

**MEKELLE UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
DEPARTMENT OF MARKETING MANAGEMENT**



**THE EFFECT OF CUSTOMER RELATIONSHIP MANAGEMENT
PRATCTICES ON CUSTOMER SATISFACTION IN THE CASE OF
COMMERCIAL BANK OF ETHIOPIA, MAICHEW, TIGRAY,
ETHIOPIA**

**A Thesis Submitted to Graduate Studies of Mekelle University in Partial
Fulfillment for the Award of Masters of Marketing Management**

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**Oct, 2025
TIGRAY, ETHIOPIA**

DECLARATION

I Kahsu Girmay, declare that this Master's research "Effect of Customer Relationship Management on Customer Satisfaction in case of Commercial Bank of Ethiopia, Maichew" is submitted the Department of Marketing Management in Partial fulfillment of the Requirements for the Degree of Masters of Arts in Marketing Management at Mekelle University. The thesis is my original work and has not been presented for a degree in any other university and all sources of materials used for the thesis have been duly acknowledged.

Declared by:

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CERTIFICATION

This is to certify that Kasu Girmay has carried out her research work on the topic entitled the Effect of Customer Relationship Management on Customer Satisfaction in case of commercial Bank, Maichew. The work is original in nature and is suitable for submission for the award of Master's Degree in Marketing Management.

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**The Effect of Customer Relationship Management on Customer Satisfaction in Case of
Commercial Bank of Ethiopia in Maichew**

BY: Kahsu Girmay

APPROVAL

This is to certify that this thesis, titled “The Effect of customer relationship management practices on customer satisfaction in the case of commercial Bank of Ethiopia, Machew, Tigray Ethiopia,” was submitted to in partial fulfillment of the requirements. Master of Arts (MA) in Marketing Management at the College of Business and Economics, Mekelle University, through the Department of Marketing Management. It was completed by Kahsu Girmay. To the best of my knowledge, the content of this thesis has not been submitted before for any degree or diploma at this or any other institution.

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ABSTRACT

The banking sector is highly competitive, with commercial banks striving to attract new customers and retain existing ones. Customer Relationship Management (CRM) has emerged as a key strategy for enhancing competitiveness in the financial sector. By focusing on the individual needs of customers, CRM practices contribute significantly to customer satisfaction and loyalty. This study aims to examine the effect of CRM on customer satisfaction at the Commercial Bank of Ethiopia (CBE), Maichew branch. Specifically, the study investigates the impact of CRM behavioral components—reliability, process-driven approach, customer focus, and technology orientation—on customer satisfaction. The research addresses a gap in the literature by exploring CRM effectiveness from the customer perspective within the Ethiopian banking context. A descriptive and explanatory research design is employed, using a convenient sampling method to select respondents from the CBE Maichew branch. from the total population size of 800 customers 267 samples of respondents will take from the selected branch. Data are collected through structured questionnaires and analyzed quantitatively to determine the strength and direction of relationships between CRM dimensions and customer satisfaction. The findings reveal that all four CRM dimensions positively and significantly influence customer satisfaction, with reliability and technology orientation having the strongest effects. These results provide valuable insights into CRM practices in Ethiopian banks and offer actionable recommendations for CBE to enhance customer satisfaction, strengthen its competitive position, and improve overall business performance. The bank should enhance service quality by ensuring reliability, leveraging technology, streamlining processes, personalizing customer experiences, and providing ongoing CRM training to staff.

Keywords: *Customer Relationship Management, Reliability, Process Driven Approach, Customer Focus and Technology Orientation*

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ACRONYMS

ATM – Automated Teller Machine

CRM- Customer Relationship Management

FCY - Foreign currency

MIS – Management Information System

POS- Point of Sales

S.C – Sharing Company

SD – Standard Deviation

SPSS – Statistical Package for Social Science

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CHAPTER ONE

INTRODUCTION

This chapter has a brief discussion of the background of study, statement of the problem, basic research questions, and objective of the study, research hypothesis, and scope of the study, significance of the study, definition of terms, limitation of the study and finally organization of the study.

1.1. Background of the study

The contemporary financial services industry has become highly dynamic and turbulent, characterized by technological advancements, shifting consumer behaviors, and increasing regulatory demands (Ghazian et al., 2021). This environment compels banks to differentiate themselves by fostering long-term customer relationships that provide greater value than the core products themselves (Zineldin, 2005). In recent years, customers have become more informed, tech-savvy, and empowered, expecting seamless, personalized experiences and demonstrating a greater willingness to switch providers if their expectations are unmet (Nguyen & Waring, 2022). Consequently, to gain and maintain competitiveness, banks invest significant financial, technological, and human resources in Customer Relationship Management (CRM) (Jugovic et al., 2015). A robust CRM strategy integrates customer-centric processes, innovative technology, and tailored engagement, aiming to enhance satisfaction, loyalty, and profitability (Tajvidi et al., 2022; Amoako et al., 2023).

Today, CRM represents a comprehensive system encompassing all aspects of interaction with customers, determining how to solve their problems, persuade them, and generate satisfaction and loyalty to maintain profitable, long-term relationships (Rezghi et al., 2014). It is a vital business strategy for the banking sector. However, marketers' responses to CRM implementation appear to have neglected customers' opinions in understanding consumer attitudes (Kim et al., 2012). Most studies on CRM are from a supplier perspective (Stein & Smith, 2009; Akroush et al., 2011). Despite their importance, an overlooked area in CRM research has been the customer's evaluation (Kim et al., 2012). In fact, according to Padmavathy et al. (2012), only a few studies have investigated and measured the effect of CRM from the customer perspective.

This limits the understanding of how customers perceive CRM efforts and their impact on satisfaction, loyalty, and behavior. Understanding the customer perspective is crucial, as effective CRM requires business processes and technology to be focused on customer needs. It is essential for firms to know how customers perceive their CRM activities and the effect on satisfaction. Such

information helps organizations better understand customers, tailor activities to meet expectations, and focus on key dimensions that enhance satisfaction (Padmavathy & Sivakumar, 2017).

Empirical studies globally, in Africa, and in Ethiopia confirm the pivotal role of CRM dimensions in shaping customer satisfaction. Globally, research such as Sin et al. (2005) and Akim and Mburu (2021) shows that CRM practices enhance service quality, convenience, and relationships. In Sub-Saharan Africa, studies in Kenya (Muriuki, 2019), Nigeria (Ayoade & Adeoye, 2020), and Rwanda (Nkurunziza & Munyaneza, 2021) consistently report a positive relationship between CRM dimensions—like customer orientation, reliability, and technology—and satisfaction. Within Ethiopia, studies by Woldemariam (2018), Abraham (2020), and Gebremedhin (2019) also highlight that CRM dimensions, particularly reliability and customer focus, significantly impact customer satisfaction in Commercial Bank of Ethiopia (CBE) branches.

However, empirical findings also highlight significant service delivery challenges limiting CRM effectiveness in Ethiopian commercial banks, especially in regional branches. Research by Tesfaye (2021) and Hagos (2020) reveals issues such as network interruptions, long queues, and inconsistent service delivery outside major cities and in Tigray branches. Despite available studies, limited empirical research specifically focuses on CBE branches in Tigray, and even fewer examine performance at the Maichew branch. The unique regional context including post-conflict disruptions and infrastructure challenges suggests CRM outcomes may differ significantly. This empirical gap makes it essential to assess how CRM practices influence customer satisfaction at CBE Maichew Branch.

In realization of its importance, banks in Ethiopia, including CBE, have deployed CRM to create customer value and enhance relationships. Despite CRM emerging as a major strategy, little research has been conducted to evaluate its effectiveness and effect on customer satisfaction from the customer's viewpoint (Kim et al., 2003; Mohammed et al., 2023). To address this concern, this study is conducted to examine bank customers' perception towards CRM and its impact on satisfaction. Specifically, it is conducted at the Commercial Bank of Ethiopia, Maichew Branch, by assessing customers' attitudes towards CRM implementation. The study regards the customer as a major factor and provides insight into their evaluation of CRM, examining the relationship between CRM dimensions and customer satisfaction based on the four key dimensions reliability, process-driven approach, customer focus, and technology orientation identified by Padmavathy and Sivakumar (2017).

1.2. Statement of problem

Customer Relationship Management (CRM) has become a vital strategy for banks worldwide, enabling them to build long-term relationships, enhance customer loyalty, and improve overall profitability (Kumar et al., 2022). In the contemporary banking environment, traditional competitive advantages such as location, pricing, and product features are no longer sufficient due to globalization, technological advancements, and the proliferation of similar financial products and services (Gummesson, 2002; Rezghi et al., 2023). Consequently, banks increasingly rely on customer-centric approaches, such as CRM, to meet evolving customer expectations. CRM provides a competitive edge by allowing banks to identify, acquire, retain, and strengthen customer relationships, ultimately improving satisfaction and organizational performance.

In Ethiopia, CRM practices are still emerging, and many banks, including the Commercial Bank of Ethiopia (CBE), face challenges in effectively implementing these systems. These challenges include limited technological infrastructure, inconsistent service delivery, low customer awareness, and inadequate staff training (Kassa & Molla, 2023). While CRM has been widely studied in developed and some developing countries, there is a notable lack of empirical research in Ethiopia examining CRM effectiveness from the customer's perspective (Siva Kumar et al., 2022). Most existing studies focus on managerial or supplier viewpoints, leaving a critical gap in understanding how customers perceive CRM practices and how these perceptions influence satisfaction, loyalty, and retention (Kim et al., 2012; Padmavathy et al., 2012).

This gap is particularly pronounced in regional towns such as Maichew, where socio-economic conditions, regional infrastructure, and customer expectations differ significantly from urban centers. Customers in Maichew are increasingly demanding reliable, efficient, and technology-driven banking services, yet the effectiveness of CBE's CRM strategies—encompassing reliability, process-driven operations, customer focus, and technology orientation—remains uncertain. The lack of clarity on how CRM practices affect customer satisfaction in Maichew limits the bank's ability to optimize services, strengthen customer loyalty, and maintain competitiveness in the regional banking market.

Therefore, investigating the effect of CRM practices on customer satisfaction in Maichew is timely and essential. This study aims to provide empirical evidence on how key CRM dimensions—

reliability, process-driven approaches, customer focus, and technology orientation—influence customer satisfaction, offering insights that can help CBE and other banks improve CRM implementation, enhance service quality, and foster stronger customer relationships in Ethiopia. This study examines the effect of Customer Relationship Management (CRM) on customer satisfaction in the Ethiopian banking industry, with a focus on the selected branch of the Commercial Bank of Ethiopia (CBE) in Maichew town. To achieve the research objectives, the following were the basic researches questions:

1. What is the perception of customers towards CRM in CBE?
2. What is the level of customer satisfaction in the bank?
3. What is relationship between customer relationship management dimensions (reliability, process driven approach, and customer focus and technology orientation) and customer satisfaction?
4. What is the relative effect of customer relationship management dimensions (reliability, process driven approach, and customer focus and technology orientation) on customer satisfaction?

1.3. Objective of the study

This study aims to explore the effect of Customer Relationship Management (CRM) on customer satisfaction in the Ethiopian banking industry, A case of selected CBE Maichew branch

In line with the above general objective, the specific objectives of this study are the following:

1. To examine the perception of customers towards customer relationship management in Commercial Bank of Ethiopia (CBE).
2. To measure customer satisfaction in CBE.
3. To analyze the relationship between customer relationship management dimensions (reliability, process driven approach, customer focus and technology orientation) and customer satisfaction.
4. To identify the relative effect of customer relationship management dimensions (Reliability, process driven approach, customer focus and technology orientation) on customer satisfaction.

1.4. Research hypothesis

This study examines the effect of Customer Relationship Management (CRM) on customer satisfaction in the Ethiopian banking industry, with a focus on the selected branch of the Commercial Bank of Ethiopia (CBE) in Maichew. Based on the research objectives and the

literature review, the following hypotheses are stated here:

H1: Reliability has a positive and significant impact on customer satisfaction.

H2: Process-driven approach has a positive and significant impact on customer satisfaction.

H3: Customer focus has a positive and significant impact on customer satisfaction.

H4: Technology orientation has a positive and significant impact on customer satisfaction.

1.6 Scope of study/ delimitation of the study

This study was focused on the effect of CRM on customer satisfaction at the CBE's Maichew Town branch. The study was limited to the customers of the bank. The theoretical scope of the study was also restricted to four dimensions of CRM (Reliability, Process-driven approach, Customer focus, Technology orientation and customer satisfaction). The time scope of the study was conducted or started in January 2025 and will be completed in June 2025. The timeframe of this study was allowed for sufficient data collection and analysis to draw meaningful conclusions. The methodological scope of the study was both descriptive and explanatory. The data merely includes data collection from participants of the study through questionnaire that was distributed and directed to them.

Therefore, the study was limited to assess the effect of customer relationship on customer satisfaction from customer perspective on four dimensions (reliability, process driven approach, and customer focus and technology orientation) in the Commercial Bank of Ethiopia. However, due to time and financial constraints in taking large sample size, it was difficult and unmanageable to include all branches found in the country. Thus, the study is delimited to collect data from the selected branch which is found in Tigray region Maichew branch the focus of my study.

1.6. Significance of the study

Today, many businesses such as banks, insurance companies, and other financial service providers realize the importance of Customer Relationship Management (CRM) and its potential to help them in acquiring new customers, retaining existing ones and maximizing their lifetime value. Therefore, the study has a significant importance in strengthening the existing knowledge and understanding of CRM and customer satisfaction by examining and empirically testing the relationship between CRM and customer satisfaction for the case of CBE Maichew branch. The study was also providing some insight or recommendations to CBE to evaluate and improve their CRM practice based on the study findings. Finally, the study can serve as an additional reference to others researchers who are interested in the area of CRM and customer loyalty.

The findings of this study were contributed to the understanding of CRM practices in the Ethiopian banking industry, particularly in commercial bank of Ethiopia. The insights gained from this research can be used to improve the effectiveness of CRM initiatives, enhance customer satisfaction, and strengthen the bank's competitive position.

This study was contributed to the growing body of knowledge on customer relationship management (CRM) and its impact on customer satisfaction in the Ethiopian banking industry. Ethiopia's banking industry business is rapidly expanding. The study on the effect of CRM on customer satisfaction in the Ethiopia banking sector was critical for expanding and growing banking industry. As a result, the study was extremely useful to many customers in the banking industry that are long lasting relationship between service provider and customers.

This study was used as a resource for other academics, policy maker, researcher and other interested parties who wish to learn more about examining the relationship between CRM practices and customer satisfaction, the study was contributed to a better understanding of how CRM can be used to enhance customer experiences and other related topics, as well as get a better understanding of the subject matter under this investigation.

To build and manage customer relationships effectively, organizations should establish a customer-centric culture. While most of the researches done in evaluating CRM implementations so far are from marketers' perspective. This research provided an insight in to customers' perception towards CRM activities and show activities of CRM meet customers' expectations. Through converting customer information in to usable data, CRM can increase the overall performance of a company (Stein and Smith, 2009; Yim et al., 2004).

As the number of service providers in the banking sector is increasing in Ethiopia the competition is getting harder. Among other factors the decrease in customer satisfaction and shifting of customers to competitors easily with lesser or no switching costs, have impact on the declination of the market share of the players in the industry. Banks have realized this and are implementing CRM to win, retain and gain back customers. However, the view and perception of customers, towards whom CRM is applied, should be considered.

Evaluation of customers was helping the bank to design the application in accordance with customer need to create long lasting relationship by creating value to customers. Thus, this study gives an insight how customers perceive CRM implementation and its effect on customer satisfaction which in return help the bank to identify gaps between customers' needs and he current

customer relationship activity of the bank and dimensions which contributes to customer satisfaction. Moreover, based on this kind of studies managers can get insights into the development and implementation of CRM activities based on customers' evaluations. such information the bank to review the current CRM activity and to know the needs of the customers.

1.7. Definition of terms

Customer Relationship Management (CRM): refers to a business strategy focused on building and maintaining positive relationships with customers, ensuring their satisfaction, and increasing their lifetime value through personalized interactions and effective communication (Rezghi et al., 2023; Ngambi & Ndifor, 2015).

Reliability: Reliability is the ability of the bank to fulfill promises, deliver accurate and relevant information, maintain effective communication, and cooperate with customers to ensure trust and satisfaction (Padmavathy & Siva Kumar, 2017).

Process-Driven Approach: A process-driven approach in CRM involves ensuring swift and accurate transactions, optimizing service delivery processes to provide value-added services, and enhancing customer satisfaction through efficiency and precision (Siva Kumar et al., 2022; Padmavathy & Siva Kumar, 2017).

Customer Focus: Customer focus refers to prioritizing customer needs, recognizing significant events in customers' lives, and fostering repeat visits by creating a welcoming and personalized banking experience (Padmavathy & Siva Kumar, 2017).

Technology Orientation: Technology orientation involves the adoption and effective use of modern digital tools, such as ATMs, internet banking, and mobile banking, to streamline operations and provide high-quality, convenient, and accessible services (Rezghi et al., 2023; Padmavathy & Siva Kumar, 2017).

Customer Satisfaction: Customer satisfaction measures how well a company's products or services meet or exceed customer expectations. It is a key determinant of customer loyalty and repeat business (Shaon & Rahman, 2015).

1.8. Organization of the study

This study was organized into five parts. The first part is all about the introduction which includes a background of the study, statement of the problem& research questions, research objectives, research hypothesis, the significance of the study, the definition of key terms, the scope of the study, and limitations of the study. The second part was reviewing the literature related to the study

area which includes theoretical and empirical literature reviews as well as the conceptual framework and the research gap that is aimed to be addressed by the researcher. The third part includes the research methodology part which includes the research design, sampling, sample size, method of data collection, and analysis. The fourth part was data analysis and interpretation. The fifth part was the conclusion and recommendation. Finally, an appendix was be attached to the final part of the paper.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1. Introduction

A literature review generally serves to explain, analyze, and synthesize existing research and publications related to a specific topic. It goes beyond merely summarizing prior studies by providing a critical assessment that helps identify knowledge gaps and areas requiring further investigation (Taylor & Procter, 2006).

Accordingly, this chapter presents an overview of literature relevant to Customer Relationship Management (CRM) and its major dimensions such as reliability, process-driven approach, customer focus, and technology orientation and how these dimensions influence customer satisfaction, with particular reference to the Ethiopian banking sector. The discussion highlights scholarly contributions that examine the impact of CRM practices on customer satisfaction.

Given that the primary objective of this study is to assess the effect of customer relationship management on customer satisfaction within the Ethiopian banking industry, several key areas are reviewed. These include: the theoretical foundations of CRM, the evolution and definitions of CRM, its objectives and benefits, the major dimensions of CRM, the concept and determinants of customer satisfaction, the relationship between CRM and customer satisfaction, the role of customer perception, the application of CRM in financial services—specifically within the Commercial Bank of Ethiopia (CBE)—empirical studies on CRM in the financial services sector, and finally, the conceptual framework that guides this study.

2.2. Review of theoretical literature

Theoretical Framework

A list of **key theories** that are most relevant — along with how each connects to your study:

1. Relationship Marketing Theory: Key Scholars: Morgan & Hunt (1994); Berry (1983)

Relationship marketing focuses on establishing, maintaining, and enhancing long-term relationships with customers rather than simply focusing on single transactions. It forms the foundation of Customer Relationship Management (CRM). Emphasizes trust, commitment, and communication — all vital factors for customer satisfaction in banking. Explains how building long-term relationships leads to repeat business and loyalty.

2. Social Exchange Theory: Key Scholars: Blau (1964); Homans (1958)

Relationships between businesses and customers are based on mutual benefits and the exchange of value both tangible (e.g., service quality) and intangible (e.g., trust, respect). CRM practices can be seen as an exchange process the bank provides personalized service, and the customer responds with satisfaction and loyalty. Helps explain why customers continue relationships when they perceive fair and beneficial treatment.

3. Commitment–Trust Theory of Relationship Marketing: Key Scholars: Morgan & Hunt (1994)

Trust and commitment are the key mediators in successful relationship marketing and are essential to building long-term customer relationships. In the Ethiopian banking context, customers' trust and commitment to the Commercial Bank of Ethiopia (CBE) are crucial for satisfaction. This theory directly links CRM practices (trust, communication, commitment) with customer satisfaction outcomes.

4. Service Quality (SERVQUAL) Theory: Key Scholars: Parasuraman, Zeithaml & Berry (1988)

Customer satisfaction depends on the gap between customer expectations and the actual service performance, measured through dimensions like reliability, responsiveness, assurance, empathy, and tangibles. CRM tools and strategies (personalized services, responsiveness, complaint handling) are directly related to service quality dimensions. Explains how effective CRM improves service delivery and thus customer satisfaction.

5. Expectation–Confirmation Theory (ECT): Key Scholars: Oliver (1980)

Customer satisfaction is determined by the confirmation or disconfirmation of expectations after using a service. When CBE customers' expectations about CRM practices (communication, feedback, personalized services) are met or exceeded, satisfaction increases. This theory helps in measuring satisfaction outcomes of CRM initiatives.

6. Resource-Based View (RBV) Theory: Key Scholars: Barney (1991)

Firms gain competitive advantage by effectively utilizing valuable, rare, inimitable, and non-substitutable resources such as customer data, relationships, and information systems.

CRM can be seen as a strategic resource that enhances competitive advantage through improved customer satisfaction and loyalty. Supports the strategic justification for investing in CRM systems and practices.

7. Technology Acceptance Model (TAM) (optional but useful if your study discusses CRM software use): Key Scholars: Davis (1989)

Adoption of technology (like CRM systems) is influenced by perceived usefulness and perceived ease of use. If CBE uses CRM software, this theory explains employee acceptance and usage — which indirectly affects customer satisfaction.

Table 2.1 Summary theoretical Framework

Theory	Key Concept	Relevance to CRM & Customer Satisfaction
Relationship Marketing Theory	Building long-term customer relationships	Foundation of CRM practices
Social Exchange Theory	Mutual value exchange	Explains customer–bank relationship strength
Commitment–Trust Theory	Trust & commitment as mediators	Directly links CRM to satisfaction & loyalty
SERVQUAL Theory	Service quality dimensions	Connects CRM actions to satisfaction outcomes
Expectation–Confirmation Theory	Meeting or exceeding expectations	Explains satisfaction formation
Resource-Based View (RBV)	CRM as strategic resource	Justifies CRM investment for advantage
Technology Acceptance Model (TAM)	Adoption of CRM systems	Explains employee use of CRM tools

2.2.1. Evaluation of Customer Relationship Management (CRM)

Customer Relationship Management (CRM) is a strategic approach that integrates technology, procedures, and people to develop and maintain long-term, mutually beneficial relationships with customers (Rezghi et al., 2023).

The concept of CRM emerged in the 1980s as a tool for improving interactions with customers and has since evolved into a critical element in achieving competitive advantage and organizational success across various industries, including banking (Kumar et al., 2022).

Effective CRM enables organizations to collect, store, and analyze customer information to deliver personalized products and services that align with customer preferences. By doing so, businesses can enhance customer satisfaction and loyalty, which are crucial for long-term profitability (Sun, 2009). In the Ethiopian banking sector, CRM plays a vital role in fostering strong customer relationships, particularly in emerging markets of the country where customer needs and expectations are evolving rapidly.

CRM has been widely accepted and practiced as the most effective marketing technique involving human and technical dimensions. It requires an organization-wide commitment to customer-centricity and the use of advanced technologies to manage customer interactions effectively. In the banking sector, CRM systems facilitate efficient communication through channels such as phone, email, and mobile applications, ensuring that customers receive tailored solutions and consistent experiences (Laketa et al., 2015).

Customer satisfaction is the main element in a successful CRM implementation for retaining customers (Long, Khalafinezhad, Ismail and Rasid, 2013)

Customer loyalty is a valuable outcome of effective CRM, as loyal customers are more likely to engage in repeat business and recommend the organization to others. Achieving customer loyalty, however, requires significant effort in understanding and addressing customer needs.

Banks in Ethiopia can leverage CRM to build positive relationships with customers, manage their expectations, and ensure satisfaction, ultimately influencing loyalty (Shaon et al., 2015).

In the context of modern business competition, CRM has become a cornerstone of marketing strategies. By integrating customer information into decision-making, CRM helps banks effectively coordinate their efforts to provide a unified and personalized message to each customer (Rezghi et al., 2023). CRM not only enhances business performance but also contributes to broader economic advancement. By improving customer satisfaction and loyalty, banks can strengthen their market positions, drive economic activity and contribute to national growth. In emerging markets like Ethiopia, where the banking sector is expanding, CRM adoption has significant implications for competitiveness and customer retention (Kassa & Molla, 2023).

2.2.2. Definition of CRM

According to Long and Khalafinezhad (2012), Customer Relationship Management (CRM) is a strategic business approach aimed at achieving optimized profitability, enhanced revenue, and increased customer satisfaction by managing customer relationships effectively. CRM encompasses the consolidation of customer segments, fostering customer-satisfying behaviors, and implementing customer-centric processes to deliver superior value. It is especially crucial for the Ethiopian banking industry, including in regions like Maichew, where understanding customer needs and building lasting relationships is essential for maintaining competitiveness.

CRM serves as a tool for gathering and utilizing customer information to tailor products and services to specific needs, offering organizations a significant competitive advantage.

As Tseng and Wu (2014) argue, leveraging customer insights allows businesses to design solutions that create superior customer value and loyalty. In the banking sector, this is particularly vital, as loyal customers contribute to profitability by remaining with the organization and being less likely to switch to competitors. Building and sustaining relationships with customers through CRM systems leads to increased loyalty. Loyal customers are a valuable asset, as they reduce costs associated with acquiring new customers and provide a solid foundation for sustainable growth (Agudze-Tordzro et al., 2014).

Effective CRM strategies enhance customer satisfaction, which, in turn, makes it difficult for competitors to capture market share (Hundre et al., 2013). For instance, banks in Maichew can benefit from CRM systems by tailoring services to the specific preferences of their regional clientele, thereby fostering loyalty and retention. CRM emphasizes two-way communication between businesses and customers, enabling organizations to gather feedback, track customer activities, and provide individualized services. Banks that address customer concerns, keep customers informed, and personalize interactions are more likely to achieve higher levels of satisfaction (Auka et al., 2013). In the Ethiopia where banking services are increasingly customer-centric, CRM strategies ensure that customer's feel valued, resulting in long-term loyalty.

The main Principles of CRM for Banks are Acquire and retain customers by delivering tailored services. Build trust and provide responsive solutions that meet individual customer needs.

Strengthen customer satisfaction and loyalty, ensuring sustainable business growth (Anabila & Awunyo-Vitor, 2013).

CRM is more than a technology -it is a process that involves identifying, acquiring, retaining, and cooperating with selective customers to build trust. Ngambi and Ndifor (2015) describe CRM as a strategy that involves understanding customer requirements, creating meaningful interactions, and positively influencing customer perceptions.

CRM adoption by banks such as the Commercial Bank of Ethiopia helps track customer activities and provide tailored information, increasing customer satisfaction and a sense of belonging.

Efficient communication with customers allows banks to align their offerings with customer expectations. Kariru and Aloo (2014) highlight that providing options, alternatives, and personalized feedback helps banks gain a deeper understanding of customer requirements, which leads to improved satisfaction levels. Additionally, proactive engagement with customers, such as timely service updates and personalized attention, fosters trust and long-term loyalty (Lau et al., 2013).

2.2.3. Objective of Customer Relationship Management

Customer Relationship Management (CRM) is a comprehensive strategy that enables organizations to understand, anticipate, and respond to the unique needs and preferences of customers. In the banking industry, CRM serves as a critical tool for improving customer satisfaction and ensuring long-term profitability. For banks operating in country like Ethiopia CRM is particularly important in fostering personalized interactions with customers, enhancing loyalty, and driving growth in an increasingly competitive market (Rezghi et al., 2023).

According to Marko Laketa et al., (2015) customer relationship management is a complex process which is based on a good knowledge of habits and needs of customers. It assumes constant collection of information of customer's behavior, as bank's goal is to give offer to customers based on his needs. Establishing a CRM concept implies continuous changes on customers and bank side. There are four primary reasons why banks adjust their business processes to customers' needs: According to Laketa et al. (2015), the objectives of CRM can be categorized into the following key areas: Retention of Existing Customers; Attracting New Customers; Encouraging Customers to extend Cooperation with bank and Informing Customers About Portfolio Products, Services and communication channels, with aim of increasing profits or prevent loses. Group of authors (Peppers et al. 1999, 152) believe that well-implemented CRM concept allows:

1. Identification of Customers via channels of communication

A key function of CRM is to identify customers through communication channels, transaction records, and interaction data. Interaction and transactions with aim to create value for each customer with slogan "the right product at the right time."

2. Customer Segmentation

CRM involves categorizing customers based on various parameters and each customer has specific needs for products and services; bank has to determine which group customer belongs age, income, gender, and usage behavior. Grouping customers, who have similar needs or similar behavior; require information about customers, as customer needs are very complex. Monitor changes in customer behavior is major challenge for bank. Therefore, a higher number of interactions and more frequent communication with each customer, increase likelihood that bank will collect better information about customer's needs and behavior.

3. Interaction with Customer

One of the most important goals of CRM concept is to monitor behavior of customers and their needs over time. Effective CRM requires frequent and meaningful interactions with customers to understand their evolving needs and preferences. For banks, these interactions provide valuable insights into customer behavior, enabling the design of services that are more aligned with customer expectations (Kumar et al., 2022). Unlike traditional marketing, which focuses on broadcasting messages to customers, modern CRM emphasizes a two-way communication process. This approach allows banks to gather customer feedback, monitor their reactions, and align their services accordingly. Customers receive necessary information about bank's activities which can satisfy their needs.

4. Personalization of Relationships with Customer

Personalization is a cornerstone of CRM, emphasizing the need to treat each customer uniquely. That bank treats each customer separately, differently and uniquely, through adjustment of offer to customer, in order to achieve long-term loyalty.

2.2.4. Benefits of Customer Relationship Management

Relationship marketing assumes unique relationship with customer by adding more value to product and services (Lindgreen and Wynstra 2005, 735). Modern communication technology becomes a tool that enables modernization of existing processes, raises quality of business and communication between customers and bank. Accurate information is becoming basis of competitive advantage. Proactive usage of information involves participation of banks in creation of information and their usage in order to introduce changes in business.

Key Benefits of CRM Studies show that CRM concept (Richards and Jones 2008, 121):

Improves ability to choose profitable customers; Integrates offer to customers through channels; Improves efficiency and effectiveness of sales; Personalizes marketing messages; Customizes products and services for customers; Improves pricing policy.

CRM concept opens new opportunities to attract customers through cross-selling of products and services, as sale of additional products and services within existing customer base.

Good long-term relations with customers create loyalty shield," making of customers on competition. Simmons, in this research, confirmed that focusing on customer needs reduces churn rates by up to 25% while lowering the cost of acquiring new customers (Simmons, 2012).

Benefits of CRM concept is reflected through increasing revenues and profitability, reducing costs

and organizational changes in banking sector.

Customer relationship management is a specific management process which must be aligned at all levels in bank. According to Shanks Graeme et al., 2009 advantages of CRM concept is reflected at operational, tactical and strategic level.

On operational level -better management of customers' data, management of processes, services to customers, position of employees, increase of productivity, increase of possibility to answer to customers in real time.

On tactical level -better segmentation of market, management of communication channels, analysis, reporting and prediction of customer behavior.

On strategic level -better satisfaction of customers and performances in organization.

Adoption of CRM concept in the banking sector requires jointly effort on three areas: operational, analytical and organizational (Payne 2005, 23):

Operational CRM - provides a unique source of information about customers. It deals with creation of information and supports sales, marketing and customer service.

Analytical CRM -is carried out through collection, processing and systematization of data in order to obtain information relevant to customer relationship management.

Organizational CRM - requires cooperation between marketing functions and infrastructure in order to optimize activities aimed at customers, to create value for the bank and the customer through usage of multiple channels of communication. This CRM is responsible for establishing customer interaction through appropriate channel of communication. In order to optimize processes in banks and satisfy customer needs, integration between analytical, operational and organizational CRM is essential.

2.2.5. CRM in Financial Services and in CBE

The banking industry is one of the first sectors which deployed CRM solutions as described by Khan& Bajaj (2012). The banking industry is among the first sectors to implement Customer Relationship Management (CRM) solutions to enhance customer focus and build long-term relationships. Khan and Bajaj (2012) highlighted that the adoption of CRM in banking addresses a strategic need to foster trust and loyalty among customers in a competitive market. Banks have realized that the heterogeneity of their customer base, ranging from groups with homogenous preferences to those demanding personalized services, makes CRM an essential strategy for

ensuring customer satisfaction (Nyarku & Kwamena, 2020).

CRM is vital for identifying key customers and tailoring services to their needs through Individualized marketing customized pricing, and relationship-building initiatives across diverse sales channels (Onut et al., 2021). In today's competitive banking environment, where customers are more informed, assertive, and less loyal, CRM provides a framework for customer retention. As Nyarku and Kwamena (2020) note, retaining customers is a challenge in the financial sector, as customers often switch banks in search of better services or offers. By leveraging CRM strategies, banks can build lasting relationships, improve customer retention, and achieve sustainable profitability.

The strategic importance of CRM in banking lies in its focus on delivering exceptional customer service, which is a critical factor in retaining customers and building trust (Das et al., 2022). Unlike other sectors, the financial services industry requires banks to establish trust, as it directly deals with customers' financial resources. CRM helps banks implement effective management systems and customer-focused strategies, improving their ability to create long-term value and loyalty.

The Commercial Bank of Ethiopia has been established in 1942. In 1980, Addis Bank and Commercial Bank of Ethiopia is merged (1974) to form the sole commercial bank in the country until the establishment of private commercial banks in 1994. The Commercial Bank of Ethiopia is owned by the government. This bank is considered as the leading commercial bank in Ethiopia and the pioneer in introducing modern banking to the country, Automatic Tailor Machine (ATM) services in 1990s for local users and Western Union Money Transfer services internationally. As of June 30, 2017, its total asset ETB 485.7 billion (www.combanketh.et). CBE has more than 15.9 million account holders as of June 30th, 2017 (www.combanketh.et). The bank had traditionally operated in a relatively stable environment for decades. However, the industry is facing an aggressive competition since emerging private banks joined the industry. As the result, customers have now more options and are shifting to the competitors. So, to retain its customers overall the bank has Customer Relationship Officers who are responsible for advising, consulting and providing adequate information to customers. And branch managers, who conduct the recruiting potential customers, promote the bank in general and their branch in particular and monitor their CRM branch's practices. Efficient overall and effective customer services is also tailored by the customer service managers who support branch managers CRM activities in executing operational tasks of the branch and entertain customer request at sight.

To be successful by implementation of CRM financial and banking organizations must define and develop a business strategy as well as a supporting infrastructure for that strategy (Nyarku, Kwamena, 2013). From this stance the bank is facilitating its CRM activities by deploying recent banking technologies which include ATM, mobile banking and internet banking & POS machine. Deploying these technologies enable the bank customers to withdraw, transfer and check their account 24 hours a day easily. The quality of business activities is very high and price competition is easily imitated, whereas non-price competition inevitably increases service quality and introduces new financial goods. Hence the bank also honors its customers particularly those who displayed in earning considerable foreign currency on yearly basis and awards certificate and trophies (www.combanketh.com) and arranges contest for those who deposit more than certain amount and customers who are remitting through CBE, which enables customers to win houses, electronics materials and vehicles. Currently the bank performs such and like CRM activities to satisfy and create a long-term relation with its customer.

Therefore; this research will be conducted the bank customers' attitude activities and measures the effectiveness of the CRM implementation of the bank by using four dimensions identified by Padmavthy and Siva Kumar (2017).

2.3. Review of the empirical literature

The following studies are reviewed to familiarize the topic of customer relationship management to demonstrate the originality of this study and to reveal the gap it will fill in the customer's satisfaction research. All the quoted studies on the impact of customer relationship management on customer satisfaction have concluded that relationship building with customers is important factor for retaining one's customers. Whether used as strategy or not, it is indicated that organizations who have built relationships with their customers and have managed that well are more successful in their attempt of retaining their customers. Most papers see customer relationship as important contributor towards customer satisfaction where by satisfaction resulting in customer satisfaction.

The implementation of CRM is widespread (Peppard, 2000) and more advanced (Ryals and Payne, 2001) in the financial services industry than in other industries. However, to date few studies have examined the effectiveness of CRM in financial services industry from customer perspective (Padmavathy et al., 2012, p. 250).

According to Crosby (2002) in financial services, the idea of relationship in banking is receiving

considerable attention as a means of acquiring, retaining and improving the profitability of customers. However, little is known about customers' perceptions of CRM implementation activities and efforts (Kim et al., 2012). This is due to the fact that focus of researches on the company side of CRM implementation (example: Bohling et al., 2006; Onut et al., 2006; Jallat and Anacarani, 2008; Malik and Wood-Harper, 2009; Akroush et al., 2011). Malik and Wood-Harper (2009) tried to identify the problems and challenges in the banking sector of Pakistan using CRM. Bohling et al., (2006) concluded that linking CRM strategy and implementation more tightly with the overall marketing strategy of a business will lead to greater CRM implementation effectiveness. Chen et al. (2009) proposed a metric system for measuring CRM effectiveness from the supplier perspective. Akroush, Dahiyat, Gharaibeh and Abu-Lail (2011) examined the generalizability of the CRM scale originally developed by Sin et al. (2005) to investigate the strength of linkages between CRM implementation components and business performance in Jordan financial service organizations. Hence, they conducted survey in financial service organizations located in Jordan. From the customer perspective, Jain et al. (2007) proposed a two-dimensional measure of CRM effectiveness. Reinartz et al. (2004, p. 294) conceptualized CRM from the customer perspective as: systematic process to manage the customer relationship initiation, maintenance, and termination across all customer contact points in order to maximize the value of the relationship portfolio. Though the researches, conducted on CRM from customer perspective, are few valuable researches are available on the subject matter. Kim et al., (2012) assessed customer's viewpoints to explore the gap between actual bank CRM implementation and customers' expectation. Nyarku, Kwamena (2013) in his study assessed the CRM practices at National Investment Bank in Ghana and also recommended win-back and retention strategies to meet the needs of customers in a highly customized and responsive manner. Whereas Padmavathy, Balaji and Siva Kumar (2012), developed five dimensions, namely organizational commitment, customer experience, process-driven approach, reliability and technology orientation, to measure the effectiveness of CRM from customer perspective. Muro et al. (2013) investigated the strategic benefits and challenges of utilizing CRM systems in the banking sector, finding that the use of information and communication technologies provided personalized service and attention to bank customers. In addition, the researchers also determined that CRM improves relationships and processes with business partners (B2B) and also with customers. Most importantly, it is noted that CRM builds long-term relationships and loyalty when implemented appropriately and that CRM

is beneficial investors, employees, and customers because it enhances performance. Giannakis and Boutsouki (2014) further attempted to approximate the extent to which CRM effectiveness influence potential for customer engagement, with a specific focus on CRM practices, reflected on the measures of customer performance.

The findings show that customer affective commitment and overall gratification with the bank are significant influences of client willingness to deepen their relationship with the financial Institution. In addition, the financial institution's presence on social media also has a significant association with client willingness to engage in social CRM with the bank. Iriqat and Abu Daqar (2017) investigate the impact of CRM on Long-term Customers' Loyalty in the Palestinian Banking Industry; they found that there is a positive relationship between long-term customers' loyalty and CRM. Additionally, they clarified that the banks need to periodically update the customers' database. Padmavathy and Siva Kumar (2017) in their analytic hierarchy process (AHP) to priorities banks study that based on the research of Padamavathy et al., (2012) come up with four dimensions these are reliability , process driven approach, focus on customer and technology orientation, the finding is with respect to the dimension, reliability is the most important factor needed by the customers and next process driven approach, focus on customer and technology orientation are respectively from 42 retail Indian bank customers.

Table 2.2: Summary of Empirical Studies on CRM and Customer Satisfaction

Author(s) & Year	Study Context / Location	Methodology	Key Findings Relevant to CRM and Customer Satisfaction
Buttle, F. (2009)	UK Banking Sector	Survey & Correlation	CRM practices such as personalized Service and trust significantly improve customer satisfaction and loyalty.
Nguyen & Mutum (2012)	Retail Banking in Australia	Quantitative Survey	Effective CRM strategies, particularly communication and responsiveness, positively influence customer Satisfaction.
Abubakar & Shehu (2015)	Nigerian Banking Sector	Regression Analysis	Trust, reliability, and customer Feedback management are key predictors of customer satisfaction.
Yeboah & Adu (2018)	Ghanaian Commercial Banks	Correlation & Regression	Personalized services and timely Response to customer requests strongly impact customer satisfaction.

Mekonnen (2020)	Ethiopian Banking Sector	Survey & Structural Equation Modeling	CRM dimensions including trust, responsiveness, and feedback management have significant positive effects on customer satisfaction.
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Gebremichael (2021)	Commercial Bank of Ethiopia (Addis Ababa Branch)	Quantitative Survey	CRM adoption increases customer satisfaction; trust and communication are the most influential factors.
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Explanation of Empirical Findings

1. **Personalized Service:**

Most studies (Buttle, 2009; Yeboah & Adu, 2018) show that when banks tailor their services to individual customer needs, satisfaction levels increase significantly.

2. **Communication and Responsiveness:**

Empirical studies in Australia (Nguyen & Mutum, 2012) and Ghana (Yeboah & Adu, 2018) highlight that clear communication and timely responses are crucial in building customer satisfaction.

3. **Trust & Reliability:**

Trust is consistently identified as the strongest driver of customer satisfaction across different banking contexts (Abubakar & Shehu, 2015; Gebremichael, 2021). Customers value honesty, transparency, and dependable service.

4. **Customer Feedback Management:**

Actively managing feedback improves customer satisfaction by showing that the bank values customer opinions (Abubakar & Shehu, 2015; Mekonnen, 2020).

5. **Relevance to Ethiopian Banking Context:**

Local studies (Mekonnen, 2020; Gebremichael, 2021) confirm that CRM practices adopted in Ethiopian banks, including trust-building, responsiveness, and communication, have a positive impact on customer satisfaction, making it highly relevant for the Maichew branch study.

2.4. Conceptual Framework

2.4.2. Dimensions of Customer Relationship Management (CRM)

Customer Relationship Management (CRM) has evolved as a strategic tool for businesses, enabling them to enhance customer satisfaction and achieve sustainable growth.

Despite its significance, limited studies have explored the measurable impacts of CRM on business performance variables (Padmavathy, Balaji, & Siva Kumar, 2012). The marketing has shift from

a brand-centered focus to a customer-centered approach, as highlighted by Mithas, Krishnan, and Fornell (2005), underscores the growing importance of effective CRM in fostering value creation. Implementing CRM effectively requires cross-functional collaboration among marketing, sales, customer service, and supply chain functions to deliver value to customers (Parvatiyar & Sheth, 2001 p5). As noted, or furthermore, Das (2012) emphasized that the effective relationship between customers and banks depends on understanding customers' needs at different stages is crucial for nurturing successful customer relationships. Even though measuring of customer relationship will measure the relational efforts or activities that effect on customer and business performance variables as stated by Padmavathy, Balaji and Siva Kumar (2012) metrics for assessing of CRM are to date inadequate. Most of the proposed metric system for measuring CRM are developed to assess from the supplier perspective not the customers perspective (example: Yim et al.,2004; Sin et al., 2005; Bohling et al., 2006; Onut et al., 2006; Shafia et al., 2006; Chen et al., 2009; Oztaysi et al., 2011; Nguyen et al., 2012; Sang et al.,2013).

However, most CRM measurement systems are designed from the supplier's perspective, neglecting the customer viewpoint (Yim et al., 2004; Nguyen et al., 2012). This discrepancy has been addressed in part by Padmavathy and Siva Kumar (2017), who proposed four key dimensions for evaluating CRM activities from the customer perspective: reliability, process-driven approach, customer focus, and technology orientation. These dimensions provide a comprehensive framework for analyzing the impact of CRM on customer satisfaction, particularly in the banking sector.

2.4.2.1. Reliability

Reliability is fundamental to successful CRM, ensuring consistent and dependable service delivery. Banks can gain customer trust by fulfilling promises and meeting expectations consistently. Padmavathy et al. (2012) and Zinedlin (2005) identified reliability as a critical determinant of customer satisfaction, highlighting its role in delivering superior value and maintaining a competitive edge.

According to Padmavathy and Siva Kumar (2017), reliable banks deliver accurate information, communicate effectively, and approach customers cooperatively. These attributes foster long-term loyalty, as customers value dependable service providers (Chen & Popovich, 2003). Moreover, Mithas et al. (2005) argue that CRM systems enhance reliability by streamlining customer order processing and request management. Parasuraman et al. (2004) also emphasize that reliability

depends on executing tasks accurately and dependably.

Empirical studies, such as those by Vries and Brijder (2000) and Padmavathy et al. (2012), have demonstrated that reliability significantly effects CRM success and customer satisfaction. In the Ethiopian banking industry, where competition is intensifying, ensuring reliable service is essential for retaining customers and fostering trust. Therefore reliability has a positive significant impact on CRM activities and also for customer satisfaction.

2.4.2.2. Process-Driven Approach

The process-driven approach emphasizes efficiency and precision in service delivery, focusing on fulfilling customer requests promptly. Banks adopting this approach design streamlined processes that enhance the speed, accuracy, and quality of transactions. Korner and Zimmermann (2000) highlighted the role of value-added information in improving customer satisfaction and loyalty. For instance, banks offering timely updates on loan approvals or investment opportunities create a competitive advantage.

Studies by Padmavathy et al. (2012) have shown that a process-driven approach significantly impacts customer satisfaction. This dimension evaluates the bank's ability to deliver services promptly, accurately, and with added value. By integrating efficient processes, Ethiopian banks such as the Commercial Bank of Ethiopia (CBE) have enhanced customer experiences through mobile and online banking, making services more accessible and user-friendly.

2.4.2.3. Customer Focus

Customer focus is the ability of an organization to efficiently and effectively concentrate on the work that enhances the experiences of customers with products and services. Through their customer-focus efforts, companies can drive up the value that's received by customers. This often means gaining a good understanding of the various customer segments, producing quality at acceptable costs, and delivering on all commitments. It can also mean knowing how to price and sell the right products and services to the right customers at the right time.

Customer focus involves understanding and prioritizing customer needs, preferences, and feedback. It is an essential dimension of CRM that emphasizes personalized service and long-term relationship-building. Organizations with strong customer focus create value by aligning their services with customer expectations.

According to Day (2000) and Gartner (2003), customer focus is reflected in the ability to deliver tailored products and services while ensuring high levels of satisfaction and loyalty. Padmavathy

and Siva Kumar (2017) noted that customer-focused initiatives, such as celebrating milestones or offering personalized support, enhance emotional connections between customers and organizations.

Empirical evidence from Yim et al. (2004) demonstrates the positive impact of customer focus on satisfaction, retention, and performance metrics. In Ethiopia, CBE has implemented customer-centric strategies, including dedicated relationship managers and tailored banking solutions, to cater to diverse customer segments. By fostering trust and loyalty, banks can achieve sustainable growth and competitive advantage. Thus, according to the study, focusing on customers has a positive & significant relationship with satisfaction.

2.4.2.4. Technology Orientation

The technology orientation dimension addresses the operational performance of banks with the use of the latest technology such as Automatic Teller Machines (ATM), internet banking and mobile banking. Information technology and Information system play an important role in the development of CRM (Ling and Yen, 2001; Kincaid, 2003).

Boulding et al. (2005) suggest that CRM is a consequence of the continuing technology evolution and integration of organization marketing approach. CRM applications take full advantage of technology innovations with their ability to collect and analyze data on customer patterns, interpret customer behavior, develop predictive models, respond with timely and effective customized communications and deliver product and service value to individual customers.

Accurate data management is essential for building trust and meeting customer expectations (Boyle, 2004). Kim et al. (2012) highlight that while CRM technology enhances performance, its success depends on its integration into organizational strategies. Therefore; CRM technology helps companies and their salespersons“ collect, analyze, and distribute information for enhanced prospecting, improved communication and sales presentations, and tailored product configurations.

In Ethiopia, CBE has leveraged CRM technologies to improve operational efficiency and customer satisfaction. By adopting tools such as mobile apps and automated teller machines, the bank has enhanced accessibility and convenience.

Studies by Garrido-Moreno and Padilla-Melendez (2021) emphasize that technology-oriented CRM solutions strengthen customer relationships, leading to higher satisfaction and loyalty. Therefore; CRM-based technology has a positive effect on customer satisfaction.

2.4.3. Customer Satisfaction

Customer satisfaction is a critical concept in modern business, particularly in service-oriented industries such as banking. According to Kotler and Keller (2016), satisfaction is “a person’s feelings of pleasure or disappointment resulting from comparing perceived product performance in relation to expectations.” If the performance meets expectations, the customer feels satisfied; exceeding expectations results in delight, while underperformance leads to dissatisfaction. In the context of banking, this dynamic plays a significant role, as customers expect reliability, personalized services, and efficient problem resolution from their financial service providers.

The importance of customer satisfaction in banking cannot be overstated. It serves as a key performance indicator and a determinant of a bank's success and survival in a highly competitive industry (Sun & Kim, 2019). A satisfied customer is more likely to stay loyal to the bank, promote its services through word-of-mouth, and contribute to the bank's profitability. Conversely, dissatisfied customers are prone to switching to competitors, especially in markets with homogeneous services and low switching costs (Belás & Gabčová, 2014). Customer satisfaction measures how well a company’s products or services meet or exceed customer expectations. It is a key determinant of customer loyalty and repeat business (Shaon & Rahman, 2015). 5(1), 25–32.

Customer satisfaction is a popular expression in business and commerce circuits. It is a business term explaining the positive feeling consumers have by measuring product and services the company provided (Ramachandran & Chidambaram, 2012).

Customer satisfaction is influenced by several factors, including service quality, responsiveness, pricing, and the use of technology. Yang and Ming (2018) emphasize that satisfaction is derived from the difference between customer expectations and actual experiences. In the case of the Commercial Bank of Ethiopia (CBE), adopting a strong Customer Relationship Management (CRM) system plays a pivotal role in aligning service delivery with customer expectations. Effective CRM practices, such as personalized interactions, technology-driven solutions, and proactive engagement, help banks understand and meet customer needs, fostering satisfaction and loyalty (Negash, 2021).

Leaders of organizations wish to improve the levels of the customers’ satisfaction by concentrating in designing goods and services customer want. The measurement of customer satisfaction has become a yardstick to assess the performance of the organization on how it provides the goods or service. The customer wants the best quality at the lowest possible price.

Satisfied customers are more likely to remain loyal and increase their engagement with the bank by purchasing additional products and services (Sanjuq, 2020). This reduces the costs of customer retention compared to acquiring new customers and enhances the bank's profitability. However, even satisfied customers may switch banks if competitors offer superior services or products (Fraering & Minor, 2013). This underscores the importance of not just satisfying customers but also fostering emotional attachment and loyalty.

Loyal customers exhibit resistance to competitors' offers and remain committed to the bank, even in the face of better alternatives (Belás et al., 2018).

The measurement of customer satisfaction has become a priority for banks, as it provides actionable insights into service performance and customer expectations (Mburu et al., 2019). Regular customer satisfaction surveys enable banks to monitor performance, identify gaps, and refine their strategies. The Commercial Bank of Ethiopia, particularly at its Maichew Branch, can use such insights to improve its CRM practices, enhance customer experiences, and build long-term relationships.

2.4.4. CRM and Customer Satisfaction

Customer satisfaction is the extent to which customers are satisfied with their purchased goods and services (Boone and Kurtz, 2013). Customer satisfaction is a statement to the buyer about the appropriateness of the reward, received in exchange for the service experienced. Every firm tries to fulfill customers' needs, desires, wants, aims and expectations. Therefore, production and marketing department collaboratively produce economic utility for customers. Customer satisfaction is generally understood as the pleasure of using product and service. Customer satisfaction is the voice of customer that will differ from person to person. It is an appraisal of how products and services of a company meet up or exceed customer anticipation. (Shaon, K., & Rahman, H. 2015). Jeong and Lee (2010) defined customer satisfaction as:

Customers' satisfaction is an emotional (sentimental) reaction or a manner of interactive recognition and perception.

Customers' satisfaction is a response to the specific concentration on the expectations of production and the experience of using services and consumption. Customers' satisfaction is a judgmental reflection of customers about a product or service during the time period of its usefulness. Customers' satisfaction is a summary of the psychological manner in which a composite of customers' feeling about the unexplained expectations and his/her previous consumption

experiences are encompassed. A satisfied customer always connects with a service provider. CRM is a formation that ensures customer satisfaction. CRM is a systematic process of building long-term relationships with its customer by providing optimum satisfaction. The organization actively takes the necessary steps in order to promote satisfaction. Maintaining the desired level of customer satisfaction requires a proactive corporate responsiveness in accessing, building and retaining satisfied customers for sustainable competitive advantages in market place (Rahman, Redwanuzzaman, Masud-Ul-Hasan and Rahman, 2014). CRM have a positive impact on customer satisfaction. If an organization has a good CRM strategy, then customer satisfaction will automatically be increased; on the other hand, the absence of a good CRM strategy will result in customer dissatisfaction. By using modern communication media, CRM can easily communicate with customers while fulfilling their expectations. The fulfillment of customer expectations will help enhance customer satisfaction. A highly satisfied customer: continues his shopping for a long time, buys more as long as the firm produces new products and the existing products are improved, speaks of the firm and its products with praise, keeps indifferent to the trademarks that are in competition with the products of the firm and does not place the emphasis on price, and offers the firm suggestions and ideas about products and services.

Nowadays, most organizations have adapted customer-centered philosophy to fulfill the customer needs and to enhance perceived values of customer. Hence, adopting customer-centric strategies aimed at maintaining and enhancing relationships with existing customers is important for survival (Krishnamoorthy and Srinivasan, 2013). Highly satisfied customers of a firm are likely to purchase more frequently, in greater volume and buy other goods and services offered by the same service provider. Many companies focus on finding new customers instead of retaining and satisfying the existing customer base. However, since competition among companies is tough, the retention of customers has become more important than the acquisition of new customers. In recent years, companies have realized that a critical success factor is not a single transaction, but the creation of a long-term relationship by the method of CRM (Ampoful, 2012).

2.4.5. The Importance of Customers' Perception

The perception of customers is a crucial determinant of the success of Customer Relationship Management (CRM) strategies, particularly in the banking sector. Despite the central role of customers, limited research has been conducted on their perceptions of CRM activities. Kim et al. (2022) highlight that much of the existing research focuses on the firm's perspective rather than

exploring customer viewpoints. However, understanding customers' perceptions—whether positive or negative of CRM tools and activities is essential for achieving the primary objectives of CRM strategies. Customers' willingness to engage with a firm's CRM initiatives significantly impacts the effectiveness of these efforts; without such engagement, CRM activities are reduced to mere expenses (Vefhoef, 2021).

For CRM strategies to succeed, firms must adopt a customer-centric approach and foster trust, which is regarded as a cornerstone of relationship marketing (Tsarenko & Tojip, 2019). Trust influences customer behavior, expectations, and loyalty, making it a critical element in shaping perceptions of CRM. Liu et al. (2020) assert that firms must evaluate their customer management strategies to deliver consistent, cost-effective service, customer-aligned products, and enhanced loyalty. In the Ethiopian banking industry, especially in competitive environments, these factors are vital for long-term customer retention and value.

Banks often fail to include customers as active participants in CRM initiatives. Kale (2015) notes that customer involvement should be prioritized before and after investing in CRM efforts.

Kim et al. (2022) further emphasize the need for a customer-centric culture, arguing that effective CRM implementation depends on understanding customer attitudes and aligning services to meet their expectations. A favorable customer perception of CRM tools and activities contributes to stronger customer loyalty, enhanced retention, and improved profitability (Ngai, 2018).

Moreover, customers should perceive tangible benefits from CRM activities. Nyarku and Kwamena (2019) highlight that many customers view location convenience as the primary advantage of selecting one bank over another. To alter such perceptions and foster preference, banks need to deliver consistent and personalized services while emphasizing long-term relationship value. CRM investments must prioritize building trust and satisfying customer expectations to ensure the sustainability and profitability of these initiatives.

Therefore, the aim of this section is to summarize the idea about past literature and to bring out the contributions for this study area. Thus, this part starts with the idea generated and the contribution follows. The theoretical model guiding the investigation is depicted in figure below, based on the literature reviewed the following conceptual framework adapted from Padmavathy and Siva Kumar (2017) is developed.

A conceptual framework represents the researcher's synthesis of literature on how to explain a phenomenon. It maps out the actions required in the course of the study given his previous

knowledge of other researchers' point of view and his observations on the subject of research.

In other words, the conceptual framework is the researcher understands of how the particular variables in his study connect with each other. Thus, it identifies the variables required in the research investigation. It is the researcher's "map" in pursuing the investigation.

As it can be seen in figure (2) CRM elements or dimensions, as an independent variable represented on the left side of the model with four main elements i.e. Reliability, Process -Driven Approach, Customer Focus, and Technology Orientation. CRM. On the right side of the model the dependent variable is represented by customer Satisfaction.

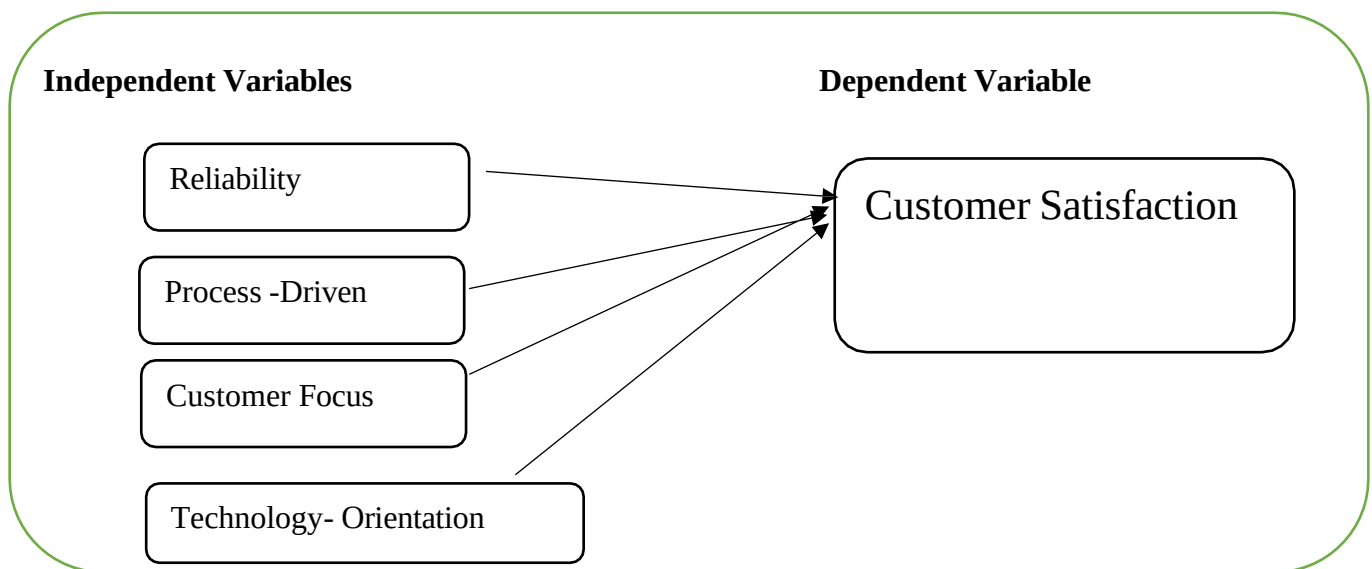


Figure 2.1 Conceptual Framework modified by the Researcher 2025

1. Independent Variable (CRM)

CRM (Customer Relationship Management) is the independent variable, operationalized using four dimensions:

1.1 Reliability: refers to the bank's ability to consistently deliver accurate, dependable, and timely services as promised. It reflects the trust customers have in the bank to fulfill commitments without errors.

Measurement (Sample Items / Indicators)

Measured using a **Likert scale (1 = strongly disagree to 5 = strongly agree)**

- The bank delivers services exactly as promised.
- Transactions are performed accurately and without mistakes.

- The bank provides services at the time it promises to do so.
- The bank handles problems dependably and responsibly.

1.2 Process-Driven Approach

A process-driven approach refers to the presence of **structured, efficient, and standardized workflows** that enhance service delivery and minimize customer effort.

Measurement

- Service procedures are clear and easy to follow.
- Banking processes are fast, efficient, and well-organized.
- The bank reduces unnecessary steps in service delivery.
- The bank provides consistent service processes across branches.

1.3 Customer Focus

Customer focus is the bank's ability to **identify, understand, and respond to customer needs**, building meaningful customer relationships.

Measurement

- The bank listens to my needs and concerns.
- The bank provides personalized services tailored to individual customers.
- Employees show genuine interest in customer satisfaction.
- The bank values long-term relationships with customers.

1.4 Technology Orientation

Technology orientation refers to the bank's use of **modern digital tools, platforms, and systems** to enhance service quality and customer experience.

Measurement

- The bank uses up-to-date technology in its service delivery.
- Digital services (ATM, mobile banking, internet banking) are convenient and reliable.
- Technology improves my overall banking experience.
- The bank is innovative in adopting new technologies.

2. Dependent Variable: Customer Satisfaction

Customer satisfaction refers to the **overall evaluation of customers' experiences** with the bank's services, based on whether their expectations are met or exceeded.

Measurement

- I am satisfied with the overall banking services.
- My expectations are met by the bank's service performance.
- I am happy with my relationship with the bank.
- I am likely to continue using this bank's services.

Summary Table (Quick View)

Variable	Dimension / Definition	Sample Measurement Items
CRM (IV)	Reliability – delivering promised services accurately and consistently	Accuracy of transactions; service delivered as promised
	Process-Driven Approach – structured and efficient service processes	Clear procedures; fast and organized services
	Customer Focus – understanding and responding to customer needs	Personalized service; attention to customer needs
	Technology Orientation – use of digital tools to enhance service	Up-to-date technology; reliable digital banking
Customer Satisfaction (DV)	Overall evaluation of customer experience with the bank	Satisfaction with services; likelihood to continue

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

This section addresses the overall methodology use in this study. It consists of brief discussion of the study area, research design, research approach, research population and sampling methods, sample size determination, data type and source, method of data collection and data processing and analysis method.

3.1. Description of the Study Area

The study was conducted in Maichew town located in the Southern Zone of Tigray Region. The fact that this town is selected based on the reason of time and security issues in Tigray regional state.

This study was done in Commercial Bank of Ethiopia, Maichew Branch which is located in the Southern Zone of Tigray Region, Ethiopia. Geographically, the town is situated at approximately 12°47'N latitude and 39°32'E longitude, at an altitude of around 2,400 up to 2500 meters above sea level. It has a hilly topography with varying slopes. However, 75% of the city land area is suitable for building construction. The total land area of Maichew is 16.19 sq. km (or 1619.66 hectares). This highland location provides a temperate climate conducive to business and social interactions, making it a strategic area for banking services. The average annual temperature of the city is 16 °C and the average annual rainfall is 785 mm. (Maichew plan and finance, 2008). Maichew is known for its historical significance and economic activities, with its proximity to major agricultural areas fostering trade and financial transactions. Therefore, the economy of the organization is based on employment income, business income, and service income. Government employment dominates the labor market and micro and small economies dominate the business sector. Transport and large and small-scale hotels and bars are dominant in the service sector. Maichew Town has a total population of about 41,753 comprising 20,471 males and 21,282 females, as projected from 2012 (Maichew plan and finance, 2008).

The town serves as a central market for nearby rural areas, facilitating financial exchanges that sustain the local economy. As with many other towns in Ethiopia, the demographic composition of Maichew includes diverse ethnic and cultural groups, with harmonious social interactions contributing to the town's growth.

The town's small but dynamic economic environment offers a unique opportunity to study the impact of customer Relationship Management on customer satisfaction. As competition between

banks intensifies and customer expectations evolve, the effectiveness of CRM strategies in semi-urban settings like Maichew becomes increasingly relevant for the Ethiopian banking industry.

The Commercial Bank of Ethiopia (CBE), established in 1942 and restructured under Proclamation 206/1963, is Ethiopia's largest and oldest state-owned financial institution, playing a pivotal role in the nation's economic development. As of June 2023, CBE operates 1,822 branches nationwide, including 76 branches in the Tigray region, as reported by the Addis Standard. Among these, the Maichew Branch located in Tigray's Southern Zone provides tailored banking services to local residents, farmers, and businesses, reflecting CBE's mission to enhance financial accessibility and support post-conflict recovery efforts in the region. Historically, CBE expanded to Tigray early in its operations, with Mekelle, the regional capital, hosting an estimated 15–20 branch before 2020 due to its status as a commercial and administrative hub (CBE Annual Report 2019/20, p.15).

CBE's comprehensive services include deposit accounts (savings, current, and fixed-term deposits with competitive rates); loan products such as agricultural loans for rural development, microfinance for SMEs, and personal/business loans for housing or expansion; digital banking via the CBE Birr app, Telebirr integration, and ATM networks; remittance partnerships with Western Union, MoneyGram, and Dahabshiil; payment solutions for utilities, taxes, and pensions; trade finance (letters of credit, guarantees); and government services like salary disbursements and administration of social programs such as the Productive Safety Net Programme. By combining its extensive branch network, digital innovation, and strategic focus on agriculture and SMEs, CBE remains central to Ethiopia's financial inclusion and economic growth. All branches offer a standardized range of services; CBE has also adopted **Customer Relationship Management (CRM)** strategies to better understand and cater to customer needs, thereby enhancing satisfaction levels. This strategic approach aligns with CBE's goal of maintaining its leading position in the sector and expanding its market share (Habtamu, 2021). Banking, as a service-driven industry, holds immense potential to create meaningful experiences that foster long-term and mutually rewarding relationships with customers. Effective CRM implementation is crucial in this regard, as it enables the bank to personalize customer interactions, deliver high-quality services, and build trust (Haque et al., 2022). Given CBE's adoption of CRM practices, it becomes essential to evaluate their impact on customer perceptions and satisfaction. This study aims to assess the effectiveness of CRM at CBE and how it contributes to customer satisfaction in the Ethiopian banking context.

Banking is an industry that has a huge opportunity to engage people in experiences that build lasting and mutually rewarding relationships (Doherty, 2012). Therefore, the study assessed how customers of Commercial Bank of Ethiopia perceive the impact of CRM and its outcome on customer satisfaction.

3.2. Research Design and approach

According to John et al. (2007), a research design serves as the blueprint for achieving research objectives and answering research questions. It provides a systematic plan that outlines the methods and procedures for collecting and analyzing the data required for the study. In essence, a research design is a detailed framework that guides how a study is conducted—defining the operationalization of variables, determining the sample, collecting relevant data, and analyzing the results to test the hypotheses.

For the purpose of this study, both descriptive and explanatory research designs were employed to effectively address the research problem and objectives. The descriptive research design was used to present the demographic characteristics of the respondents and to describe the existing status of customer relationship management (CRM) practices and customer satisfaction in the study area. As Kothari (2004) notes, the descriptive method is primarily concerned with reporting what has occurred or is currently happening, without manipulating variables. This makes it suitable for understanding existing CRM practices within the Commercial Bank of Ethiopia (CBE), Maichew Branch.

In addition, the explanatory research design was applied to examine the cause-and-effect relationships between CRM and customer satisfaction. This design is appropriate for identifying and explaining the extent to which CRM dimensions influence customer satisfaction. Multiple regression and correlation analyses were used under this design to test the hypothesized relationships among the variables.

Thus, the combination of descriptive and explanatory research designs provided a comprehensive understanding of both the current CRM practices and their effects on customer satisfaction in the Ethiopian banking context.

Research approaches are commonly categorized as qualitative and quantitative, depending on the nature and method of inquiry adopted. According to Abiy et al. (2009), qualitative research focuses on understanding and describing phenomena rather than quantifying them. It explores behaviors,

perceptions, and social interactions through non-numerical data such as words, observations, or narratives. The emphasis is on gaining in-depth insights into meanings and experiences rather than measuring variables statistically.

In contrast, quantitative research involves the systematic and scientific investigation of measurable properties and their relationships. Its primary objective is to test hypotheses and develop or validate theories through the use of mathematical models and statistical analysis. Measurement plays a central role in quantitative research, serving as the link between empirical observation and numerical representation of attributes (Abiy et al., 2009).

Accordingly, this study employed a quantitative research approach to examine the effect of Customer Relationship Management (CRM) on Customer Satisfaction. The use of a quantitative approach was deemed appropriate because the study required statistical analysis to determine the degree of influence and predictive relationship between CRM dimensions and customer satisfaction in the Commercial Bank of Ethiopia, Maichew Branch.

3.3. Population, Sample and Sampling method

3.3.1. Target population

According to Ranjit Kumar (2011), sampling refers to the process of selecting a small portion or subset (a sample) from a larger group (the population) to serve as the basis for making inferences or predictions about the entire population. Since it is often impractical to study an entire population due to constraints of time, cost, and accessibility, sampling provides a manageable and representative means of collecting relevant data for analysis.

As of March 2023, the Commercial Bank of Ethiopia (CBE) operates over 1,700 branches across the country, reflecting its strong commitment to customer outreach and financial inclusion (CBE Annual Report, 2023; retrieved from <https://www.combanketh.et>).

The target population for this study consists of all customers of the Commercial Bank of Ethiopia, Maichew Branch, located in the Southern Zone of the Tigray Region. However, due to limitations in time and financial resources, the study focused on this specific branch as a representative case. The total number of customers served by the Maichew Branch is estimated to be around 800.

Given the accessibility and practicality considerations, the researcher employed a convenience sampling technique to select respondents from the branch's customer base. This approach was deemed appropriate since it allowed the collection of relevant data efficiently from customers who were readily available and willing to participate during the data collection period. The target

customers are retail customers. These are individual persons who use banking services for personal purposes, such as saving, borrowing, or payments.

3.3.2. Sample size and sampling technique

3.3.2.1. Sample size

The total population size is the sum of selected branch of customers which is found in CBE Maichew that determines the effect of customer relationship management of the bank and its influence on customer satisfaction from customer perspective. And it counts a total of 800 customers are the population size of the researcher.

Therefore, from the total population size of 800 customers 267 samples of respondents will take from the selected branch. Thus, the wars have use convenience-sampling technique as a probability random sampling to select the respondents for the study. Because it is difficult to access all customers of the bank with in specific period of time to collect data so it is best to collect data from customers at hand.

The study was used the formula suggested by Israel, Glenn D. 1992 which indicated below to determine the sample size.

$$N = N / 1 + N * e^2$$

Where n is the sample size, N is the population size, and e is the level of precision.

N= population size of this research is 800

e= precision level the researcher prefers to use 5% of sampling error (with a confidence level of 95%) which is an acceptable level of sampling error in many social science researches.

Then $n = 800 / 1 + 800 (0.05) (0.05) = 266.66 \sim 267$

Thus, the sample size is large enough to represent the population relative to the other researchers, 250, 267 and 300 (Shifera, 2011; Tesgay, 2011 and Ndubisi, 2006) have used respectively. On the other hand, some research findings of customer relationship management in banking industry used large sample sizes ranging between 200-1000 respondents (Hinnawi, 2011). Furthermore, he suggested that investigators to use a large sample as much as possible. Since the larger sample size have the probability of minimizing the population parameters (mean) and increase the likelihood of the sample to be true representative of the population. This reduces chance of errors (Gupta et al., 2009). Therefore, this research was employing a large sample size of 267 samples from the

branch. These samples will determine from the one branch of Commercial Bank of Ethiopia (CBE) in the city proportionally.

Then this study was determined sample size of the selected branch of CBE Maichew proportional to the number of population size branch has. Then the sample size of the branch has been determined here below in the table. The target customers reach at the bank when they are using saving and withdrawing.

Table 3.1: Sample size

Special Branch	Target population		Sample size
	Number	Percentage	No of Customers
Maichew	800		267
Total	800		267

Source: Survey result 2025

3.3.2.2. Sampling technique / probable random sampling technique

Questionnaires were distributed through probable random sampling technique of convenience sampling for customer because all the population of the bank cannot be available at the same time. Convenience sampling also called accidental or opportunity sampling is a technique in which a sample is drawn from that part of the population that is close to hand, readily available, or convenient for customers of CBE selected branch according to the sample size of the branch.

3.4. Data sources and methods of data collection

There are two types of sources when collecting data; primary and secondary data sources (Arbnor and Bjerke, 1994) as cited in Olle Stromgren, 2007. Primary sources are directly related to the study purpose. Primary data consists of all the data collected throughout the study that directly can be related to the study purpose, both personally gathered as well as data from a third party that has been collected with equivalent purpose. On the other hand, secondary data internal and external like Customer data bases and Academic journals and research studies respectively contains relevant data that has been collected for a different purpose, but from which the conclusion is valuable for the purpose. As the aim of this study assessed CRM and its effect on customer satisfaction from customer perspective the primary data collected from CBE selected Branch of direct customers. Therefore, this study was collected primary data using structured questionnaires directly from customers who are selected for this study purpose.

According to Cohen (2011) questionnaire is a set of questions designed to produce the statistical

information from the respondents in order to accomplish research objectives. It allows the researcher to collect the relevant information necessary to address research questions or model hypothesis testing. Accordingly, the researcher is used Questionnaire as a method of data collection under this study. The questionnaire is contained statements that are specifically designed in English, Amharic and Tigrigna languages and collected through enumerator and coordinated by self-administered to measure the effect of CRM on customer satisfaction through the five dimensions of CRM. Like reliability, process driven approach, customer focus, technology orientation and customer satisfaction. The questionnaire has two parts, the first part is used to collect demographic data of respondent and the second part is used to collect respondent's view about CRM and Customer satisfaction. Five-point Likert scale which is useful method for measuring opinions, attitude and behavioral tendencies is used on this study and Likert scale scoring from strongly agree=5 to strongly disagree=1, is used to measure the effect of CRM on customer satisfaction. These responses can easily quantify, and thus get provided for any mathematical analysis.

3.5. Method of data Analysis

After collecting the data through questionnaire, the process of analysis started. Analysis of data in this research is done by using statistical tools like frequency, mean, standard deviation, correlation, and multiple regression analysis has been employed. The regression analysis is conducted to determine by how much percent the independent variable i.e. CRM dimensions explain the dependent variable and which is important and most important to customer satisfaction.

Correlation analysis is conducted to test the proposed hypothesis whether there is a positive significant relationship between CRM dimensions and customer satisfaction. A descriptive analysis is used for each variable under investigation and also used for demographic factors such as gender, age, education, purpose of the bank service used, years of relationship with the bank and types of service used in the bank. To analyze the quantitative data the researcher executed SPSS software version 20. In order to reduce the possibility of getting wrong answers, the researcher did take different actions to ensure the soundness of the study. These are:

1. Data is collected from reliable sources, from respondents who are customers of the bank.
2. The questionnaire is based on literature review to ensure the soundness of the results.
3. SPSS software version 20 is helpful to analyze the data and the researcher did give special emphasis during data coding and entry.

The Regression Model specification:

$$Y = \beta_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \dots + \beta_k X_k + \varepsilon$$

Where:

Y = dependent variable (Customer Satisfaction)

β_i = Independent variable coefficient

X_i = Independent Variables

β_1 = Constant

ε = Error terms

X1= Reliability, X2= Customer focus, X3=Process Driven Approach, X4=Technology Approach

3.6. Validity and Reliability

3.6.1. Validity

According to Kothari (2004), validity is one of the most essential criteria in research and refers to the extent to which an instrument accurately measures what it is intended to measure. In this study, the content validity of the survey questionnaire was ensured through a thorough review by subject-matter experts and the research advisor. Their feedback helped to assess whether the questionnaire items were relevant, clear, and representative of the study's objectives. Based on their recommendations, minor modifications were made to the instrument before it was administered to respondents to enhance its clarity and appropriateness.

3.6.2 Reliability

In this study, Cronbach's Alpha reliability test was employed to assess the internal consistency of the measurement items related to the four independent variables of Customer Relationship Management (CRM) and the dependent variable, Customer Satisfaction. Reliability analysis helps to determine the extent to which the items in a questionnaire consistently measure the same construct and are correlated with one another. The test ensures that the items within each variable set "hang together" and produce stable and consistent results.

As stated by Cronbach (1946), Cronbach's Coefficient Alpha is commonly used to measure the reliability of multi-item or multi-point scaled instruments. According to Cavana et al. (2001), Cronbach's Alpha is a reliability coefficient that reflects how closely related a set of items are as a group, indicating the internal consistency of the scale. The coefficient value ranges from 0 to 1, where a higher value signifies greater reliability. Bryman and Cramer (1990) suggested that an

alpha value of 0.8 or above represents a good level of internal consistency, while Nunnally (1978) proposed that a value of 0.6 or higher is acceptable for exploratory research.

To ensure the consistency of the instrument used in this study, a pilot test was conducted involving 21 customers of the Commercial Bank of Ethiopia, Maichew Branch. The Cronbach's Alpha values for the CRM dimensions and customer satisfaction variables were found to be greater than [insert value], as shown in Table [insert table number], indicating that all scales met the required level of reliability. Therefore, no items were removed from the questionnaire, as the results confirmed the internal consistency and reliability of the measurement instrument.

Reliability refers to the consistency of a measurement instrument, ensuring that it produces stable and consistent results across repeated trials. In this study, **Cronbach's Alpha** was employed to test the internal consistency of the questionnaire items, including the four independent variables of CRM (Reliability, Process-Driven Approach, Customer Focus, and Technology Orientation) and the dependent variable, Customer Satisfaction. Cronbach's Alpha values range from 0 to 1, with higher values indicating greater reliability (Cronbach, 1946). According to Bryman and Cramer (1990), a value of 0.8 or higher indicates good reliability, while Nunnally (1978) notes that values of 0.6 and above are acceptable for exploratory research.

A pilot test was conducted with 21 customers of the Commercial Bank of Ethiopia, Maichew Branch, to assess reliability. The results, shown in Table 3.1, indicate that all variables met or exceeded the acceptable reliability threshold. Therefore, no items needed to be removed, confirming the questionnaire's suitability for the main study.

Table 3.2: Cronbach's Alpha Reliability Test Results

Dimension	Number of Items	Cronbach's Alpha	Reliability Status
Reliability	5	0.81	Acceptable
Process-Driven Approach	4	0.79	Acceptable
Customer Focus	4	0.84	Good
Technology Orientation	4	0.80	Acceptable
Customer Satisfaction	4	0.86	Good
Overall	21	0.82	Good

Source: Survey result 2025

Table 3.2 presents the results of the reliability analysis conducted using Cronbach's Alpha coefficient to measure the internal consistency of the questionnaire items. The test was applied to each dimension of the study, including Reliability, Process-Driven Approach, Customer Focus,

Technology Orientation, and Customer Satisfaction, as well as to the overall instrument.

Cronbach's Alpha values for the study variables range between 0.79 and 0.86. According to Sekaran (2000), a Cronbach's Alpha value above 0.70 is generally considered acceptable for social science research, while values above 0.80 indicate good internal consistency. This suggests that the items under each construct are reliably measuring the intended concept.

Specifically, the Reliability dimension recorded an alpha value of 0.81, which signifies acceptable reliability. The Process-Driven Approach yielded an alpha of 0.79, which, though slightly below 0.80, still meets the acceptable threshold, demonstrating that the items are consistent in assessing process orientation. The Customer Focus dimension obtained a higher coefficient of 0.84, reflecting good internal consistency and a strong correlation among the items measuring customer-oriented practices. Similarly, the Technology Orientation dimension showed a Cronbach's Alpha of 0.80, confirming acceptable reliability and indicating that technology-related items are well-aligned. The Customer Satisfaction construct achieved the highest reliability score of 0.86, which reflects excellent internal consistency among its measurement items.

The overall Cronbach's Alpha coefficient for all 21 items was 0.82, which falls within the "good" range. This demonstrates that the questionnaire as a whole is internally consistent and reliable for data collection and analysis. Therefore, based on the Cronbach's Alpha results, all dimensions of the questionnaire exhibit acceptable to good reliability, ensuring that the instrument is suitable for further statistical analysis such as correlation and regression.

In summary, the reliability analysis confirms that the measurement items used in this study are consistent and dependable in capturing the intended constructs, providing a solid foundation for subsequent data analysis and interpretation.

3.7. Ethical Consideration

Prior to administering the questionnaire, respondents were fully informed about the purpose and objectives of the study to ensure their genuine understanding and voluntary participation. They were clearly advised that their involvement was entirely voluntary, and they had the right to decline or withdraw from the study at any time without any negative consequences.

Participants were also assured that all information provided would be treated with the strictest confidentiality and used solely for academic purposes related to this research. No personal identifiers were recorded or disclosed, ensuring that the respondents' privacy and anonymity were fully protected throughout the study process.

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

In this chapter, the data collected from respondents are analyzed and interpreted using quantitative methods. The analysis includes the examination of respondents' demographic characteristics as well as the application of descriptive and inferential statistics to test the research hypotheses and assess the impact of the independent variables on the dependent variable. To ensure accuracy and consistency in the analysis, all statistical procedures were performed using SPSS version 20 in alignment with the overall objectives of the study. Response rate of the customers from total 800 population 267 customers taken as sample size. 10 customers are not responded than 257 customers taken as sample size.

4.2 Descriptive Analysis

Descriptive analysis was employed to examine and summarize the data collected from respondents. This method is particularly useful for presenting demographic characteristics and providing a clear overview of the respondents' profiles. In this study, the demographic factors analyzed include gender, age, educational background, purpose of bank service usage, duration of relationship with the bank, and types of services used, as presented in the table below.

For the scale-based questionnaire items measuring all variables, the mean and standard deviation were calculated to summarize respondents' perceptions. A higher mean value accompanied by a lower standard deviation indicates a stronger consensus among respondents regarding the extent to which the Commercial Bank of Ethiopia (CBE) demonstrates reliability, a process-driven approach, customer focus, and technology orientation in its service delivery.

4.2.1 Demographic characteristics

Table 4.1: Demographic characteristics of the respondents

Item	Gender	Frequency	Percent
1	Male	151	58.8
	Female	106	41.2
	Total	257	100.0
2.	Age	Frequency	Percent
	18-30	92	35.8
	31-40	90	35.0
	41-50	50	19.5
	above 50	25	9.7
	Total	257	100.0

3	Educational Level	Frequency	Percent
	Primary and secondary school	43	16.7
	Certificate	27	10.5
	Diploma	71	27.6
	Bachelor Degree	96	37.4
	Master's Degree and above	20	7.8
	Total	257	100.0

Source: Survey result 2025

The demographic characteristics of the respondents are presented in table 4.1. These characteristics include gender, age, and educational level, which provide context for understanding the sample and interpreting the results of the study.

Gender: As shown in Table 4.1, the study included both male and female customers of the Commercial Bank of Ethiopia, Maichew Branch. Out of the 257 respondents, 151 (58.8%) were male, while 106 (41.2%) were female. This indicates a reasonably balanced representation, allowing the study to capture perspectives from both genders.

Age: The age distribution shows that the majority of respondents fall within the 18–30 years (92 respondents, 35.8%) and 31–40 years (90 respondents, 35%) age groups. Respondents aged 41–50 years accounted for 50 (19.5%), while those above 50 years represented 25 (9.7%) of the sample. This suggests that the majority of the bank's customers participating in the study are young to middle-aged adults, who are likely active users of banking services and therefore well-positioned to provide informed opinions on CRM practices.

Educational Level: The educational background of respondents reveals that most participants have attained higher education. Specifically, 96 respondents (37.4%) hold a bachelor's degree, followed by 71 respondents (27.6%) with a diploma, and 43 respondents (16.7%) with primary or secondary education. Additionally, 27 respondents (10.5%) hold a certificate, and 20 respondents (7.8%) have a master's degree or higher. The relatively high educational level of respondents suggests that they are capable of understanding and evaluating the CRM practices of the bank accurately, enhancing the reliability of the questionnaire responses.

Overall, the demographic profile indicates that the sample includes a diverse mix of customers in terms of gender, age, and educational level, providing a strong foundation for assessing the influence of CRM practices on customer satisfaction.

4.2.2 Purpose of the Bank Service used

Table 4.2: Purpose of the bank service user

<i>Item</i>	Purpose of the Bank Service Used	Frequency	Percent
	Personal	85	33.1
	Business	60	23.3
	Both	112	43.6
	Total	257	100.0

Source: Survey result 2025

Table 4.2 presents the distribution of respondents based on the purpose for which they use the bank's services. Out of the 257 respondents, 85 (33.1%) indicated that they use the bank services primarily for personal purposes, while 60 respondents (23.3%) use the services solely for business purposes. The largest group, 112 respondents (43.6%), reported using the bank services for both personal and business purposes.

These results suggest that a significant portion of the bank's customers engage with the Commercial Bank of Ethiopia for a combination of personal and business needs. This indicates that the bank's services are versatile and cater to a wide range of customer requirements. Understanding the purpose of service usage is important, as it may influence customer expectations and perceptions of the bank's Customer Relationship Management (CRM) practices, which in turn can affect overall customer satisfaction.

2.2.3 Years of relationship with the bank

Table 4.3: Years of relationship with the bank

<i>Item</i>	Years of relationship with the Bank	Frequency	Percent
	Less than 1 Year	32	12.5
	1-4 years	50	19.5
	5-7 years	50	19.5
	8-10 years	49	19.1
	More than 10 years	76	29.6
	Total	257	100.0

Source: Survey result 2025

Table 4.3 presents the distribution of respondents based on the duration of their relationship with the Commercial Bank of Ethiopia, Maichew Branch. Out of 257 respondents, 32 (12.5%) have been customers for less than one year, while 50 respondents (19.5%) have maintained a relationship with the bank for 1–4 years, and another 50 respondents (19.5%) for 5–7 years.

Additionally, 49 respondents (19.1%) have been customers for 8–10 years, and the largest group, 76 respondents (29.6%), has had a relationship with the bank for more than ten years.

Overall, more than 55% of the respondents have been customers for over five years, indicating a relatively long-term relationship with the bank. This suggests that the majority of customers have accumulated substantial experience with the bank’s services, enabling them to provide informed and reliable assessments of the bank’s Customer Relationship Management (CRM) practices. The data implies that customers at CBE Maichew Branch generally have a strong and enduring relationship with the bank, which is likely to positively influence their perceptions of service quality and satisfaction.

2.2.4 Service used from the bank

Table 4.3: Service used from the bank

The services you use from the bank you can indicate more than one service

	Frequency	Percent	Valid Percent	Cumulative Percent
Saving	68	26.5	26.5	26.5
Current account	73	28.4	28.4	54.9
Loan	6	2.3	2.3	57.2
Money transfer	3	1.2	1.2	58.4
ATM	16	6.2	6.2	64.6
all of the above	91	35.4	35.4	100.0
Total	257	100.0	100.0	

Source: Survey result, 2025 *** A customers may use more than one service

Table 4.3 presents the distribution of respondents based on the banking services they use, noting that customers could indicate more than one service. Out of 257 respondents, 91 (35.4%) reported using all of the services provided by the bank. Additionally, 73 respondents (28.4%) use a current account, 68 respondents (26.5%) use saving services, 16 respondents (6.2%) use the ATM, 6 respondents (2.3%) use loan services, and 3 respondents (1.2%) use money transfer services.

The data shows that a significant portion of respondents (35.4%) utilize multiple banking services, indicating that many customers engage with the bank in diverse ways. This widespread usage across different services suggests that respondents have substantial experience with the bank’s operations. As a result, they are well-positioned to provide informed assessments of the Commercial Bank of Ethiopia’s Customer Relationship Management (CRM) practices across the variety of services offered.

4.3 Descriptive Statistics of Scales Typed Questionnaires

In this part descriptive statistics in the form of mean and standard deviation are presented to illustrate the level of agreement of the respondents with their implications to CBE Maichew branch. The responses of the respondents for the variables indicated below were measured on five-point Lickert scale with: 1=strongly disagree, 2= disagree, 3=neutral, 4= agree and 5= strongly agree. But while making interpretation of the results of mean and standard deviation the scales are reassigned as follows to make the interpretation easy and clear. According to Kidane (2012) the intervals for breaking the range in measuring each variable with five-point scale is calculated as follows Agreement level = $\frac{\text{max}-\text{min}}{5-1} = 0.8$

$$\frac{5-1}{5-1}$$

Therefore, the range of the score indicates:

0.80 - 1.00	Strongly Disagree
1.81 - 2.6	Disagree
2.61 - 3.4	Neutral
3.41 - 4.20	Agree
4.21 - 5.00	Strongly Agree

The dimensions will: reliability, process driven approach, and customer focus and technology orientation. According to Padmavathy and Sivakumar, (2017) these dimensions reveal how effectively CRM is being practiced in the banking industry.

This section presents a comprehensive analysis of respondents' perceptions regarding the four dimensions of Customer Relationship Management (CRM)—Reliability, Process-Driven Approach, Customer Focus, and Technology Orientation—and their overall customer satisfaction at the Commercial Bank of Ethiopia, Maichew Branch. Descriptive statistics, including mean and standard deviation, were used to summarize the data and understand the level of agreement among respondents.

Table 4.4 Descriptive Statistics of Reliability

Variables of Reliability	N	Mean	Std. Deviation
This bank maintains consistent service.	257	3.85	1.35
This bank provides reliable services.	257	4.08	1.19
This bank effectively communicates to customers	257	3.61	1.33
The bank is co-operative with its customers in handling requests	257	3.64	1.36
This bank assesses customer satisfaction regularly	257	3.17	1.44
Grand Mean		3.67	

Source: Survey result 2025

The descriptive statistics in Table 4.4 indicate the respondents' perceptions of the reliability dimension of the Commercial Bank of Ethiopia (CBE). The mean scores for individual items range from 3.17 to 4.08, while the standard deviations range from 1.19 to 1.44, showing moderate variability in customer responses.

The highest mean score (4.08) was for the item "This bank provides reliable services", suggesting that customers generally perceive the bank as dependable in delivering services. The lowest mean (3.17) was for "This bank assesses customer satisfaction regularly", indicating that customers feel there is some room for improvement in how the bank monitors and evaluates satisfaction.

The calculated grand mean of 3.67 reflects an overall moderate-to-high perception of reliability, suggesting that, on average, customers consider the bank to be fairly reliable in its services. The standard deviations indicate some variation in opinions, but the consistency of responses suggests that most customers recognize the bank's reliability as a positive aspect of its Customer Relationship Management (CRM) practices.

Table 4.5 Process-Driven Approach

Variable	Mean	SD
Delivers services quickly	3.61	1.410
Service processes satisfy customers	3.69	1.297
Conducts transactions correctly & rapidly	3.65	1.313
Provides value-added information	3.27	1.294
Grand Mean	3.56	

Source: Survey result 2025

The process-driven approach reflects the bank's efficiency in service delivery and the effectiveness

of its operational processes. Table 4.5 shows that individual item means ranged from 3.27 to 3.69, with standard deviations between 1.31 and 1.42. The grand mean of 3.56 indicates moderate agreement among respondents that the bank's processes are structured to meet customer needs effectively. This suggests that a well-organized service delivery process positively influences customer satisfaction.

Process-Driven Approach and Customer Focus scored 3.56 and 3.50, respectively, showing moderate agreement from respondents that the bank's service processes are well-structured and responsive to customer needs.

Table 4.6 Customer Focus

Variable	Mean	SD
Provides customized services	3.52	1.347
Strives to surprise & delight	3.54	1.280
Finds out key customer needs	3.50	1.242
Takes feedback seriously	3.45	1.378
Grand Mean	3.50	

Source: Survey result 2025

Customer focus measures the extent to which the bank understands and responds to customer needs. Table 4.6 indicates mean scores for the four items ranged from 3.45 to 3.54, with standard deviations between 1.25 and 1.39. The grand mean of 3.50 reflects a moderate level of agreement, suggesting that customers perceive the bank as attentive to their specific needs, customizing services, and valuing feedback, which are critical elements of CRM that drive satisfaction.

Table 4.7 Technology Orientation

Variable	Mean	SD
Uses latest technology	4.37	1.042
Effective use of ATMs, mobile banking, POS	4.32	1.126
Has right soft & hardware	4.21	1.102
Information systems responsive to customers	3.93	1.211
Grand Mean	4.21	

Source: Survey result 2025

Technology orientation assesses how effectively the bank uses modern technology, such as ATMs, mobile banking, and internet services, to improve service quality. As illustrated in Table 4.7, item

means ranged from 3.93 to 4.37, with standard deviations between 1.05 and 1.22. The grand mean of 4.21 indicates that respondents strongly agree that the bank effectively utilizes technology to enhance service delivery. This high perception of technology integration demonstrates its significant role in boosting customer satisfaction.

Technology Orientation scored the highest grand mean (4.21), indicating that customers strongly perceive the bank’s use of modern technology—such as ATMs, mobile banking, internet banking, and POS systems—as effective and enhancing their service experience.

Table 4.8 Customer Satisfaction

Variable	Mean	SD
Satisfied with services	3.59	1.336
Satisfied with customer handling	3.55	1.403
Satisfied with quality of service	3.43	1.441
Satisfied with speed of service	3.57	1.404
Grand Mean	3.54	

Source: Survey result 2025

Customer satisfaction evaluates the overall contentment of respondents with the bank’s services, handling procedures, service quality, and speed of delivery. Table 4.8 shows that item means ranged from 3.43 to 3.59, with standard deviations between 1.35 and 1.46. The grand mean of 3.54 suggests that customers are generally satisfied with the bank’s services, though there remains room for improvement, particularly in areas like service quality and responsiveness. The grand mean for Customer Satisfaction was 3.54, suggesting that customers are generally satisfied with the bank’s services, though there remains some scope for improvement, particularly in areas like customer feedback response and service speed.

Table 4.9 Summary Table

Variables	N	Grand Mean	Std. Deviation (Average)
Reliability	257	3.67	1.36
Process-Driven Approach	257	3.56	1.32
Customer Focus	257	3.50	1.33
Technology Orientation	257	4.21	1.16
Customer Satisfaction	257	3.54	1.41

Source: Survey result 2025

The table above clearly shows that among the four CRM dimensions, technology orientation is perceived most positively by respondents, followed by reliability, process-driven approach, and customer focus. The low standard deviations indicate that the perceptions are consistent across respondents. Overall, these results suggest that the CRM dimensions—particularly technology use and service reliability—are key drivers of customer satisfaction at the CBE Maichew Branch.

4.4 Correlation Analysis between CRM Dimensions and Customer Satisfaction

To examine the existence and strength of relationships between the independent variables (CRM dimensions) and the dependent variable (customer satisfaction), bivariate correlation analysis was conducted. Pearson's correlation coefficient (r) was employed to determine both the strength and direction of the associations. According to Field (2005), the Pearson correlation coefficient ranges from -1.0 to +1.0, with positive values indicating a positive relationship and negative values indicating an inverse relationship. The strength of the correlation can be classified as follows:

0.1 – 0.29: Weak; **0.3 – 0.49:** Moderate and **≥ 0.5 :** Strong

The bivariate correlation was tested using a **two-tailed test**, and statistical significance was considered at $p < 0.01$, corresponding to a 99% confidence level.

Table 4.10: Correlation between CRM Dimensions and Customer Satisfaction

CRM Dimension	Customer Satisfaction (r)	Significance (p)
Reliability	0.737	0.000
Process-Driven Approach	0.718	0.000
Customer Focus	0.673	0.000
Technology Orientation	0.636	0.000

Source: Survey result, 2025

The results in Table 4.10 indicate that all CRM dimensions are positively and strongly correlated with customer satisfaction. Specifically:

Reliability shows the strongest relationship with customer satisfaction ($r = 0.737$), implying that consistent and dependable banking services significantly contribute to customer satisfaction.

Process-Driven Approach is also strongly associated ($r = 0.718$), suggesting that well-structured and efficient service processes enhance customer satisfaction.

Customer Focus exhibits a strong positive correlation ($r = 0.673$), highlighting that attention to customer needs, customization, and feedback responsiveness positively impact satisfaction.

Technology Orientation has a correlation of $r = 0.636$, indicating that the effective use of modern banking technology plays a substantial role in improving customer satisfaction.

Overall, these findings confirm that all four CRM dimensions are significant predictors of customer satisfaction, with reliability and process-driven approach showing the highest influence.

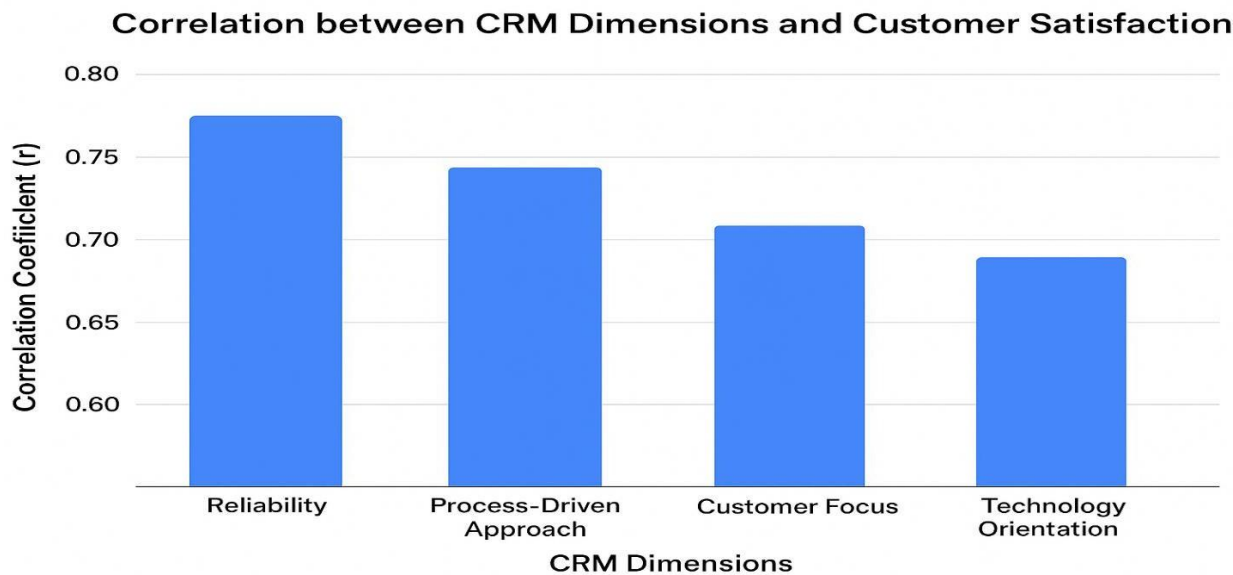


Figure 4.1 Correlations between CRM Dimension and Customer satisfaction

4.5. Multiple Regression Analysis

Before running regression, the researcher should examine the existence of multi-co linearity, linearity and normality of data.

Multicollinearity

Commonly used thresholds for detecting multicollinearity among independent variables include the tolerance value and the variance inflation factor (VIF). Typically, a tolerance value below 0.198 and a VIF exceeding 10.1 suggest the presence of multicollinearity, which can result in misleading or inaccurate findings. Multicollinearity arises when there is a high correlation among a set of predictor variables, meaning two or more predictors share much of the same information.

Referring to the collinearity statistics shown below, both the tolerance and VIF values indicate no multicollinearity concern, since the VIF for all variables is below 10.1 and tolerance values are above 0.198.

Table 4.11 Multicollinearity Test

Model	Tolerance	VIF
Reliability	0.434	2.350

Process Driven Approach	0.367	2.783
Customer Focus	0.471	2.169
Technology Orientation	0.557	1.828

a. Dependent Variable: Customer Satisfaction

Table 4.12 Residuals Statistics

Statistic	Minimum	Maximum	Mean	Standard Deviation	N
Predicted Value	0.780	5.304	4.133	0.727	257
Residual	-2.011	1.353	0.000	0.523	357
Standardized Predicted Value	-4.654	1.625	0.000	1.010	357
Standardized Residual	-3.859	2.596	0.000	1.004	357

a. Dependent Variable: Customer Satisfaction

This table shows the range, central tendency, and dispersion of the predicted values and residuals from the regression analysis on customer satisfaction, confirming residual means near zero and standard deviations close to 1.0 for standardized residuals, indicating an appropriate model fit with no significant bias or outliers.

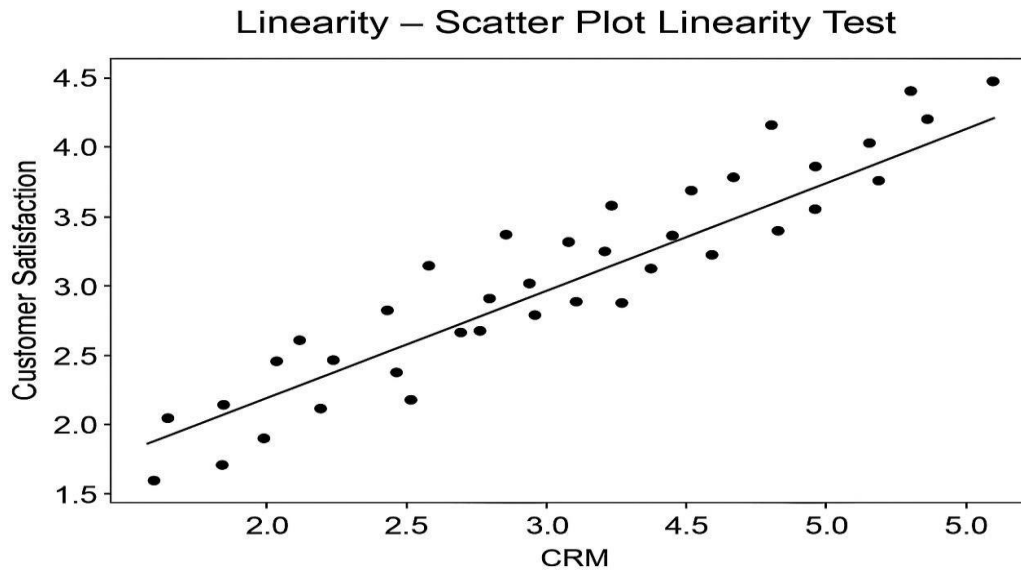
4.5.1. Linearity

Testing for linearity is essential since correlation, regression, and other statistical techniques under the General Linear Model (GLM) assume a linear relationship between the independent and dependent variables. In this study, the researcher examined the scatter plots of Customer Relationship Management (CRM) variables against Customer Satisfaction to verify the existence of linear patterns.

The scatter plot illustrated in **Figure 2** confirmed a positive linear relationship between CRM and Customer Satisfaction, indicating that as CRM practices improve, the level of customer satisfaction also increases.

In regression analysis, a common indication of non-linearity is when the **standard deviation of residuals** exceeds that of the dependent variable. As presented in **Table 4.16 (Residual Statistics)**, the standard deviation of the dependent variable was higher than that of the residuals, confirming that the linearity assumption was satisfied. Therefore, the relationship between CRM dimensions and customer satisfaction is **linear**, validating the appropriateness of the multiple regression model applied in this study.

Figure 4.2: Linearity – Scatter Plot Linearity Test



Testing for Normality

Evaluating data normality is an essential prerequisite for many statistical tests since normality is a fundamental assumption underlying parametric testing. Two primary methods are used to assess normality: graphical and numerical approaches. Numerical tests offer the benefit of making objective decisions about normality. Among these, skewness and kurtosis statistics are frequently used numerical measures.

The acceptable range for skewness and kurtosis values is generally between -2.02 and +2.02 to support the assumption of normal distribution. Based on the data shown in Table 4.17, the skewness and kurtosis statistics for the CRM dimensions and customer satisfaction fall within this acceptable range, thus affirming the normality assumption (George & Mallery, 2010).

Based on the provided data and standard interpretations of skewness and kurtosis, here is a summary and interpretation of the Normality Test descriptive statistics for the CRM dimensions and Customer Satisfaction:

Table 4.13 Normality Test

Variable	N	Skewness	Std. Error of Skewness	Kurtosis	Std. Error of Kurtosis
Reliability	257	-0.985	0.129	1.433	0.257
Process Driven Ap.	257	-0.689	0.129	0.589	0.257
Customer Focus	257	-0.668	0.129	0.717	0.257

Technology Orientation	257	-1.038	0.129	1.583	0.257
Customer Satisfaction	257	-1.317	0.129	1.896	0.257

Interpretation:

- Skewness values are all negative, indicating distributions slightly skewed to the left.
- All skewness values fall well within the acceptable range of ± 2 , indicating no substantial deviation from symmetry.
- Kurtosis values are all positive but less than 2, indicating distributions slightly more peaked than normal but still within acceptable limits.
- Both skewness and kurtosis values lie within the conventional acceptable bounds (-2 to $+2$), supporting the assumption of normal distribution for the variables.
- This indicates the data is suitable for parametric analyses that assume normality.

4.6 Multiple Regression of CRM Dimension on Customer Satisfaction

Multiple regression analysis was used in this study to examine how well the dimensions of Customer Relationship Management (CRM) explain customer satisfaction at Commercial Bank of Ethiopia Maichew Branch.

Model Summary

- The multiple correlation coefficients R^2 are 0.812, indicating a strong correlation between the CRM dimensions (independent variables) and customer satisfaction (dependent variable).
- The coefficient of determination R^2 is 0.659, meaning that 65.9% of the variance in customer satisfaction is explained by the four CRM dimensions combined.
- The adjusted R^2 is 0.655, which accounts for the number of predictors in the model and indicates that approximately 65.5% of the variation in customer satisfaction can be predicted from CRM dimensions.
- The error of the estimate is 0.52123, showing the average distance of observed values from the regression line.

Model Fit and Significance

- The ANOVA test shows the overall regression model is statistically significant with $F=170.070$ and $p<0.001$.

- This confirms that there is a significant relationship between the CRM dimensions and customer satisfaction.

Table 4.14 Regression Coefficients and Interpretation

CRM Dimension	Unstandardized Beta (B)	Standardized Beta (β)	t-value	Significance (p)
Reliability	0.435	0.368	7.748	0.000
Technology Orientation	0.265	0.218	5.202	0.000
Process Driven Approach	0.227	0.192	3.723	0.000
Customer Focus	0.204	0.175	3.836	0.000
Constant	-0.347	—	-1.976	0.049

Regression equation:

$$Y^{\wedge} = -0.347 + 0.435X_1 + 0.227X_2 + 0.204X_3 + 0.265X_4$$

Where:

Y= Customer Satisfaction

X1= Reliability

X2 = Process Driven Approach

X3 = Customer Focus

X4 = Technology Orientation

All coefficients are positive and statistically significant, indicating a positive impact of each CRM dimension on customer satisfaction. Reliability has the highest influence, followed by technology orientation, process driven approach, and customer focus in descending order of effect size.

Reliability is the most influential dimension, with a 43.5% positive effect on customer satisfaction when it increases by one unit, emphasizing the importance of consistent and dependable service.

Technology Orientation follows with a 26.5% positive effect, highlighting the impact of adopting modern technologies like ATMs, internet banking, and mobile services on satisfaction.

Process Driven Approach and **Customer Focus** also have positive, significant effects of 22.7% and 20.4%, respectively, underlining the importance of efficient processes and understanding customer needs.

Discussion and Analysis

The study demonstrates that CRM practices are significantly associated with increased customer satisfaction in Commercial Bank of Ethiopia in Maichew. The regression results indicate that these four behavioral dimensions together explain a substantial part of the variation in how customers perceive their satisfaction.

Reliability stands out as the key driver, suggesting that customers value consistent, accurate, and cooperative service. Technology orientation's strong influence reflects evolving customer expectations for convenient and up-to-date service channels. The process-driven approach's significance points to the customers' appreciation for swift and error-free transactions. Customer focus, though slightly less influential, is still critical, reflecting how banks' attentiveness to customer feedback and personalized service enhance satisfaction.

The constant term being negative (-0.347) indicates that, without improvements in these CRM dimensions, customer satisfaction may be below average, reinforcing the need for continuous CRM enhancement.

Based on the information from the attached file, here is the ANOVA table from the multiple regression analysis of CRM dimensions on customer satisfaction:

Table 4.15 ANOVA

Source	Sum of Squares	df	Mean Square	F	Sig. (p-value)
Regression	184.818	4	46.205	170.070	0.000
Residual	95.631	352	0.272		
Total	280.450	356			

- The regression sums of squares (184.818) and mean square (46.205) indicate the variability explained by the model.
- The residual sum of squares (95.631) and mean square (0.272) indicate the unexplained variability.
- The F-statistic is 170.070 with degrees of freedom (4, 352), and the significance value is 0.000, indicating that the model is highly statistically significant.

4.7 Hypothesis Testing

The proposed hypotheses of this study were evaluated using the multiple regression coefficient results presented in Table 4.20 as follows:

H1: Reliability positively and significantly influences customer satisfaction.

The multiple regression results confirm that reliability has a statistically significant effect on customer satisfaction ($p < 0.01$). With a beta coefficient of 0.435, reliability shows a positive impact on customer satisfaction at Commercial Bank of Ethiopia Maichew branches. Thus, this hypothesis is accepted.

H2: Process-driven approach positively and significantly influences customer satisfaction.

Process-driven approach also significantly affects customer satisfaction ($p < 0.01$). Its beta value of 0.227 indicates a positive and meaningful relationship with customer satisfaction in the bank. Hence, this hypothesis is accepted.

H3: Customer focus positively and significantly affects customer satisfaction.

Customer focus has a notable positive effect on customer satisfaction, demonstrated by a significant p-value ($p < 0.01$) and a beta coefficient of 0.202. Therefore, this hypothesis is accepted.

H4: Technology orientation positively and significantly impacts customer satisfaction.

Technology orientation shows a significant positive relationship with customer satisfaction ($p < 0.01$), with a beta coefficient of 0.262. Thus, this hypothesis is accepted.

Overall, the multiple regression analysis clearly indicates that the independent CRM variables—reliability, process-driven approach, customer focus, and technology orientation—collectively exert a significant positive influence on the dependent variable, customer satisfaction.

Table 4.16: Summary of Hypothesis Testing

Hypothesis	Decision	Significance (p-value)	Reason
H1: Reliability positively affects customer satisfaction	Accepted	0.000	Statistically significant
H2: Process-driven approach positively affects satisfaction	Accepted	0.000	Statistically significant
H3: Customer focus positively affects customer satisfaction	Accepted	0.000	Statistically significant
H4: Technology orientation positively affects satisfaction	Accepted	0.000	Statistically significant

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

In this section, a summary of the major aspects of the study is provided, followed by conclusions drawn from the key findings. Based on these conclusions, practical recommendations are offered for the Commercial Bank of Ethiopia, Maichew Branch to enhance its Customer Relationship Management (CRM) practices and customer satisfaction.

5.1 Summary

The study investigated the impact of Customer Relationship Management (CRM) dimensions on customer satisfaction at the Commercial Bank of Ethiopia (CBE), Maichew Branch. Demographic analysis showed a balanced mix of gender, younger to middle-aged customers, and relatively high educational levels, supporting reliable evaluation of CRM practices. Customers primarily use the bank for both personal and business purposes and have long-term relationships with the bank, with over 55% having been customers for more than five years. Demographic characteristics, including gender, age, and education. of the 257 participants, 58.8% were male and 41.2% female, showing balanced representation. Most respondents were aged 18–30 (35.8%) and 31–40 (35%), indicating that young and middle-aged adults dominate the sample. Regarding education, the majority held higher qualifications — 37.4% had bachelor's degrees, 27.6% diplomas, and 7.8% master's or higher. Overall, the sample reflects a diverse and well-educated group, suitable for assessing CRM's effect on customer satisfaction. Table 4.2 shows that among 257 respondents, 33.1% use the bank for personal purposes, 23.3% for business, and 43.6% for both.

Descriptive statistics revealed that among the four CRM dimensions—reliability, process-driven approach, customer focus, and technology orientation scored highest with strong customer agreement, followed by reliability, process-driven approach, and customer focus. Customer satisfaction was generally moderate among respondents.

The bank's processes grand mean is 3.56, indicating moderate agreement that the bank's processes are efficient and customer-oriented. Mean scores ranged from 3.27 to 3.69, suggesting that well-structured service delivery processes positively impact customer satisfaction.

The Banks use of technology grand mean is 4.21, indicating strong agreement that the bank effectively uses technology such as ATMs, mobile, and internet banking to enhance service quality. This high rating highlights technology's key role in improving customer satisfaction.

The Customer level of satisfaction grand mean is 3.54, indicating that customers are generally satisfied with the bank's services. However, there is room for improvement, especially in service quality, responsiveness, and feedback handling.

The results show that technology orientation received the highest ratings, followed by reliability, process-driven approach, and customer focus. Low standard deviations indicate consistent responses, suggesting that technology use and service reliability are the main contributors to customer satisfaction at CBE Maichew Branch.

All CRM dimensions are positively and strongly correlated with customer satisfaction. Reliability has the strongest correlation ($r = 0.737$), followed by the process-driven approach ($r = 0.718$), indicating that dependable services and efficient processes greatly enhance customer satisfaction.

Correlation analysis demonstrated strong positive relationships between each CRM dimension and customer satisfaction, with reliability exhibiting the strongest correlation. Multiple regression analysis confirmed that CRM dimensions significantly predict customer satisfaction, explaining 65.9% of its variance. Reliability emerged as the most influential factor, followed by technology orientation, process-driven approach, and customer focus, all positively affecting customer satisfaction at a statistically significant level.

5.2 Conclusion

The findings conclusively confirm that effective CRM implementation positively influences customer satisfaction at CBE Maichew Branch. Reliability of service consistently stands out as the most critical factor, highlighting the importance of dependable and consistent service delivery. Technology orientation also plays a vital role due to customers' increasing expectations for modern and accessible banking technologies. Efficient and structured processes and attentive customer-focused practices further enhance satisfaction, although to a slightly lesser extent.

Overall, the bank's CRM efforts contribute substantially to customer satisfaction, supporting the strategic importance of maintaining and improving CRM dimensions to strengthen customer relationships and loyalty.

5.3 Recommendations

Strengthen reliability: The bank should continue prioritizing consistent and dependable service, with special attention to regular customer satisfaction assessments and transparent communication. It is recommended that, to stay in the market, the bank marketers need to make improve their reliability by delivering the service as promised and banks should have focused to the customer by provides customized services and products to their customers.

Enhance technology use: Expanding and optimizing technological platforms (e.g., mobile banking, ATMs, online services) will further improve customer experience and satisfaction. CRM technologies augment the customer information processes and enable effectiveness of relational efforts. Therefore, it needs more attention.

Improve process efficiency: Streamlining banking processes to ensure faster, error-free transactions will enhance perceptions of service quality.

Deepen customer focus: Regularly obtaining and acting on customer feedback and offering customized services can boost personalized experiences and satisfaction.

Integrate CRM training: Staff should receive ongoing CRM-related training to embed these dimensions fully into service delivery culture.

5.4 Limitation and Further Research

Investigate the longitudinal effects of CRM improvements on customer loyalty and retention over time.

Explore qualitative studies to understand deeper customer perceptions and expectations regarding CRM practices.

Examine the impact of specific technological innovations (e.g., AI chatbots, biometric banking) on customer satisfaction in Ethiopian banks.

Compare CRM effectiveness and satisfaction outcomes across different regional branches and banks to identify best practices and contextual differences.

Assess the role of emerging customer demographics and digital literacy on CRM preferences and satisfaction levels.

The following limitations are encountered during this study: The study was only looked at the effect of CRM on customer satisfaction at the Maichew branch of the Commercial Bank of Ethiopia. The study was limited to the Ethiopian banking industry and focused on Maichew town branch due to time, source, financial limits, and security issues.

This study was limited to Maichew CBE branch which is located in Maichew town southern zone Tigray region. Due to inaccessibility to have full list of customers' databases because of privacy and confidentiality, the researcher is forced to use convenient sampling technique. In addition to time and financial budget constraint, there is also limitation of obtaining adequate data from published articles and Journals about the CRM practice and applicability in financial institutions in Ethiopia.

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APPENDIX I
MEKELLE UNIVERSITY
COLLEGE OF BUSSINESS AND ECONOMICS
MASTERS OF ART IN MARKETING MANAGEMENT PROGRAM
QUESTIONNAIRE TO BE FILLED BY CUSTOMERS
QUESTIONNAIRE (ENGLISH VERSION)

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Research Topic: The Effect of Customer Relationship Management on Customer Satisfaction in the Ethiopian Banking Industry: (The Case of Commercial Bank of Ethiopia Maichew Branch

Dear Respondents:

Dear customer first of all I would like to thank you for your willingness to complete this questionnaire.

This questionnaire is a major material in the preparation of a thesis in topic “The Effect of Customer Relationship Management on customer satisfaction in the Ethiopian Banking Industry- A case of Commercial Bank of Ethiopia, Maichew branch” for the fulfillment of the requirement of Masters of Art Degree in Marketing Management at Mekelle University college of business & economics. The information that you will provide will be used only for educational purpose and will be kept confidential. Moreover, the personal information that you will provide will be utilized as an input for the aggregate result. The questionnaire has two parts, the student researcher kindly ask your cooperation to attempt all questions objectively and honestly.

Thank you for your cooperation!

General Instructions

- There is no need of writing your name.
- In all cases where answer options are available, please tick (✓) in the appropriate box.
 - For question that demands your opinion, please try to honestly describe as per the question on the space provided.

Thank you in advance

SECTION I: General and Demographic Information

Please indicate your reply by putting (√) Mark

1. Sex
A. Male ☐ B. Female ☐
2. Age group
18-30 ☐ 31-40 ☐ 41-50 ☐ More than 50 ☐
3. Education
A. Primary and secondary school ☐
B. Certificate ☐
C. Diploma ☐
D. Bachelor Degree ☐
E. Master's Degree and above ☐
4. Purpose of usage
A. Personal ☐ B. Business ☐ C. Both ☐ D. Other please specify ☐
5. How long have you been a customer with the bank (in years)
A. Less than 1 ☐ B. 1-4 ☐ C. 5-7 ☐ D. 8 – 10 ☐
F. More than 10 ☐
6. The Service/s you use from the bank (you can indicate more than one service)
A. Saving Current account ☐
B. Loan ☐
C. Money transfer ☐
D. Forex ☐
E. ATM ☐
F. Other please specify ☐

SECTION II: Customer Relationship Management

Please read the statements below and show the extent to which you agree or disagree with each Statement relating to customer relationship management practice of your bank. Please indicate the extent of your agreement or disagreement with each statement ticking (✓) in the box that represents your level of agreement or disagreement.

1 = strongly disagree 2 = Disagree 3 = Neutral 4 = Agree 5 = strongly agree

Description	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Reliability					
1.1 This bank maintains consistent service.					
1.2 This bank provides reliable services.					
1.3 This bank effectively communicates to customers.					
1.4 The bank is co-operative with its customers in handling their request.					
1.5 This bank assesses customer satisfaction regularly.					
2. Process-driven Approach					
2.1 This bank delivers services quickly					
2.2 This bank designed its service processes to satisfy the customer.					
2.3 Conducting transactions correctly and rapidly is very common with this bank					
2.4 This bank provides value-added information along with its service.					
3. Customer Focus					
3.1 The Bank provides customized services and products to its key customers.					
3.2 The Bank strives to constantly surprise and delight its key customers.					
3.3 The Bank makes an effort to find out what key customer needs					
3.4 The Bank takes customer feedbacks seriously and replies to them					
4. Technology Orientation					
4.1 This bank uses latest technology (ATMs, mobile banking, and internet banking) to offer quality services.					
4.2 This bank makes effective use of ATMs, mobile internet banking and POS service to enhance customer service.					
4.3 The bank has the right soft & hardware to serve their customers					
4.4 The bank information system are designed to give comprehensive data about all aspects of its customers, so that the bank can be responsive to them.					
5. Customer Satisfaction					
5.1 I am satisfied with the services provided by the bank.					
5.2 I am satisfied with the bank's customer handling procedure.					
5.3 I am satisfied with the quality of services provided by this bank.					
5.4 I am satisfied with the speed of the service delivery.					

APPENDIX II: መስተዋዕት ፅሁፍ ትግርኛ መቐለ

የኒሽርስቲ

ድህረ ምረቃ ፕሮግራም

ብዓማዊል ዝምላእ መስተዋዕት ፅሁፍ

ከቡራት ዓማዊል መስተዋዕት ፅሁፍ ንእትመልኡ

ነዚ ሕቶ እዚ ግዜ ወሲድኩም ስለ ዝመለስኩም ቅኑስን ቅልጡፍን መልሲ ንዝሃብኩምኒ ኣቐዲመ ከመስግን ይፈቱ።

እዚ መስተዋዕት ፅሁፍ ኣብ ኢንዱስትሪ ባንኪ ኢትዮጵያ- ብዛዕባ ንግዲ ባንኪ ኢትዮጵያ ጨንፈር ማይጨው ኣብ ዕግበት ዓማዊል ዘለዎ ፅልዎ ንምድህሳስ መረዳእታ ንምእካብ ዝተዳለወ እዩ። ስለዚ ነዚ መስተዋዕት ፅሁፍ ንምምላእ ምትሕብባርኩም ብትሕትና ይሓትት። እቲ እትህብዎ ሓበሬታ ምስጠራዊ ምዃኑ ዉን ኣቐዲመ ከረጋግፀልኩም ይፈቱ። ነቲ መስተዋዕት ፅሁፍ ኣብ እትመልእሉ እዋን፤

- ስም ምፅሓፍ ኣየድልን።
- ብዙሕ ምርጫ ዘለዎም ሕቶታት ኣብቲ ዝተዋህበ ሳጥን ምልክት () ብምቅማጥ ይከውን ። ንዝገበርኩምላይ ሕያዊይ ምትሕብባር ኣቐዲመ የመስግን።

ቀዳማይ ክፋል፡ ሓፈሻዊ ሓበሬታ

መልስኩም () ምልክት ብምግባር ኣመልከቱ

1. ዶታ፡ ተባዕታይ ኣንስተይቲ

2. ዕድሜኡም ይግለፁ

18-30 31-40 41-50 ልዕሊ 50 ዓመት

3. ትምህርቲ

ቀዳማይን ካልኣይን ደረጃ ሰርቲፊኬት ዲፕሎማ ቀዳማይ ዲግሪ ማስተርስ ዲግሪን ልዕሊኡን

4. ዕላማ ኣጠቓቕማ

ንውልቅ ንንግዲ ንክልቲኦም

በይዘኦም ካልእ እንተሃልዩ ይግለጹ

5. ምስ ባንኪ ዓሚል ካብ ዝኾንካ/ኪ ክንደይ ግዜ (ብዓመታት) ትሕቲ 1 1-4 5-7 8 – 10

ልዕሊ 10

6. ካብ ባንኪ እትጥቀሙሉ ኣገልግሎት (ካብ ሓደ ንላዕሊ ኣገልግሎት ከተመልከት ትኽእል ኢኻ) ዕቋር ሒሳብ

ተንቀሳቃሲ ሒሳብ ልቓሕ

ንዝብ ምትሕልላፍ /money transfer ፎርኤክስ/forex ኤቲኤም /ATM

በይዘኦም ካልእ እንተሃልዩ ይግለጹ

ካልኣይ ክፋል፡ ሕቶታት ብዛዕባ ምሕደራ ዝምድና ዓማዊል

በይዘኦም ከቡራን ዓማዊል ነዚ ኣብ ታሕቲ ዘሎ ሕቶታት ብጥንቃቄ ኣንብብዎ እሞ ምስ ነፍሲ ወከፍ መግለፅ ትሰማምዑሉ ወይ ዘይትሰማምዑሉ ኣመልከቱ።

ስለዚ ኣብ ንኡ ዘሎ ሳጥን () ብምምልካት ትሰማምዑሉ ወይ ዘይትሰማመዕሉ ኣመልከቱ። ስምምዕ ወይ ዘይምስምማዕካ ክትገልፅ ከለኻ ነዞም ነገራት እዚኦም ኣብ ግምት ኣእቱ።

1= ብጣዕሚ ኣይሰማማዕን 2= ኣይሰማማዕን 3= መልሲ የለን/ኣይፈልጥን 4= ይሰማማዕ 5= ብጣዕሚ ይሰማማዕ

ዝርዝር	ብብይዳ ኢይሲማማዕን	ኢይሲማማዕን	መልሲ የለን/ኢይፈል	ይሲማማዕ	ብብይዳ ይሲማማዕ
1. ተአማንነት					
1.1 እዚ ባንኪ እዚ ንዘይተለዋወጠ ኣገልግሎት ይህብ።					
1.2 እዚ ባንኪ እዚ ዘተአማምን ኣገልግሎት ይህብ።					
1.3 እዚ ባንኪ ምስ ዓሚል ብዓወት ይራኽብ።					
1.4እዚ ባንኪ ሕቶ ዓማዊል ብምቕባል ብሓባር ይሰርሕ።					
1.5 እዚ ባንኪ ዕግበት ዓማዊል ብቐግሊን ስሩዕን ይከታተል / ይግምግም።					
2.ከይዲ መስርሕ					
2.1 እዚ ባንኪ ቅልጡፍ ኣገልግሎት ይህብ።					
2.2 እዚ ባንኪ መስርሕ ኣገልግሎቱ ዓማዊል ንምዕጋብ ዝዓለመ እዩ።					
2.3 ኣብዚ ባንኪ ትራንዛክሽን ብትኽክልን ብቐልጡፍን ምስራሕ ኣዝዩ ልሙድ እዩ።					
2.4 እዚ ባንኪ ብዘይካ ኣገልግሎቱ ጠቓሚ ሓበሬታ ይህብ።					
3. ትኹረት ዓማዊል					
3.1 እቲ ባንኪ ንወሰንቲ ዓማዊል ምስ ድሌታቶም ዝሰማማዕ ኣገልግሎት ይህብ።					
3.2 እቲ ባንክ ንቐንዲ ዓማዊሉ ብኣገልግሎት ብቐጻሊ ንምሕጓስ ይፅዕር።					
3.3 እቲ ባንኪ ድሌታት ወሰንቲ ዓማዊል ንምርዳእ ልዑል ፃዕሪ ይገብር።					
3.4 እቲ ባንኪ ርእይቶ ዓማዊል ይቐበልን ግቡእ መልሲ ይህብን።					
4. ኣጠቓቕማ ቴክኖሎጂ					
4.1 እዚ ባንኪ ዕሬት ዘለዎ ኣገልግሎት ንምሃብ እዋናዊ ቴክኖሎጂታት ይጥቀም፡ ከም... ኤቲኤም፡ ሞባይል ባንክን ኢንተርነትን ይጥቀም።					
4.2 እቲ ባንኪ ኣገልግሎት ዓማዊል ንምዕባይ ኣገልግሎት ኤቲኤም፡ ሞባይል ባንኪንግን ፒኦኤስ /pos/ (ፖይንት ኦፍ ሳል)ን ተግባራዊ ገይሩ እዩ ጥቀም።					
4.3 እቲ ባንኪ ንዓማዊል ንምግልጋል ዝምጥን ሶፍትዌርን ሃርድዌርን ቴክኖሎጂ ኣለዎ።					
4.4 እቲ ባንኪ ዝጥቀመሉ ስርዓት ምሉእ (ኢድማሳዊ) ሓበሬታ ብዛዕባ ዓማዊልን ኣብ ትኽክለኛ ጊዜን ቦታን መልሲ ክትህብ የኽእለካ።					
5. ዕግበት ዓማዊል					
5.1 ቦቲ ባንኪ ዝህቦ ኣገልግሎት ዕጉብ እዩ።					
5.2 ብኣገልግሎት ዓማዊልን ኣሰራርሓን እቲ ባንኪ ዕጉብ እዩ።					
5.3 ቦቲ ባንኪ ዝህቦ ዕሬት ኣገልግሎት ዕጉብ እዩ።					
5.4 ብኣወሃህባ ኣገልግሎትን ቅልጣፈን እቲ ባንኪ ዕጉብ እዩ።					