስለ መልካም ትብብር በድጋሚ አመሰግናለሁ!!!