

**Mekelle University**



**College of Business and Economics**

**Department of Marketing Management**

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

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**Advisor: Mahmud Abadir (Assistant Professor)**

**Mekelle, Tigray**

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**The Effect of Customer Relationship Management Practices on Customer Satisfaction in the Case of Awash Bank, in Mekelle Branches**

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## Declaration

I Kidanemariam Fiseha, declare that this Master’s research “Effect of Customer Relationship Management on Customer Satisfaction in case of Awash Bank, Mekelle” 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:

Kidanemariam Fiseha

## Certification

This is to certify that Kidanemariam Fiseha has carried out her research work on the topic entitled the Effect of Customer Relationship Management on Customer Satisfaction in case of Awash Bank, Mekelle. 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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Date: \_\_\_\_\_

Approval

**MEKELLE UNIVERSITY**

**DEPARTMENT OF MARKETING MANAGEMENT**

**The Effect of Customer Relationship Management on Customer Satisfaction  
in Case of Awash Bank of in Mekelle**

**BY: Kidanemariam Fiseha**

**BOARD OF EXAMINERS APPROVAL**

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## List of Acronyms

AB – Awash Bank

MIS – Management Information System

CRM- Customer Relationship Management

FCY- Foreign currency

POS- Point of Sales

## ABSTRACT

*In today's intensely competitive, rapidly changing and highly complex business environment characterized by diminishing customer satisfaction, the need to be market focused and customer centric is more critical than any other time to build and maintain a strong relationship with the customers in order to achieve the ultimate goal of customer satisfactions for any organization. This study aimed to assess the effect of Customer Relationship Management on customer satisfaction in case of Awash Bank, Mekelle City. The population of the present study is premium customer of six special grade branches by using purposive sampling techniques. The data collection utilized quantitative methods. 186 respondents were selected through convenient sampling and data has been collected through questionnaires which were self-administered by researcher. Multiple regression analysis was used to analyze the data collected. The study proposed that there is statistical positive and significant relationship between CRM elements and customer satisfaction as a dependent variable. The statistical analysis revealed that three independent variables, namely reliability, process driven approach and customer focus were found to be significantly associated with the customers' satisfaction in Awash Bank, while technology orientation found to not have a significant. The findings of the study contribute enormously to the body of knowledge, as it provides a model to be used for explaining effect of the CRM four dimensions on customers' satisfaction. From the analysis the researcher recommend Awash should give priority for the application of process driven approach CRM dimension than other dimensions because this dimension has highest effect on customer satisfaction.*

**Keywords:** Customer Relationship Management (CRM), Customer Satisfaction, Banking Industry, Management Information System (MIS)

# CHAPTER ONE

## INTRODUCTION

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

### **1.1. Background of the study**

The survival of any business depends on its customers, and the most important goal of an organization is to uphold customer and focus on customer centered approach in their organizational and marketing strategies (Jain and Singh, 2002). According to Winer (2001) banking industry has an increasing impact on all other sectors of the economy and it is known to be highly human intensive and customer interactive industry where customer relationship management (CRM) is realized and more applicable. Contemporary financial service industry has become highly vigorous and turbulent, with many changes in form of new regulations, changed consumer behavior, increased usage of information and communication technology and intense competition (Lymperopoulos et al., 2013; Heinonen, 2014). Currently building of any added value is hard to achieve since competitors' activities, which are very similar, that contest and disregard added value of any business (Zineldin, 2005).

Customers have become more demanding, that desires to perform some activities that were previously handled solely by banks, more knowledgeable, sophisticated, and aware of available alternatives, independent, in a position to negotiate with many different service providers and other businesses as well (Heinonen, 2014). Under the influence of such changes in customer behavior and their needs, and with the goal to gain and maintain market competitiveness, banks invest a lot of financial, technological and human resources in customer relationship management (CRM) (Jugovic, et al., 2015). Relationships must be such that both banking service providers and customers benefit from it on a long term (Dimitriadis, 2011). As a result of such relationships, productivity and quality of banking services is rising based on the progress of relationship between banks and customers (Brige, 2006).

Customer relationship management as a strategy is becoming more useful to manage customers because it focuses on understanding customers as individuals instead of as part of a group. The effective relationship between customers and banks depends on the understanding of the different needs of customers at different stages. The ability of banks to respond towards the customers' needs make the customer feel like a valuable individual rather than just part of a large number of customers (Lambert, 2010).

Recently, Customer relationship management is becoming progressively significant to firms in their effort to improve their profitability performance through customer retention, customer acquisition, market share, and sales volume throughout long-term relationships with customers. This condition has been forcing business firms to invest heavily in information technology assets for better management of their collaborations with customers before, during and after purchase (Bohling et al., 2006).

Padmavathy, Balaji and Sivakumar (2012) in their study identified five key CRM dimensions of measurement from the customer perspective that should be implemented to enhance a bank business performance. In addition to this, Padmavathy and Sivakumar; (2017) on their study of adopting analytic hierarchy process to prioritize banks based on CRM effectiveness the customers perspective, stated CRM dimensions are four: reliability, process driven approach, customer focus and technology orientation. These dimensions emphasize that CRM efforts should focus on crucial areas that require attention for successful CRM implementation which are strategy, process, technology, management and people (Crosby and Johnson, 2001; Yim, 2002; Sin et al., 2005).

As it has been marked by Onut et al., (2006) in their study, today many businesses such as banks, insurance companies and other service providers realized the importance of customer relationship management and its potential to help them acquire new customer, retain existing ones and maximize their lifetime value.

In realization of this fact that whether the banks in Ethiopia have deployed customer relationship management besides serving their customers with range of services, to create lifetime value for customers, enhance customer relationship quality, and retain their existing customers and becoming more customer-focused. Despite the fact that CRM has emerged as a major business

strategy, little research has been conducted to evaluate its effectiveness and effect on customer satisfaction in Ethiopia, especially on the selected organization.

This study is aimed to conduct examine bank customers' perception towards CRM and its impact on customer satisfaction. Specifically, the study is conducted in Awash Bank by assessing the bank customers' attitude towards the bank CRM implementation and their satisfaction. The study regarded the customer as a major factor to consider for the effect of CRM of the bank. Thus, the study provides insight to customers' evaluation of CRM and examines the relationship between CRM dimensions and its outcome on customer satisfaction based on the four dimensions namely reliability, process driven approach, customer focus and technology orientation identified by (Pamavthy and Sivakumar, 2010).

## **1.2. Statement of the Problem**

Until the last few years, all businesses were traditionally competing with others on the betterment of the 4P which are price, the product features, by promoting and or by locating them at the places they are in demand. But nowadays, none of these factors are providing the necessary differentiation due to similarity in product features, mainly competition and technology changes in the business environment (Gummesson, 2002).

Customers are the engine of any organization moving towards winning and becoming a profitable business. What customers feel and think about a company and/or its offering is key aspects of its success (Nyarku et al., 2013). The importance of Customer relationship management is growing due to the challenging business environment faced by organizations throughout the world today. Customer relationship management is increasing in prominence because it focuses on current users who are the source of the majority of business revenue and the best option for improving businesses in uncertain times (Roger, Chirstopher and Michael, 2003). Banks have realized that managing customer relationship is an essential factor for their success as CRM is one of the best strategies that can help them build long lasting relationships with their customers and increase their profits through efficient management system and application of customer focused strategies (Nyarku et al., 2013).

Knowing the customers attitude towards the effectiveness of the implemented CRM activities and its behavioral outcome on the customer satisfaction is crucial for the success of CRM

activity. In the global literature sense, it is understood that, a number of Researchers have been done in the more developed economies on the various dimensions of Customer Relationship Marketing (CRM). However, in the developing countries like Ethiopia, a very little attention had been paid to the concept of customer relationship management until recent times.

In the last more than 2 decades, Ethiopia was one of the world's fastest growing countries, as a result there was high growth and expansion of the banking industry. In Ethiopia, competition of banking industry has been started after potential emergence of private banks. Acquiring competitive advantage requires delivering improved services for customers. a problem in the continues improvement of its marketing performance due to different factors like lack of good relationship between the bank and its customers, lack of advanced technologies, lack of knowledge about its customers and competition in the banking industry. Even though few studies were discussed in other problem areas of the banking industry, the researcher believes that there was no study which was conducted on this issue in our country especially in case of Awash Bank. This gap initiates the researcher to involve in this problem area. Therefore, to fill this gap and point out possible solutions this study was undertaken to examine the impact of customer relationship management (reliability, process driven approach, customer focus and technology orientation) on customer satisfaction of Awash Bank.

The questions to be addressed in this research are described as follows;

- What is the trend on customer relationship management in the bank?
- What is the level of customer satisfaction in the bank?
- What is the relative effect of customer relationship management (reliability, process driven approach, customer focus, and technology orientation) on customer satisfaction?

### **1.3. Research Objective**

The research is intended to achieve the following general and specific objectives.

The general objective of this study is to assess the effect of customer relationship management (reliability, process driven approach, customer focus, and technology orientation) on Customer satisfaction in the Ethiopian Banking industry- A case of Awash Bank, Mekelle.

The specific objectives of this study are the following:

- To analyze the trend of customer relationship management practice in Awash Bank.

- To examine level of customer satisfaction in Awash Bank.
- To analyze the relative effect of customer relationship management (Reliability, process driven approach, customer focus and technology orientation) on customer satisfaction.

#### 1.4. Research Hypothesis

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

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

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

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

#### 1.5. Definition of Terms

**Customer Relationship Management (CRM):** The process involving CRM is an approach based on creating and maintaining positive customer relationships, increasing satisfaction of customers, and expanding the lifetime value of customers (Ngambi and Ndifor, 2015).

**Reliability:** refers to the extent to which the banks fulfill its promises by providing relevant information to the customers; by providing effective communication to the customers; and by approaching the customers with cooperation. (Padmavathy and Sivakumar., 2017, p. 86).

**Process-driven approach:** refers to conducting the transactions of the customers correctly and quickly; making the services processes with speed and astuteness in order to provide the customers with fullest satisfaction; delivering the products with value-added information available to the customer. (Padmavathy and Sivakumar., 2017, p. 86).

**Customer focus:** refers to giving importance to the customers; greetings the customers on special occasions; and making the customers to visit the bank again. (Padmavathy and Sivakumar., 2017).

**Technology orientation:** addresses the operational performance of banks with the use of latest technology such as automatic teller machines (ATMs), internet banking and mobile banking to provide quality service and easier service. (Padmavathy and Sivakumar., 2017, p. 86).

**Customer Satisfaction:** It is an appraisal of how products and services of a company meet up or exceed customer anticipation. (Shaon, K., and Rahman, H. 2015).

## 1.6. Scope of the Study

**Conceptual scope:** The research is conducted to assess the effect of customer relationship management (reliability, process driven approach, customer focus, and technology orientation) on Customer satisfaction in the Mekelle Banking industry- A case of Awash Bank, Mekelle

**Geographical Scope:** specifically Elala, Jiburuk, Mekelle and Edaga Mekelle.

**Methodological scope:** Sample sizes of 384 (to be specified on research design) are considered. The target population is the banks current customers that have frequent transactions. The target population is stratified based on the Branches of the Bank and simple random sampling is used within the branches. The study is delimited on some branches in Mekelle due to time and financial constraint.

**Temporal scope:** based on the university schedule six months.

## 1.7. Significance of the study

To build and manage customer relationships effectively, organizations should establish a customer centered culture. This research is provides 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).

Thus, this study gives an insight how customers perceive CRM implementation and its effect on customer satisfaction which in return helps the bank to identify gaps between customers' needs and the 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 enables the bank to review the current CRM activity and to know the needs of the customers. Furthermore, this research can be used for reference of further researchers.

## **1.8. Organization of the Study**

This research has five chapters. The first chapter is introduction chapter provides background of the study, background of the organization, statement of the problem, research questions, and general objectives, and specific objectives, Research Hypothesis, definition of terms, scope of the study, limitation of the study and significance of the study. The second chapter addresses the literature review including definitions and concepts of relevant topics in line with the objective of the study. Besides, the third chapter presents the methodology of the research which includes description of the study area, research approach, research design, target population, sample size determination, data type and source, method of data collection, data analysis. The fourth chapter provides the data analysis results and discussion. The fifth chapter presents the summary, conclusions of the major findings and recommendation

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **2.1 Theoretical Review**

##### **2.1.1 Customer Relationship Management**

The concept of Customer Relationship Management (CRM) has been a widely cited topic of marketing scholars and marketers over last 35 years. CRM is derived from the word “contract management” which emerged in the 1980s about preserving customer details for further contact with customers. Customer Relationship Management is an organizational strategy to develop mutually profitable long-term relationships with the customer. It helps the company to collect and preserve customer details through continuous survey of information about products and services offered to the customer (Bergeron, 2002).

In this way, companies can customize the suitable product and service preferred by the customer (Sun, 2009). Customer relationship management systems are becoming popular across most sectors and have emerged as a chief business strategy in today’s competitive environment. CRM has been widely accepted and practiced as the most effective marketing technique involving human and technical dimensions. It involves an all-round customer centricity and commitment of the entire organization. Effective CRM has become a critical challenge in business competition and marketing and economic advancement of a country. Customer relationship management ensures the relationships with customers to increase the organization’s market share by integrating technology, procedures and people.

CRM is to maintain the customers and increase their satisfaction and the organization’s profit. Customer satisfaction is the main element in a successful CRM implementation for retaining customers (Long, Khalafinezhad, Ismail and Rasid, 2013). In modern business, if any competitor wants to gain additional market share, with no doubt he has to handle customers in an effective and efficient way.

CRM concept helps banks to effectively coordinate efforts to present a unified message to individual customer. Therefore, it is necessary to submit a unique proposal to customer by

phone, mail, personal contact or by email; in accordance with method of communication that customer has chosen. (Marko Laketa et, al., 2015)

According to Long and Khalafinezhad (2012), customer relationship management is a business strategy focused on optimized profitability, revenue, and customer satisfaction through consolidating customer segments, developing customer-satisfying behavior, and executing customer-centric processes. Businesses can gain competitive advantage through the gathering of information from customers to design tailor-made products and services to suit specific needs. The ability to gather and use customer information is essential for creating superior customer value (Tseng and Wu, 2014).

The process involving CRM is an approach based on creating and maintaining positive customer relationships, increasing satisfaction of customers, and expanding the lifetime value of customers (Ngambi and Ndifor, 2015). Agudze-Tordzro et al. (2014) asserted that CRM is a comprehensive strategy and a process of acquiring, retaining, and cooperating with selective customers to build and maintain trust. According to Ngambi and Ndifor (2015), the process of recognizing customers, creating customer knowledge, creating customer relationships, and influencing customer perceptions of the company and its services requires CRM strategies. Bank leaders should handle customer service problems, keeping customers informed as to when service providers will perform quality services and give customers individualized attention. Customer satisfaction levels increase whenever the customers appreciate the service in a way that fulfills their personal needs (Auka, Bosire, and Matern, 2013). Customer relationship management is a two-way communication between customers and the firm (Messay, 2012).

Tracking customer activities and producing specified information to customers will make them have a sense of belonging and increase their satisfaction. Customers show appreciation to a bank that offers them options and alternatives, especially when the customers feel the banks are concerned with their best interests (Kariru and Aloo, 2014). Furthermore, through CRM, the bank will have a greater understanding of customer requirements and inform them through feedback. Efficient company to customer communications results in increased customer satisfaction (Lau, Cheung, Lam, and Chu, 2013).

According to Long and Khalafinezhad (2012), customer relationship management is a business strategy focused on optimized profitability, revenue, and customer satisfaction through

consolidating customer segments, developing customer-satisfying behavior, and executing customer-centric processes. Businesses can gain competitive advantage through the gathering of information from customers to design tailor-made products and services to suit specific needs. The ability to gather and use customer information is essential for creating superior customer value (Tseng and Wu, 2014).

Business leaders in service organizations can enhance and sustain customer relationships through effective CRM systems (Tseng and Wu, 2014). The term CRM means building a relationship with consumers is a significant way to create loyalty and loyal customers are valuable and profitable (Agudze–Tordzrol et al., 2014). Enhancing profitability and customer satisfaction are the main objectives of CRM programs.

Customers who stay with their firms and maintain a sound relationship tend to be satisfied with the relationship. Satisfied customers are less likely to switch to competitors, and it is difficult for competitors to enter the market or gain market share (Hundre, Kumar, and Kumar, 2013). The business strategy involving CRM includes two perspectives. The first involves measurement of factors related to customer to Mozaheb, Alamolhodaei, and Ardakani (2015), leaders of organizations can use CRM as a business strategy to focus on the customer and increase customer loyalty and satisfaction by presenting tailored made services. Identifying, attracting, developing, and maintaining an effective relationship with customers for organizational profitability involves CRM (Mozaheb et al., 2015). Alharthey, Rasli, and Ratyan (2013) argued that CRM is one of the most effective business strategies that involve increasing satisfaction and loyalty of customers. Thus, bank leaders use CRM to provide responsive and tailor-made services leading to happy and satisfied customers. The main principles of sales for organizations are to attain high growth and profit and have loyal and satisfied customers. Anabila and Awunyo-Vitor (2013) posited that CRM has emerged as a key business strategy employed by banks in their bid to hold on to their customers and increase customer loyalty and retention. Loyal customers give a solid basis for attaining sustainable business progress (Anabila and Awunyo-Vitor, 2013). According to Hundre et al. (2013) asserted that customer retention is the actions that a firm undertakes to reduce or avoid customer defection. He also confirmed that a firm's ability to attract and retain new customers is related to how existing customers feel treated. Since satisfied customers mostly do not defect to competitors, a successful

implementation of CRM techniques could yield satisfaction, loyalty, and retention of the customer.

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## **2.2 Dimensions of CRM**

Only few studies have investigated and measured the impact of CRM despite the practical relevance of operationalizing and measuring CRM effectiveness for business performance variables (Padmavathy, Balaji and Sivakumar., 2012). Mithas, Krishnana and Fornell (2005) argued that marketing has moved from a brand-centered focus to a customer-centered approach. Hence, managing customer relationships is important and valuable to businesses. The effective implementation of CRM requires a cross-functional integration of marketing, sales, customer service and supply chain to enhance value delivered to customers (Parvatiyar and, 2001, p.5). As noted by Das (2012) the effective relationship between customers and banks depends on the understanding of different needs of customers at different stages.

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 Sivakumar., (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). Many definitions of CRM have been emerging, with each successive definition supplementing the previous ones and adding more focus to the concept and explanation of its underlying principles and dimensions (Akroush et al., 2011). And then Padmavathy and Sivakumar., (2017) came up with four dimensions from which customers can evaluate and reveal the CRM activities and efforts. These dimensions which are: reliability, process driven approach, customer focus and technology orientation, let customers evaluate and measure the impact of CRM activities of their banks from the four perspectives. Furthermore, it enables the banks to take due consideration of their CRM activities. Each of these dimensions discussed in this section as described by Padmavathy and Sivakumar (2017).

### **2.2.1 Reliability**

Reliability is one of the most common factors of CRM. It enables customers to assess the banks use in providing service with regard to; maintaining consistent service standard and reliable service. Reliability refers to the extent to which banks consistently and accurately deliver services to their customers as promised. As mentioned by Padmavathy et al., (2012) and consistent with the findings of Zinedlin (2005) reliability is one of the necessary conditions for banks to deliver superior customer value than competitors and thereby fulfill customer expectations and requirements. According to Padmavathy and Sivakumar, (2017) banks fulfill its promises by providing relevant information to the customers; by providing effective communication to the customers; and by approaching the customers with cooperation.

Customers expect organizations to anticipate their needs and provide consistent service at levels above their expectations. In return, customers are loyal to the organization for longer periods of time (Chen and Popovich, 2003). Chen and Popovich (2003) also stated that companies with efficient facilities and greater resources were able to satisfy customer needs with standardized products, reaping advantages through productivity gains and lower costs. Mithas et al., (2005) argue that CRM applications enable firms to improve the reliability of consumption experiences

by facilitating the timely, accurate processing of customer orders and requests and the ongoing management of customer accounts. According to Parasuramal et al., (2004) CRM activities always try to fill a customer's expectations and provide better customer service, which isn't always possible without reliability. Reliability is depended as performing the task dependably and accurately. In addition to this, the studies of Vries and Brijder (2000), Jun et al. (2004) and C.Padmavathy et al (2012), found reliability is one of the dimensions of CRM and it shows positive significant impact on satisfaction. Therefore, reliability has a positive significant impact on CRM activities and also for customer satisfaction.

### **2.2.2 Process Driven Approach**

Process driven approach to customer service enables the banks to fulfill customer requests with speed and astuteness. Under this dimension the customers evaluate the effectiveness of the bank with respect to promptness in delivering services, design of the service process in satisfying its customers, whether accuracy and rapidness in conducting transactions is very common with the bank and whether the bank provides value adding information along with its services will be revealed. Korner and Zimmermann (2000) argue that offering value-added information for the customer is a way of increasing customer satisfaction and loyalty. In addition, potential customers can be informed about a new product, since the new product may now cover the needs of the prospective customer. In return a prospective might become customer. Likewise if a customer is satisfied with the information provided that might be a source of competitive advantage (Kroner et al., 2000). Besides, the studies of Padmavathy C. et al. (2012), found process driven approach is one of the dimensions of CRM and it shows positive significant impact on satisfaction. Therefore, Process driven approach has positive and significant impact on customer satisfaction.

### **2.2.3 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 refers to managerial perceptions on competitive value creation for customers through CRM. It deals with an understanding of customer needs, expectations, feedback, communications, and customer- focused matrices (Day 2000; Gartner, 2003).

Competitive value creation for the customer gets reflected in higher levels of customer satisfaction, customer loyalty, and other customer focused matrices. Under this dimension refers to giving importance to the customers; greetings the customers on special occasions; and making the customers to visit the bank again. (Padmavathy and Sivakumar, 2017).

A customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement CRM successfully (Ryals and Knox, 2001; Sheth, Sisodia, and Sharma, 2000). All interactions with key customers, who are often identified by "lifetime value computations," must fully reflect this company-wide CRM focus (Jain and Singh, 2002). The ultimate goal is to achieve deep customer relationships through which the seller organization becomes indispensable to its most profitable customers (Vandermerwe, 2004). Equipped with company-wide understanding and internal support for key customer relationships, the sales force generally is better enabled and motivated to cultivate long-term customer relationships by offering more personalized products and services and enhanced customer satisfaction (Kotler, G and Armstrong, P (2012); Moreover, according to Yim et al (2004), identify customer focus to be one of CRM dimensions, that demonstrated the vital impact of those on performance and has significant impact such a customer satisfaction, customer retention and sales growth. Thus according to the study, focusing on customers has a positive and significant relationship with satisfaction.

#### **2.2.4 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).

Bank's CRM technology allows collection of customer information across various points of contact and thereby delivers personalized services to maximize customer value. Hence, the technology has an important role in CRM in adding to firm intelligence (Boyle, 2004). Accurate customer data is necessary to successful CRM performance (Abbott et al., 2001). CRM technology augment the customer information processes and enables effectiveness of relational

efforts. It is important for banks to be technology oriented to cope up with evolving customer needs. The bank's effective usage of latest technology like ATM, mobile and internet banking addressed with this dimension. 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. (Chen and Popovich, 2003).

CRM technology is adopted by companies for the specific purpose of building and maintaining better customer relationships (Kim et al., 2012). The rapid advancement in communication technology has greatly transformed the way relationship between companies and their customers are managed (Bauer et al., 2002). As denoted by Kim et al., (2012) even though CRM technology increase the overall performance of a company, only adopting CRM technology does not mean that such benefits will easily accrue to the firm. 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.

It also facilitates cross-referencing of customers within divisions of a company for greater sales opportunities (Widmier, Jackson, and McCabe, 2002). Among the major outcomes sought by incorporating CRM-based technology are enhanced significantly of customer satisfaction and more profitable long-term customer relationships (Butler, 2000, Yem et al., 2004, GarridoMoreno and Padilla Melendez, 2011). Therefore; CRM-based technology has a positive effect on customer satisfaction.

### **2.3. Customer Satisfaction**

According to Kotler and Keller (2012), satisfaction is “a person's feelings of pleasure or disappointment resulting from comparing perceived products' performance (or outcome) in relation to his or her expectations”. Authors elaborate that customer is dissatisfied if expectations are not fulfilled by the performance; satisfied in case the performance matches customer's expectations; and delighted or highly satisfied if his expectations are exceeded by the performance (Kotler and Keller, 2012).

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 and Chidambaram, 2012).

Most companies consider customer satisfaction a key performance index. Banking industry players are consistently trying to devise ways and means to increase their financial performance and be relevant to the customers. A bank cannot achieve financial objectives if the customers are not satisfied with operations and strategies in place.

Customer satisfaction plays a critical role in an organization's performance (Mburu, Van Zyl, and Cullen, 2013). The leaders of service organizations aim to satisfy customers because customer satisfaction is the foundation for business success (Ramachandran and Chidambaram, 2012). The survival of banks is now dependent on the quality of service delivered to customers. The level of competition could lead to customer empowerment, and customers can switch to other banks whenever dissatisfaction in service occurs.

Competitors can copy products, but it is difficult to reproduce unique service delivery (AsanteGyabaah, Oppong and Idun-Baidoo, 2014). Customers are the stakeholders of the firm who make payment in return for the goods and services provided by the organization. Upon receiving the goods and services, the customer aims at fulfilling a need and maximizing satisfaction.

Customer satisfaction is also necessary for business success in this modern competitive banking sector (Mutea, 2013). A customer's concern is, therefore, with the value and quality of what they pay for and receive. Yang and Ming (2014) defined customer satisfaction as the difference between the customer expectation of service or product and the experience. An important driving force of organizational profitability in this modern age of doing business is the focus on customers and customer satisfaction (Mutea, 2013).

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. The perception of this best quality of product and lowest possible price is relative and varies significantly among individuals (Omenye, 2013).

Therefore, for the organization to ascertain an overall view of customer perception, it needs to evaluate the satisfaction of the customer (Omenye, 2013). When customers are satisfied, in most cases, they talk strongly about their experience of the use of a particular good/service that gives a positive advertisement for the firm (Khan, 2012).

On the other breadth, when the customers are dissatisfied, they most probably would switch to a different brand and discourage others to patronize the brand that leads to a negative advertisement for the firm. Hence, the essence of keeping customers satisfied as well as considering them in strategic business planning can never be overlooked (Murugiah and Akgam, 2015). Customer satisfaction has received much attention and companies are regularly undertaking customer satisfaction surveys whereby the monitoring of the level of customer satisfaction has become a priority for firms regardless of their sector or industry. The satisfaction of the customer is the bedrock of the successful company (Belás and Gabčová 2014). In a very saturated market, there are homogeneous goods and services, and clients can easily change the provider of the product in case they are not satisfied. The issue of customer satisfaction is, therefore, critical. To comply with what the customer need, customer care, as well as banks customer satisfaction has been at the centre of concerns of researchers and bankers (Bilan, 2013). According to Belás and Gabčová (2014), the satisfaction of the customers is of immense importance to the present and future firm performance of Awash banks. The customer who is satisfied shall always be loyal and remain with the company. For the company to keep the customer, it requires less effort, time, and money than getting a new customer. A satisfied customer is willing to pay a higher price (Drugdová, 2012). When the customers are satisfied, they represent a free form of advertisement, and they are mostly inclined to buy other products.

The customers who are fully satisfied are less likely to move away from their banks and are more prepared to acquire and consume additional products or services from the same bank. However, some studies (Fraering and Minor, 2013) have not established this relation. They have reported that even satisfied customers change their banks if/when another bank offers a better product or service. These feelings are explicable in two ways: loyalty and other objective factors.

Loyal clients have more intense commitment and exercise emotional attachment to their banks. When a client is satisfied with the products and services, but not loyal to their banks, they are more likely to switch if conditions are better and accessible from another bank. Loyal customers

are resistant to competitors' offers, and it is, therefore, imperative that management of service industries identify the drivers of customer loyalty.

Customer satisfaction also increases the lifetime value of customers as it plays a vital role in determining the amount of money generated by the customer for the business; while the costs of retaining existing customers is also lower than the cost of acquiring new customers (Sun and Kim, 2013; Sanjuq, 2014; Saad, 2012).

## **2.4. 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., and 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).

## **2.5. Empirical Studies on CRM in Financial Service Industry**

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 was 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 Sivakumar (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 was 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 Sivakumar (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.

## 2.6 Conceptual framework

The theoretical model guiding the investigation is depicted in figure below, adapted from Padmavathy and Sivakumar (2017).

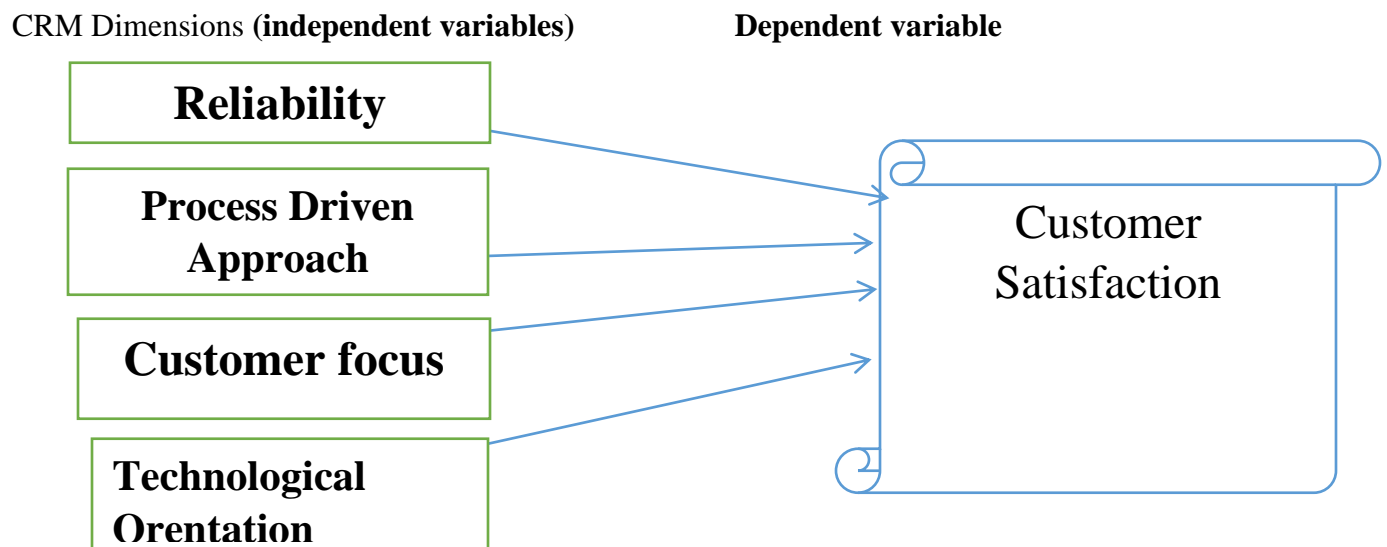


Figure 2.1: Padmavathy and Sivakumar (2017)

## **CHAPTER THREE**

### **MATERIALS AND METHODS**

This section addresses the overall methodology used in this research. It consists of brief discussion of the study area, background of the bank, 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 Study Area Description**

Mekelle city was founded in the 13<sup>th</sup> century. It was located 780 km north of Addis Ababa. However, its peak comes soon after Emperor Yohannes (1871-1889). Mekelle covers 23km square. Setting 2200 meters above sea level, it enjoys good weather all the year round. Mekelle, the capital city of Tigray National Regional State, has become a town where fast political and economic developments were undertaking. The availability of public and private higher institutions makes the city center of education (Tourism Bureau, of Tigray).

Mekelle has 544,000 populations (Based on 2020 data of the municipality of Mekelle website).The city is located at the center of a road system that connects all major cities in the region. The recently built Alula Aba Nega International Airport provides various business activities for the society in general and Mekelle in particular. In Mekelle Commercial banking takes place through the commercial bank of Ethiopia and a number of private banks. The CBE and the private commercial banks provide various services like savings and checking accounts, giving short-term loans, foreign exchange transactions, and mail and money transfer services. Furthermore, they participate in equity investments, provide assurances and perform other commercial banking activities despite of these focusing on profitable customer enhance their activities than other competitors (Bryant, 2009). Taking all the above facts about the city and study area in to consideration the researcher is interested to contribute his share for the city's growth by conducting research.

In Ethiopia, according to Shifera (2011), banking sector is considered as main recipient in recent economic growth. The birth of modern banking trace back to the imperial era, Bank of Abyssina being the first modern bank in Ethiopia. To summarize the history of modern banking in

different era; during the imperial era different banks were allowed to function in the country i.e. both domestic and foreign banks, but after the socialist took over the power in 1974 it nationalized all private banks and restricted the entry of any banks by policies. During the socialist regime only three governments owned banks; the National bank of Ethiopia, the Awash Bank and Agricultural and Industrial Development bank were running in the banking sector (Alemayehu, 2007).

A new era began after 1991, when EPRDF came in to power and allowed private ownership through licensing and supervision of banking business proclamation No. 84/1994. Immediately after the enactment of the proclamation, private banks began to thrive highly. Currently, after entry of private banks in Ethiopia, banks are fighting with each other to gain the maximum possible slice of the market share. From this practical situation, banks are discovering their strengths and weaknesses to satisfy their customers need and want through customer relationship management (Gashaw and Zemzem, 2014).

Awash Bank (AB) was established by 486 founding shareholders with a paid-up capital of Birr 24.2 million and started banking operations on Feb 13, 1995. As of end of June 2020 the number of shareholders and its paid-up capital increased to over 4369 and Birr 6 billion, respectively. Awash Bank continues to be leading private Awash bank in Ethiopia. Having grown from humble beginnings with visionary intent, we are the first private bank in Ethiopia to exceed a billion-profit mark in the history of Ethiopian Private Banks. Since inception, we have expanded through a combination of substantial organic growth and an enhanced customer experience.

**Table 3.1: Awash Bank Semen District customer population**

<b>S/No</b>	<b>Branch name</b>	<b>Customer in 2021</b>
1	Adigrat Branch	<b>9182</b>
2	Adihaki	<b>3066</b>
3	Alamata Branch	<b>6969</b>
4	Axum Branch	<b>5694</b>
5	Bati branch	<b>4259</b>
6	Buanoua wuha	<b>4335</b>
7	Dessie branch	<b>16096</b>

8	Edaga Hamus	<b>4873</b>
9	Edaga mekelle branch	<b>4117</b>
10	Elala	<b>1695</b>
11	Godana Selam branch	<b>7320</b>
12	Haik	<b>2872</b>
13	Hara	<b>1309</b>
14	Jibruk branch	<b>4824</b>
15	Kemmissie branch	<b>5625</b>
16	Kobo branch	<b>8224</b>
17	Kombolcha branch	<b>12740</b>
18	Kone	<b>1411</b>
19	Lalibela branch	<b>3701</b>
20	Logia branch	<b>10121</b>
21	Meda agame	<b>2423</b>
22	Mekaneselam branch	<b>4029</b>
23	Mekelle branch	<b>13981</b>
24	Meket	<b>955</b>
25	Mersa branch	<b>3208</b>
26	Mugad branch	<b>7162</b>
27	Sekota	<b>6651</b>
28	Semera branch	<b>6042</b>
29	Shire indaselasie branch	<b>6290</b>
30	Tosa	<b>5158</b>
31	Woldia	<b>8201</b>
32	Wukro branch	<b>6048</b>

### **3.2 Research Design and Research Approach**

John, A. et al. (2007) stated that research design is the blueprint for fulfilling research objectives and answering research questions. In other words, it is a master plan specifying the methods and procedures for collecting and analyzing the needed information. Therefore, research design is a

detailed plan for how a research study is to be completed-operationalizing variables so they can be measured, selecting a sample of interest to Study, collecting data to be used as a basis for testing hypotheses, and analyzing the results.

The researcher has chosen the descriptive and explanatory research design to answer the problem statement and meet the research objectives on this study. The researcher described demographic facts or characteristics of respondents using descriptive research design. The researcher prefers descriptive research as it is convenient for model testing and description of the correlation of CRM and customer satisfaction. According to Kothari (2004) the main characteristic of descriptive method is that the researcher has no control over the variables; he/she can only report what has happened or what is happening. Explanatory design is sought because of its suitability for explaining the relationships between the CRM and customer satisfaction using multiple regression and correlation analysis. The researcher prefers explanatory research design as it is convenient for explanation of cause and effect relationships between dependent and independent variables.

There are two basic approaches to research, viz., quantitative approach and the qualitative approach. Qualitative approach to research is concerned with subjective assessment of attitudes, opinions and behavior. Research in such a situation is a function of researcher's insights and impressions. Such an approach to research generates results either in non-quantitative form or in the form which are not subjected to rigorous quantitative analysis. Generally, the techniques of focus group interviews, projective techniques and depth interviews are used. All these are explained at length in chapters that follow. Quantitative research is the systematic and scientific investigation of quantitative properties of phenomena and relationships. What constitutes a quantitative research method involves a numeric or statistical approach to research design. The objective of quantitative research is to develop and employ mathematical models, theories and hypotheses pertaining to natural phenomena (C.R.Kothari, 2004).

Therefore, for the purpose of this study the researcher has chosen to use quantitative research method to study the effect of CRM on Customer satisfaction as the study demands statistical model to examine the influence or prediction of CRM on Customer satisfaction.

### 3.3 Population, Sample size and Sampling Techniques

Schilndler (2003) cited William, Appiah, and Botchway, (2016) define population as the total collection of elements that a researcher wishes to make some inferences. Ranjit Kumar (2011) described Sampling as the process of selecting a few (a sample) from a bigger group (the sampling population) to become the basis for estimating or predicting the prevalence of an unknown piece of information, situation or outcome regarding the bigger group. Therefore, it is necessary to survey a sample of the population as an alternative in order to formulate predictions about the entire population.

The target populations of this study were current account customers of the Awash International bank found in Mekelle City. Due to time and budget constraint, the study is focused on undertaking survey on conveniently selected samples branches of Awash International bank.

#### Sample Size and Sampling procedure

A sample size is a smaller set of the larger population. Due to geographical dispersion of population, time constraints and resource limitations, sample drawn from the entire population. Due to large number of customers or population, would be used the equation developed by (Cochran, 1977) to determine the sample size of the population.

$$n = (Z^2 * p * q) / e^2$$

Where n the total number of sample required

Z=the critical table value of the confidence level (z=1.96)

p=the population variability (p=0.5)

q=the probability of the population not to be occurred (q=1-p=0.5)

e =the maximum allowed error i.e. (e =0.05)

Therefore, the researcher will take the maximum allowed error as 5% at a confidence interval level of 95% and the moderate population variability interval is 0.5(p=0.5) because this allows the researcher a largest sample size and the minimum error(q=0.5).

$n = (1.96)^2 * 0.5 * 0.5 / 0.0025$  which is approximated 384 so; 384 is total population using Yemane formula the sample size was 196.

*Table 3.1 Sample size of the branches selected (proportion based)*

Special Branches	Target population premium customers		Sample size
	Number	Percentage	Premium Customers

Elala Branch	99	25.78%	51
Jiburuk Branch	115	29.95%	59
Mekelle Branch	70	18.23%	35
Edaga mekelle branch	100	26.04%	51
Total	384	100	196

### 3.4 Data Source and methods of data Collection

There were two types of sources primary and secondary sources. Primary sources were questionnaires to customers and structural interview to managers of the Banks. The primary data was collected through standard questionnaires. The questionnaire was prepared in line with the objectives of the study mentioned above and it was organized in three sections. Based on the research objective, a questionnaire was prepared to elicit customer's experience and to get information about customer relationship management and customer satisfaction of Awash International Bank. The questionnaire consists of three parts. Part one was prepared to gather general information about the respondents' gender, age, education, occupation, monthly income, for how long the customer using the bank's services. Part two was prepared to ask respondents to answer customer relationship management question and part three was prepared to ask respondents about customer satisfaction questions. The questionnaire was translated into Tigrigna and the data was collected by the researcher to collect the data it takes me one month from Monday to Saturday.

### 3.5 Method of data analysis

The researcher was collect data on five dimensions of CRM from customers of Awash Bank to describe the present condition of CRM application on Awash International Bank across five dimensions. After collecting the data through questionnaire, the process of analysis will begin. Analysis of data in this research will be done by using statistical tools like regression and correlation models. Regression analysis will be used to know by how much the independent variable i.e. CRM explains or influences the dependent variable which is customer satisfaction. Correlation analysis will also be conducted to measure the strength of the association between CRM dimensions and customer satisfaction. And also, descriptive analysis planned to use for the demographic factors such as gender, age, education, occupation, monthly income, and for how long the customers are using the bank's services. SPSS software version 20 will be used as a tool.

## **3.6 Reliability and Validity tests**

### **3.6.1 Validity**

Validity represents how well a variable measure what it is supposed to measure. Validity is concerned with whether the findings are really about what they appear to be about. Kazi (2010) defined the validity as “the degree to which a measure accurately represents what it is supposed to”. Validity is concerned with how well the concept is defined by the measure(s). In this study all variables (items) were inspected by the researcher with the support of customer service officers to ensure that they were an adequate and a thorough representation of the construct under investigation. To test the questionnaire for clarity and to provide a coherent research questionnaire, a macro review was accurately held. Some items were added, based on valuable recommendations. Some others were reformulated to become more accurate and clearer, and this were required for the purpose of enhancing the research instrument.

Extents to which a variable or set of variables is consistent in what it is intended to measure (Hair et al., 1998). It differs from validity in that it relates not to what should be measured, but instead to how it is measured. Several measures have been used to establish the reliability of the instrument. The current study used multiple items in all constructs. So, the internal consistency method is appropriate for the current study. Hair et al. (1998) mentioned that the rationale for internal consistency is that the individual items or indicators of the scale should all be measuring the same construct and thus be highly inter-correlated. Internal consistency reliability of all questions was assessed by the Cronbach’s alpha coefficients of measurement items for each construct. Zikmund (2003), suggest that a Cronbach’s alpha value of  $> 0.7$  indicates a considerably high reliability.

### **3.7 Ethical Consideration**

The researcher would treat all the information gave by managers and employees by keeping confidentially without disclosing the respondent’s identity and did not use for any personal interest. Furthermore, the questionnaire was distributed only to voluntary participants. The researcher did not intentionally mislead others about the nature of the findings and under no circumstances fabricated data to support a particular conclusion. Lastly, the researcher would quote all secondary sources to keep the rights of ownership of all materials

## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

In this chapter the data collected from respondents are analyzed and interpreted using quantitative analysis which involves analysis of the demographical information of respondents and the descriptive and inferential statistics employed to test the hypothesis and to investigate the influence of independent variables on dependent variable. To analyze the collected data in line with the overall objective of the research undertaking, statistical procedures were carried using SPSS version 20. The sample size was 196 customers from these ten respondents was not returned the total returned was 186 customers (95%). 95% more acceptable.

#### 4.1 Validity test

Validity Test Apart from assessing the reliability to ensure that measures are free from random error and thus yield consistent results, validity is another index to validate the constructs. Validity refers to the preciseness and accuracy of measurement results. That is, it is concerned with what degree the expected targets are actually measured by the designed scale or questionnaire. Validity is the ability of a scale or measuring instrument to measure what is intended to be measured. It represents the relationship between the construct and its indicators and depends primarily on the adequacy with which a specified domain of content is sampled Neuman (2003).

According to Zikmund (1997), there are four types of validity indices which are related to the internal validity of the scales and their respective items, including content validity, criterionrelated validity, external validity and construct validity. 4.3.1 Content Validity Content validity refers to the subjective agreement among professionals that a scale logically appears to accurately reflect what it purports to measure. It focuses on the extent to which a measure represents all faces of a given situation. That is, it implies that all aspects of the attribute being measured are considered by the instrument. In order to obtain the quality of content validity, the scale items of constructs in research model were mainly developed based on the theoretical basis from an extensive literature review, the adaption of an instrument that had been used previously and the discussions with academics and practitioners for obtaining their advices on the instrument (Zikmund, 1997). 4.3.2 Criterion-Related Validity Criterion-related validity is

defined as the ability of some measures to correlate with other measures of the same construct. It is used to demonstrate the accuracy of a measure by comparing it with another measure which has been demonstrated to be valid (Zikmund, 1997). According to Neuman (2003), criterion-related validity uses some standard or criterion to indicate a construct accurately. In other words, the validity of an indicator is verified by comparing it with another measure of the same construct in which a researcher has confidence. There are two types of criterion-related validity, i.e. predictive validity and concurrent validity. The former is an assessment of an individual's future standing on a criterion variable and can be predicted from present standing on a measure, while the latter is assessed by correlating a measure and a criterion of interest at the same point in time.

## 4.2. Reliability Test Result

Testing goodness of data is testing the reliability and validity of the measures. Since the statements have been generated from an extensive review of academic and practitioner's literatures, it is assumed that the construct validity will hold.

According to Ticehurst and Veal (2000), reliability is the extent to which research findings would be the same if the research were to be repeated at a later date, or with a different sample of subjects. This research used the most popular test of inter-item consistency and reliability that is the Cronbach's coefficient alpha and has been used to identify the validity of items used in survey.

According to Sekaran (2000), reliabilities less than 0.6 are considered to be poor, those in the range of 0.7 are acceptable, and those over 0.8 are good. Therefore minimum 0.700 coefficient alpha values accepted to finalize the item validity.

**Table 4.1: Cronbach's Alpha for each of the questionnaire**

Dimensions	Item Cronbach's Alpha	Reliability	Result
Reliability	5	0.846	Good
Process-driven Approach	4	0.804	Good
Customer Focus	4	0.843	Good
Technology Orientation	4	0.858	Good
Customer Satisfaction	4	0.812	Good
Overall	21	0.864	Good

*Source: Survey, 2025*

The Cronbach's coefficient alpha was calculated for each field of the questionnaire. Table No. 4.1, shows the values of Cronbach's Alpha for each field of the questionnaire and the entire questionnaire. For the fields, values of Cronbach's Alpha are in the range from 0.804 and 0.858. This range is considered as good according to Sekaran (2000); the result ensures the reliability of each field of the questionnaire. Cronbach's Alpha equals 0.864 for the entire questionnaire which indicates reliability of the entire questionnaire. Therefore, based on the test, the results for the items are reliable and acceptable.

## 4.2. Descriptive Analysis

Descriptive analysis was used to look at the data collected and to describe that information. It was used to describe the demographic factors for more clarification. It is mainly important to make some general observations about the data gathered for general or demographic questions. The demographics factors used in this research were shown in Table below of respondents that, gender, age, educational background, purpose of the bank service usage, year of relationship with the bank and service used from the bank.

For the scale typed questionnaires for all variables mean and standard deviation response of respondents were used. The highest mean figure with the lowest scores of standard deviations indicates the extent to which the Awash Bank is highly reliable, process driven approach, customer focus and technology orientation for its customers.

### 4.2.1 Gender of respondents

**Table 4.2: Gender of respondents**

Gender	Frequency	Percent
Male	145	78
Female	41	22
Total	186	100

*Source: Survey, 2025*

As presented in Table No.4.2 above the gender composition shows that both male and female customers of the bank were participated in the study. Even if majority of the respondents 145 (78%) were male, female respondents also participated which accounted for 41 (22%).

### 4.3 Age of respondents

Age	Frequency	Percent
18-30	41	22

31-40	77	41.4
41-50	44	23.7
More than 50	24	12.9
<b>Total</b>	<b>186</b>	<b>100</b>

*Source: Survey, 2025*

On Table 4.3 above, the age composition of respondents encompasses 77 (41.4%) between the age group of 31-40 years followed by 44 (23.7%) that fall in between the age group of 41-50. The least age group in the sample encompasses respondents aged 18-30 and above 50 years, 41(22%) and 24 (12.9%) respectively.

#### **4.2.3. Educational background of the respondents**

*Table 4.4: Educational Background of the respondents*

<b>Educational Background</b>	<b>Frequency</b>	<b>Percent</b>
Primary and Secondary School	9	4.8
Certificate	13	7
Diploma	63	33.9
Bachelor Degree	90	48.4
Master's Degree and above	11	5.9
<b>Total</b>	<b>186</b>	<b>100</b>

*Source: Survey, 2025*

The educational status in Table 4.4 shows that among 186 respondent first degree 90 (48.4%) followed by 63 (33.9%) and 13 (7%) of respondents with educational level of diploma and certificate respectively. Out of the total respondents 11 (5.9%) incorporates those master's degree and above and 9 (4.8%) primary and secondary school. The result shows more than 95% of the respondents' certificate and above certificate; therefore, majority of the customers of the bank are educated and implies that these types of customers may initiate the bank to adopt new technological banking systems like e-banking (Internet, Card and Mobile banking).

#### **4.2.4. Purpose of the bank service used**

*Table 4.5: Purpose of the bank service user*

<b>Purpose of the Bank Service Used</b>	<b>Frequency</b>	<b>Percent</b>
Personal	11	5.9
Business	145	77.9
Both	30	16.2
<b>Total</b>	<b>186</b>	<b>100</b>

*Source: Survey result 2025*

Table 4.5 shows that among 186 respondents 145(77.9%) use the bank service for business purpose and the rest 30(16.2%) and 11 (5.9%) of the respondent both (for business and personal) and only personal consumption respectively.

#### **4.2.5. Years of relationship with the bank**

*Table 4.6: Years of relationship with the bank*

<b>Years of relationship with the Bank</b>	<b>Frequency</b>	<b>Percent</b>
Less than 1 Year	17	9.1
1-4 years	62	33.3
5-7 years	50	26.9
8-10 years	37	19.9
More than 10 years	20	10.8
<b>Total</b>	<b>186</b>	<b>100</b>

*Source: Survey result 2025*

Regarding the years of relationship with the bank, either for personal consumption or business, 62 (33.3%) found to have relationship with the bank from 1-4 years, 50 (26.9%) found to be using the bank's service from 5-7 years, while 37 (19.9%) have relationship with the bank from 8-10 years and 20(10.8%) have a relationship with the bank for more than 10 years. Only 17 (9.1%) were found to have relationship with the bank less than one year. This implies that the bank is in a good track on establishing, maintaining and enhancing customer satisfaction.

#### **4.2.6. Service used from the bank**

*Table 4.7 Service used from the bank*

<b>Service used from the bank</b>	<b>Frequency</b>	<b>Percent</b>
Saving	4	2.2
Current Account	38	20.4
Loan ***	29	15.6
Import and Export ***	24	12.9
Money Transfer ***	19	10.2
Forex ***	5	2.7
Automatic Teller Machine ***	67	36
<b>Total</b>	<b>186</b>	<b>100</b>

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

With respect to the use of services provided in the bank as presented in Table 4.7, 67(36%) encompasses ATM users, 38 (20.4%) current/check account users , 29 (15.6%) and 24 (12.9%)

are Loan and Import and Export service users respectively whereas 19 (10.2%) , 5 (2.7%) and 4(2.2%) Money Transfer, Forex and Saving Account service users. As indicated in table No.9, a customer may use more than one service. Accordingly, almost 77.4% of respondents use more than one service rendered by the bank. This indicates that most of the respondents have experience with the bank and are capable of evaluating the bank's CRM activities from the different service of the bank provides.

### **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 Awash Bank of.

The responses of the respondents for the variables indicated below were measured on five-point Likert 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:

$$\text{Agreement level} = \frac{\text{max-min}}{5} = \frac{5-1}{5} = 0.8$$

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

#### **4.3.1 Perception of respondents towards reliability**

As discussed in the literature review the reliability dimension denotes the consistency and accuracy of service delivery to the customer; by providing effective communication to the customers; and by approaching the customers with cooperation as promised. (Padmavathy and

Siva Kumar, 2017) In order to measure the effect of this dimension customer were forwarded with five variables regarding this dimension. The result is summarized in the following table 10.

**Table 4.8: Descriptive Statistics of Reliability**

<b>Variables of Reliability</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank Mean</b>
This bank effectively communicates to customers.	186	3.89	0.87	1
This bank maintains consistent service standards.	186	3.76	0.94	2
This bank provides reliable services.	186	3.72	1.01	3
The bank is co-operative with its customers in handling their request.	186	3.66	1.03	4
This bank assesses customer satisfaction regularly.	186	3.65	0.97	5

*Source: Survey, 2025*

Table 4.8 above contains individual variables, which are grouped together and named as reliability variables. As it is shown in the table “This bank effectively communicates to customers” has scored mean of 3.89 with standard deviation 0.87, “This bank maintains consistent service standards” has scored mean of 3.76 with standard deviation 0.94, “This bank provides reliable services” has scored mean of 3.72 with standard deviation 1.01, and “The bank is co-operative with its customers in handling their request” has scored mean of 3.66 with standard deviation 1.03. Since “the bank effectively communicates to customers” has the highest mean scored from the variables of reliability and it is possible to say that effectively communicates to customer’s plays a great role to make customer satisfaction. And “This bank assess customer satisfaction regularly” is the other factor that has influence on customer satisfaction and the lowest mean rating scale from the above variables has scored (Mean= 3.65, standard deviation 0.97). However, all variables result fall between the range of 3.41 – 4.2 and this means that majority of the respondents tend to agree with all the variables of reliability that affects the customer’s satisfaction. In other words, CRM dimensions reliability that has influence on customer satisfaction.

However, the results imply that still there need more tasks on the above-mentioned aspects that Awash Bank of Ethiopia has to be reliable and to be satisfied their customers.

### 4.3.2 Perception of respondents towards process driven approach

The process-driven approach enables customers to evaluate the extent of effectiveness of the bank in fulfilling customer requests with speed and astuteness, as argued by Padmavathy and Sivakumar (2017). Customers evaluated this dimension with respect to four items using a five-point scale that reveals their level of agreement or disagreement with each statement. Table 4.9 indicates the mean score with standard deviation of each variable of process-driven approach.

**Table 4.9: Descriptive Statistics of Process Driven**

<b>Variables of Process Driven Approach</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank Mean</b>
This bank provides value-added information along with its service.	186	3.66	1.15	1
This bank designed its service processes to satisfy the customer.	186	3.49	1.24	2
Conducting transactions correctly and rapidly is very common with this bank.	186	3.39	1.32	3
This bank delivers services at the earliest.	186	3.20	1.25	4

*Source: Survey, 2025*

Table 4.9 above also contains individual variables, which are grouped together and named as process driven approach variables. As it is shown in the table above “This bank provides value added information along with its service” has scored mean of 3.66 with standard deviation 1.15, “This bank designed its service processes to satisfy the customer” has scored mean of 3.49 with standard deviation 1.24. The result of these variables falls between the range of 3.41 – 4.2 and this

tells us majority of the respondents agree with the variables influence the customers’ satisfaction. Since “This bank provides value –added information along with its service” has the highest mean score from all the variables of process driven approach. “Conducting transactions correctly and rapidly is very common with this bank” has scored mean of 3.39 with standard deviation 1.32, and “This bank delivers services at the earliest has scored mean of 3.20 with standard deviation 1.25 and the result of the variables fall in the rating scale of 2.61 - 3.4, tells us that majority of the respondents have no any response (neutral) about these variables and this implies that the respondents are on average or they don’t satisfied the service of speed and astuteness of the bank, unless the bank is solving this problem timely.

Therefore, the above results entail yet there are tasks that the bank (Awash Bank) has to do in the variables of process drive approach dimension.

### 4.3.3 Perception of respondents towards customer focus

Customer focus is the ability of an organization knowing how to price and sell the right products and services to the right customers at the right time. Customers evaluated this dimension with respect to four items using a five-point scale that reveals their level of agreement or disagreement with each statement. Table 4.10 indicates the mean score and standard deviation of each variable of customer focus.

**Table 4.10: Descriptive Statistics of Customer Focus**

<b>Variables of Customer Focus</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank Mean</b>
The Bank strives to constantly surprise and delight its key customers.	186	3.90	0.78	1
The Bank strengthens the emotional bonds with its key customers by wishing them on important occasions.	186	3.88	0.95	2
The Bank uses the concept of ‘Relationship Pricing’ in pricing its services.	186	3.82	0.97	3
The Bank provides customized services and products to its key customers.	186	3.80	0.90	4

*Source: Survey, 2025*

Table 4.10 illustrates the perception of the respondents towards customer focus using mean and standard deviation. As it can be seen from the table “The bank strives to constantly surprise and delights its key customers” has scored mean of 3.9 with standard deviation 0.78. Thus, this variable has scored the highest mean of all the variables of customer focus and it is pertinent to say that it plays a great role to make customers satisfactions.

Moreover, the table shows that “The Bank strengthens the emotional bonds with its key customers by wishing them on important occasions” has scored mean of 3.88 with standard deviation 0.95, “The Bank uses the concept of ‘Relationship Pricing’ in pricing its services” has scored mean of 3.82 with standard deviation 0.97, and “The Bank provides customized services and products to its key customers” has scored mean of 3.8 with standard deviation 0.90. The result of all variables of customer focus fall between the ranges of 3.41 - 4.2, this also tells us majority of the respondents agree on each variable of customer focus that affects the dependent variable that is customers’ satisfaction.

#### 4.3.4 Perception of respondents towards technology orientation

This dimension appraises the effectiveness of operational performance of the bank with the use of the latest technology such as ATM, internet, mobile banking and POS. As the aim is to solicit customers perception regarding the effectiveness of the bank with the use of the latest banking technology customers were provided with four variables with five-point Likert scale used where the highest being strongly agree and the lowest signifying strongly disagree.

**Table 4.11: Descriptive Statistics of Technology Orientation**

<b>Variables of Technology Orientation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank Mean</b>
This bank uses latest technology (ATMs, mobile banking, and internet banking) to offer quality services.	186	4.05	0.95	1
The bank gives technology-based services to the customers; it maintains and builds better customer relationship.	186	3.99	0.96	2
The bank information systems are designed to give comprehensive data about all aspects of its customers, so that the bank can be responsive to them.	186	3.98	0.95	3
This bank makes effective use of ATMs, mobile internet banking and POS service to enhance customer service.	186	3.92	1.01	4

*Source: Survey, 2025*

As it can be seen from the above table 4.11 “This bank uses latest technology (ATMs, mobile banking, and internet banking) to offer quality services” has scored mean of 4.05 with standard deviation 0.95. This shows, using latest technology to offer quality services has scored the highest mean of all the variables of technology orientation and it is possible to say that CRM practice with this dimension is perceived to be the highest effect on customer satisfaction.

Moreover, the table shows that “The bank gives technology based services to the customers, it maintains and builds better customer relationship” has scored mean of 3.99 with standard deviation 0.96, “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” has scored mean of 3.98

with standard deviation 0.95, “This bank makes effective use of ATMs, mobile, internet banking and POS service to enhance customer service” has scored mean of 3.92 with standard deviation 1.01, totally, it is possible to say that all variables of technology orientation results are fall between the range of 3.41 – 4.2 and this means also, majority of the respondents agree as the variables of technology orientation can influence customers’ satisfaction of the bank as the result of their mean and standard deviation value accordingly.

#### ***4.3.5 Perception of respondents towards customer satisfaction***

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. Therefore, for the organization to ascertain an overall view of customer perception, it needs to evaluate the satisfaction of the customer (Omenye, 2013). Customers evaluated the level of satisfaction with respect to four dimensions using a five-point scale that reveals their level of agreement or disagreement with each variable. Table 14 indicates the mean score and standard deviation of each variable of customer satisfaction.

*Table 4.12: Descriptive Statistics of Customer Satisfaction*

<b>Variables of Customer Satisfaction</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Rank Mean</b>
I am satisfied with the services provided by the bank.	186	3.63	1.25	1
I am satisfied with the quality of services provided by this bank.	186	3.60	1.17	2
I am satisfied with the bank’s customer handling procedure.	186	3.53	1.27	3
I am satisfied with the speed of the service delivery.	186	3.43	1.38	4

*Source: Survey, 2025*

As it can be seen from the above table 2012 “I am satisfied with the services provided by the bank” has scored mean of 3.63 with standard deviation 1.25, this variable has scored the highest mean and it is possible to say that it plays a great role to make customers satisfaction. Moreover, the table shows that “I am satisfied with the quality of services provided by this bank” has scored mean of 3.60 with standard deviation 1.17, “I am satisfied with the bank’s customer handling procedure” has scored mean of 3.53 with standard deviation 1.27, and “I am satisfied with the speed of the service delivery” has scored mean of 3.43 with standard deviation 1.38.

This variable is the least mean scored of all variables. However, the results of each variable are fall within the range of 3.41 – 4.2. Since most of the respondents agree on each variable and that implies majority of the respondents agree on the service, the quality, the customer handling procedures and the speed of service delivery of the bank has become customer satisfaction. However, the above results entail yet there are tasks that the bank (Awash Bank) has to do on customer

satisfaction because the level of satisfaction of the customers is on average.

#### 4.3.6 Summery Perception of respondents towards CRM and Satisfaction

*Table 4.13: Summery of Descriptive Statistics of CRM Dimensions and Customers' Satisfaction*

<b>Variables</b>	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Reliability	186	3.73	0.76
Process-driven Approach	186	3.43	1.03
Customer Focus	186	3.85	0.69
Technology Orientation	186	3.98	0.75
Customer Satisfaction	186	3.55	1.05

**Source: Survey, 2025**

The above table clearly summarizes mean and standard deviation of customer relationship management dimensions and customer satisfaction perceived by the respondents. It illustrates the respondents' agreement with the four dimensions of customer relationship management by giving the higher rate scale to technology orientation (mean=3.98, SD= 0.75), followed by customer focus mean of 3.85 with standard deviation 0.69, reliability (mean= 3.73, SD=0.76) and process driven approach (mean=3.43, SD= 1.03). The low standard deviation indicates that the mean is representative of the rate given by the majority of respondents. This implies that the CRM dimensions (reliability, process driven approach, and customer focus and technology orientation) are the predictors of the dependent variable of customer satisfaction. Besides, the perception of the respondents towards customer satisfaction rating scale of (mean= 3.55, standard deviation 1.05). This result is fall in the rating scale 3.41- 4.2. This implies that majority of the respondents agreed to be satisfied customers of Awash Bank of Ethiopia if the bank is high in reliability, process driven approach, customer focus and technology orientation and vice versa.

#### 4.4. Correlation Analysis

To determine the existence and level of association, the researcher used bivariate correlation. Pearson's correlation coefficient falls between -1.0 and +1.0, indicates the strength and direction

of association between the two variables. (Field, 2005) The Pearson's correlation coefficient (r) was used to conduct the correlation analysis to find the level and direction of the relationships between the variables of CRM and customer satisfaction. The classification of the correlation coefficient (r) is as follows: 0.1 – 0.29 is weak; 0.3 – 0.49 is moderate; and > 0.5 is strong. (Field, 2005). The bivariate correlation of a two-tailed test confirms the presence of statistically significant difference at probability level  $p < 0.01$  i.e. assuming 99% confidence interval on statistical analysis. The table below presents the correlation analysis between the independent variable customer relationship management dimensions and the dependent variable customer satisfaction.

**Table No.16: Correlation between CRM dimensions and Customer Satisfaction**

	Reliability	Process-driven approach	Customer Focus	Technology Orientation	Customer Satisfaction
Reliability Pearson Correlation Sig. (2- tailed) N	1 186				
Process- driven approach Pearson Correlation Sig. (2- tailed) N	.606 .000 186	1 186			
Customer Focus Pearson Correlation Sig. (2- tailed) N	.440 .000 186	.614 .000 186	1 186		
Technology Orientation Pearson Correlation Sig. (2- tailed) N	.398 .000 186	.571 .000 186	.534 .000 186	1 186	
Customer Satisfaction Pearson Correlation Sig. (2- tailed) N	.638 .000 186	.747 .000 186	.612 .000 186	.483 .000 186	1 186

*Correlation is significant at the 0.01 level (2-tailed).*

Since all variables are interval, the relationship between the independent variables reliability, process-driven approach, customer focus and technology orientation with the dependent variable customer satisfaction was investigated using Pearson product – moment correlation coefficient.

The results of correlation analysis in Table No. 16 above shows that, all the independent variables (reliability, process-driven approach, customer focus and technology orientation) are positively and significantly correlated with the dependent variable (customer satisfaction) at 99 percent confidence level ( $P < 0.01$ ). The highest correlation is signified by process driven approach ( $r = 0.747$ ), followed by reliability ( $r = 0.638$ ), customer focus ( $r = 0.612$ ) and technology orientation ( $r = 0.483$ ).

Based on the Pearson correlation test shown in the above table No. 16, reliability is positively and significantly correlated with customer satisfaction. The correlation coefficient between reliability and customer satisfaction is the second of all correlation results of customer relationship management dimensions which is ( $r = 0.638$ ). This means if the bank more enhances the reliability, the customers' will be highly satisfied by the bank.

In addition, reliability only enables customers to assess the banks use in providing service with regard to maintaining consistent service standard, reliable service to their customer as promised and it is depended as performing the task dependably and accurately. With regard to reliability dimension, one of the necessary conditions for banks to deliver superior customer value than competitors and thereby fulfill customer expectations and requirements. (Padmavathy et al., 2012). According to Parasuramal et al., (2004) CRM activities always try to fill a customer's expectations and provide better customer service, which isn't always possible without reliability. Since, reliability has a power to determine the satisfaction of customers and has a positive impact on CRM activities and also for customer satisfaction. Therefore, the result of this research is consistent with the above findings.

Process driven approach is underpinnings element of customer relationship management that is taken into account to explain customers' satisfaction. Based on the correlation result as it is shown in the above table No. 16 by Pearson correlation test, process driven approach dimension is strongly and highly positive relationship with customer satisfaction. The correlation coefficient between process driven approach and customer satisfaction is ( $r = 0.747$ ). It is the highest of all correlation results of CRM elements. Which means if the bank exerts more effort on process driven approach dimension, the customers' will be more satisfied by the bank than others three dimensions.

Under this dimension the customers evaluate the effectiveness of the bank with respect to promptness in delivering services, design of the service process in satisfying, whether accuracy and rapidness in conducting transactions is very common with the bank and whether the bank provides value adding information along with its services will be revealed.

This result is supported by the study of Korner and Zimmermann (2000). According to these researchers, offering value-added information for the customer is a way of increasing customer satisfaction.

Therefore, Process driven approach is one of the dimensions of CRM and it shows a significant impact on satisfaction. This was also aligned with prior research on the relationship between CRM dimension and customer satisfaction (Vries and Brijder, 2000, Jun et al. 2004 and Padmavathy C. et al 2012). Hence this study is consistent with the above findings. The other factor that is included in the dimensions of CRM is customer focus. It has positive and strong relationship with customers' satisfaction. As it is depicted in the above table No.16, the correlation coefficient between these variables is ( $r= 0.612$ ). Customer focus by itself has power to create acknowledgment and good relationship with customers and banks need to understand their individual key customers' needs and wants. Bank's employees continuously evaluate their services to satisfy and attract customers in the better way. This result supported by (Kotler, P. and Armstrong, G 2012). According to their study, equipped with bank-wide understanding and internal support for key customer relationships, the sales force generally is better enabled and motivated to cultivate long-term customer relationships by offering more personalized products and services enhanced customer satisfaction. This study confirms that customer focus of CRM dimension important factor for customers' satisfaction. Therefore, the result of this study is also consistent with the above findings.

The last but not the least factor included in the customer relationship management is technology orientation. As it is shown in the above table No. 16 of the correlation analysis, technology orientation dimension has moderate strong and positive relationship with customers' satisfaction. The correlation coefficient between technology orientation and customer satisfaction is ( $r =0.483$ ).

CRM technology augment the customer information processes and enables effectiveness of relational efforts. It is important for banks to be technology oriented to cope up with evolving

customer needs. The bank’s effective usage of latest technology like ATM, mobile and internet banking addressed with this dimension.

This result is also supported by Butler, 2000, Yem et al., 2004, Garrido-Moreno and Padilla Melendez, 2011. The result indicates that among the major outcomes sought by incorporating CRM-based technology is enhanced significantly of customer satisfaction and more profitable long-term customer relationships. Therefore, this result also consistent with the above findings.

#### 4.5. Multiple Regression Analysis

There are two basic types of regression analysis: simple regression and multiple regressions. Hence, in this study, multiple regression analysis is used to know by how much the independent variables i.e customer relationship management dimensions explain or influences the dependent variable which is customer satisfaction.

The model summary table reports the strength of relationship between the independent variable (customer relationship management dimensions) and the dependent variable (customer satisfaction). The proposed hypotheses are tested using multiple regression analysis.

*Table No.17: Multiple Regression Analysis Result of CRM and Customer Satisfaction*

#### Model Summary

Model	R	R Square	Adjusted R Square	St. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.801 <sup>a</sup>	.641	.633	.638	.641	80.744	4	181	.000

a. Predictors (Constant), Technology Orientation, Reliability, Customer Focus, Process-driven Approach

In the above table, R is multiple correlation coefficients between predictor and outcome, with a value of 0.801. “R” is a correlation between the observed values of y, the values of y predicted by multiple regression models. Therefore, large values of the multiple R represent a large correlation between the predicted and observed values of the outcome. Value of adjusted R<sup>2</sup> = 0.633, it implies 63.3% of the variance in the dependent variable (customer satisfaction) can be explained/predicted by the independent variables. Means the random variation of the error term explains around 36.7% of the variation of the independent variable. Or the remaining 36.7% of

the variance in customer satisfaction may be explained by other factors such as customer trust, commitment, CRM knowledge, and so on.

$$Y = X\beta + e$$

$$(100\%) = (63.3\%) + (36.7\%)$$

Table No.18: ANOVA

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	131.472	4	32.868	80.744	.000 <sup>b</sup>
Residual	73.679	181	.407		
Total	205.151	185			

Dependent Variable: Customer Satisfaction

Predictors: (Constant), Technology Orientation, Reliability, Customer Focus, Process – driven approach From table No. 18, using ANOVA, it also shows a significant value of 80.744 for the F distribution with 4 and 181 df. The F-test can be taken as a measure of overall model significance of the estimated regression, indicates that the p-value is less than 0.05, which implies that a significant relationship exists between the selected variables in this model.

Table No.19: Coefficients of CRM Dimensions

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
1 (constant)	.716	.333		-2.148	.033	-1.374	.526
Reliability							
Process-driven approach	.372	.078	.269	4.769	.000	.218	.598
Customer Focus	.462	.069	.450	6.683	.000	.325	.508
Technology Orientation	.329	.090	.215	3.644	.000	.151	.163
	.005	.080	.004	.067	.947	-.153	

a. Dependent Variable: Customer Satisfaction

Multiple Regression Model Equation:

$$Y^{hat} = -0.716 + 0.372 \text{ Reliability} + 0.462 \text{ Process Driven approach} + 0.329 \text{ Customer Focus} + 0.005 \text{ Technology Orientation}$$

From the above multiple regression equation one can see that all the dimension of CRM positively affects customer satisfaction. Unstandardized coefficient ( $\beta$  value) indicates the degree of importance of each CRM dimensions towards customer satisfaction; accordingly, the dimensions can be ranked in the following manners on the basis of their contribution/importance.

1. Process driven approach  $\beta = 0.462$
2. Reliability  $\beta = 0.372$
3. Customer Focus  $\beta = 0.329$
4. Technology Orientation  $\beta = 0.005$  (Insignificance)

The Interpretations of the Significant Independent Variables:

- ✓ If the effect of establishment of trust with the customer by efficient transformation of information, communication and cooperation to the customer (reliability dimension) are increase by 1%, levels of satisfaction of the customers increased by 37.2% and it is significant at 1% level.
- ✓ If conducting errorless transactions quickly of service to the bank customers (process driven approach dimension) increase by 1%, may increase the customer's satisfaction by 46.2% and significant at 1% level.
- ✓ If the bank's CRM activities more effective by making the customer feel good by understand of customer needs, expectations, feedback, communications, and customer focused matrices like greeting them on occasions and making them to visit the bank again (customer focus dimension) increased by 1%, level of satisfaction increased by 32.9% and this is also significant at 1% level.
- ✓ But there is no impact for these predictor variables (technology orientation) on the satisfaction of customers.
- ✓ Constant (cons), it shows when all variables are fixed at zero, the average effect of all other unused variable is decreased the level of satisfaction of the customer by 0.716 and significant at 5% level.

#### **4.6. Hypothesis Testing**

Here using this multiple regression coefficient results the proposed hypotheses for this study are tested as follows.

**H1:** Reliability has a positive and significant effect on customer satisfaction. Results of multiple regression analysis on table No.19 clearly indicates that reliability has significant influence on customer satisfaction ( $p < 0.01$ ). Besides, the value of beta ( $\beta = .372$ ) shows that reliability has a positive and significant effect on customer satisfaction in AWASH BANK. Hence, the above proposed hypothesis is accepted.

This result supported by the studies of Vries and Brijder (2000), Jun et al. (2004) and C.Padmavathy et al (2012), found reliability is one of the dimensions of CRM and it has a positive and significant impact on satisfaction.

**H2:** Process-driven approach has a positive and significant effect on customer satisfaction. Table No.19 above clearly depicts; process driven approach has significant influence on customer satisfaction ( $p < 0.01$ ). Besides, the value of beta ( $\beta = .462$ ) shows that process driven approach has positive and significant effect on customer satisfaction. Hence, the above proposed hypothesis is accepted.

This result is also supported by the studies of Padmavathy, C. et al. (2012), found process driven approach is one of the dimensions of CRM and it has a positive and significant impact on customer satisfaction.

**H3:** Customer focus has a positive and significant effect on customer satisfaction. Results of multiple regression analysis on table No.19 above clearly indicates that, customer focus has a significant influence on customer satisfaction ( $p < 0.01$ ). Besides, the value of beta ( $\beta = .329$ ) shows that customer focus has a positive and significant effect on customer satisfaction. Hence the above proposed hypothesis is accepted.

The result supported by the study of Yim et al (2004), identify customer focus to be one of CRM dimensions, that demonstrated the vital impact of those on performance and has significant impact such a customer satisfaction, customer retention and sales growth.

**H4:** Technology orientation has a positive and significant effect on customer satisfaction. Table No 19 illustrates that, even if technology orientation has a positive beta value ( $\beta = .005$ ), it has no significant impact on customer satisfaction because of ( $P > 0.05$ ). Therefore, the above proposed hypothesis is rejected.

In general, the multiple regression analysis on table No. 19 clearly demonstrate that independent variable CRM (reliability, process driven approach, customer focus) has a positive and significant effect on the dependent variable of customer satisfaction. Besides, it indicated process driven approach underpinning of customer relationship management has the highest impact on customer satisfaction.

*Table 20: Summery of Hypothesis Testing*

<b>Hypothesis</b>	<b>Decision based on the finding</b>	<b>Reason Significant</b>
H1: Reliability has a significant and positive effect on customer satisfaction	Accepted	0.00
H2: Process Driven has a significant and positive effect on customer satisfaction	Accepted	0.00
H3: Customer focus has a significant and positive effect on customer satisfaction	Accepted	0.00
H4: Technology orientation has a significant and positive effect on customer satisfaction	Rejected	0.947

#### **4.7. Post Estimation Test**

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

##### **4.7.1. Multi-Co Linearity**

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

**Table 21: Co- Linearity Statistics**

#### **Coefficients<sup>a</sup>**

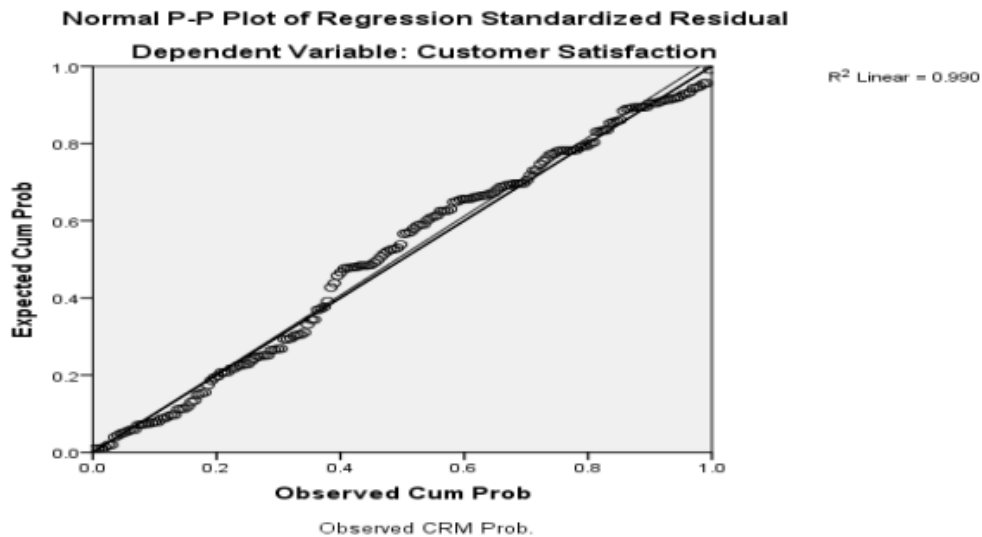
Model	Collinearity	Standardized			95.0% Confidence
-------	--------------	--------------	--	--	------------------

	Statistics		Coefficients	t	Sig	Interval for B	
	Tolerance	VIF				Lower Bound	Upper Bound
			Beta				.058
Reliability Process-driven approach Customer Focus Technology Orientation	.624	1.603		-2.148	.033	-1.374	.526
	.438	2.282	.269	4.769	.000	.218	.598
	.569	.1069	.450	6.683	.000	.325	.508
		1.758	.215	3.644	.000	.151	.163
	1.617	.004	.067	.947	-.153		
		.					

### 4.7.2 Linearity

**Figure 3: Linearity Curve**

*Figure 3: Linearity Curve*

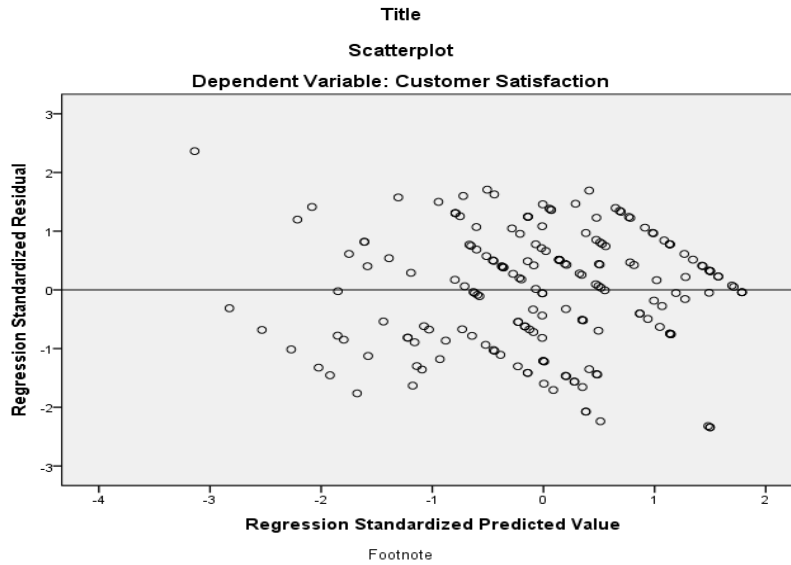


### 4.7.3 Homoscedasticity

There should be homoscedasticity before running multiple regression analysis, this means that the residuals (the differences between the values of the observed and predicted dependent variable) are normally distributed, and that the residuals have

constant variance (Burn and Burns 2008). If the assumption of homoscedasticity is violated (i.e. there is heteroscedasticity). The graph has demonstrated homoscedasticity of the study.

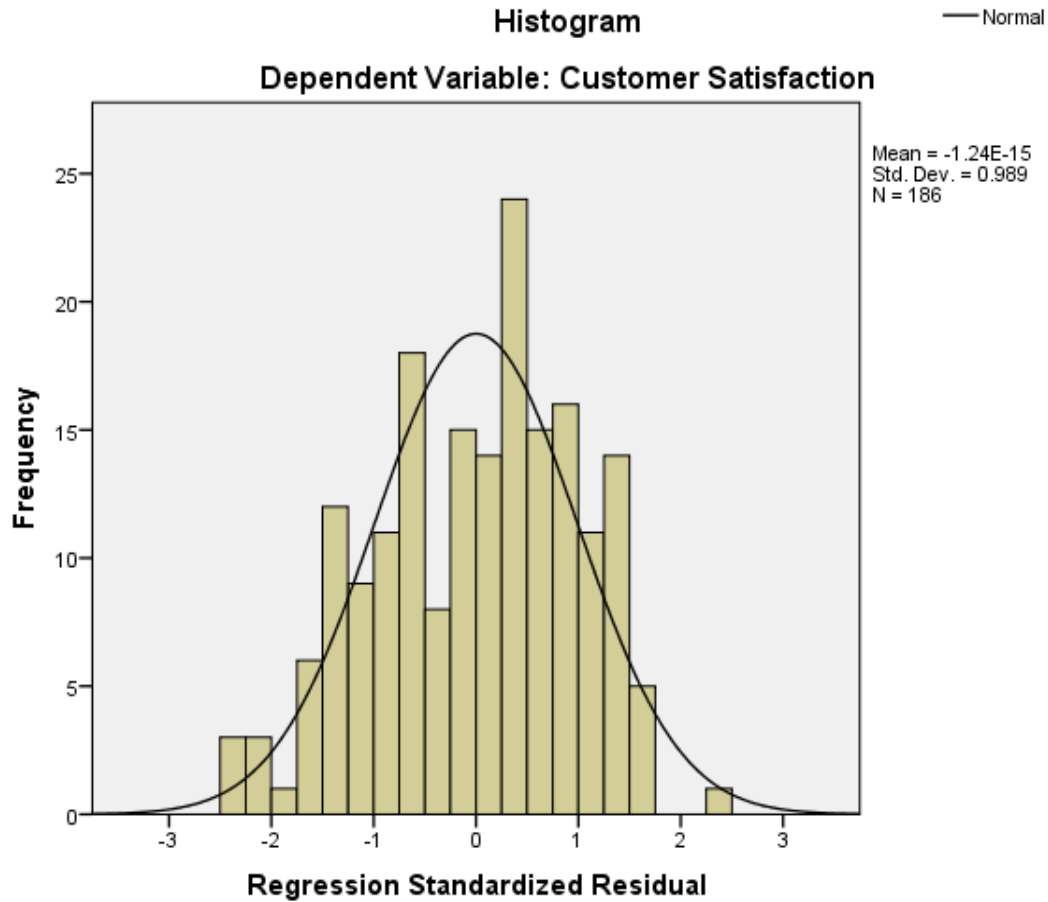
**Figure 4.4: Scatter plot of Customer Satisfaction and CRM Dimensions**



#### 4.7.4 Normality

For the sample size above 30 is usually sufficient to ignore the assumption regarding normal distribution (Weinberg and Abramowitz 2008). Since samples size of the study exceeds by far the suggested number hence it assumes normality.

**Figure 4.5: Normal Distribution Curve**



## CHAPTER FIVE

### SUMMERY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary

In this section summary of the major aspects of this study are addressed and in line with the major findings of this study, conclusion of the findings is presented and based on the conclusions

made, workable recommendation for Awash Bank of Ethiopia and for further research are suggested.

The overall objective of this study gives an insight how customers perceive CRM implementation and its effect on customer satisfaction which in return helps the bank to identify gaps between customers' needs and the current customer relationship activity of the bank and dimensions which contributes to customer satisfaction. In this study quantitative research approach is implemented and due to the purpose, a descriptive research design was used and a cross-sectional research survey also considered. The target population for this study were all premium customers of Awash Bank in special branches of Addis Ababa, those who were service user of saving, current, loan, local transfer, forex, import and export and ATM and their age 18 and above and had been used service starting from less than one year of the individual customer in the branches.

In this study, both primary and secondary data were used as source of information. Based on the research objective, English and Amharic version questionnaires were prepared. (196) customers were approached using non- probability sampling that is convenience sampling technique. From the 196 survey forms, 186 are completed and returned. This is a 95% response rate.

Regarding the reliability of the questionnaires table No. 3 illustrates all the dimensions are reliable and acceptable in good with Cronbach's Alpha result 0.864. With respect to the demographic information of the respondents, table No. 4 indicates majority of the respondents (78%) are males and (22%) are females, and on table No. 5 illustrates majority of the respondents' age between 31-40 years old (41.4%). Then, on table 6 depicts majority of the respondents (95.2%) are certificate and above certificate and the remaining 4.8% of the respondents achieved primary education.

Moreover, on table No.7 demonstrates majority of the respondents (77.9%) are running their own business and 5.9% of the respondents are personal user and 16.2% are for business and personal purpose. Besides, on table No. 8 indicates majority of the respondents (33.3%) have 1-4 years' of relationship and (57.6%) of the respondents have above 5 years of relationship with the bank. On table No. 9 shows, majority of the respondents are automatic teller machine service users (36%), and almost 77.4% of the respondents use more than one service provided by the bank. As the findings of this study indicated on Table No 15, respondents agreed with the four

dimensions of customer relationship management by giving the higher rate of scale to technology orientation mean of 3.98 with standard deviation 0.75, followed by customer focus (mean=3.85, SD= 0.69), reliability (mean= 3.73, SD=0.76) and process driven approach (mean=3.43, SD= 1.03). Besides, the respondents agree for dependent variable customer satisfaction with mean of 3.55 and standard deviation 1.05.

Moreover, the results of correlation analysis in Table No. 16 shows that all the independent variables (reliability, process driven approach, customer focus and technology orientation) are positively and significantly correlated with the dependent variable (customer satisfaction) at 99% confidence level ( $P < 0.01$ ). The highest correlation is signified by process driven approach ( $r = 0.747$ ), followed by reliability ( $r = 0.638$ ), customer focus ( $r = 0.612$ ) and technology orientation ( $r = 0.483$ ). Furthermore, Table No. 17 depicts the results of multiple regressions of four underpinnings of customer relationship management. The research at hand relied on a 95% level of confidence therefore, P value less or equal to 5%, the result shows that the model tested is significant ( $p < 0.05$ ). The multiple R is .801 (it shows the correlation between dependent and independent variables), R square 0.641 and adjusted R square 0.633 indicates that 63.3% the variance in the dependent variable (customer satisfaction) can be explained/predicted from the independent variables. Means the random variation of the error term explains around 36.7% of the variation of the independent variable. Or the remaining 36.7% of the variance in customer satisfaction may be explained by other factors such as customer trust, commitment, CRM knowledge. To identify customer relationship management dimensions with their importance in influencing customer satisfaction,  $\beta$  value and their significance are important statistics to look at. The unstandardized beta value for process driven is  $\beta = 0.462$ .

Based on the findings it can be concluded that, the hypothesis one, two and three are accepted and hypothesis four should be rejected.

## **5.2. Conclusion**

The present research seeks to investigate CRM dimensions effect on customer satisfaction. During the investigation the researcher used both descriptive and inferential statistics and based on the findings she made the research project to an end by outlining the following classic conclusions. Based on the results of the descriptive statistics it is pertinent to conclude that most of respondents agreed on the statement of being a satisfied customer of Awash Bank which is

evaluated from four dimensions (reliability, process driven, customer focus and technology orientation).

In addition to the descriptive statistics, inferential statistics were made using correlation and multiple regression analysis and the results are concluded as follows:

- Correlation analyses launch a positive and significant relationship between customer relationship management dimensions (reliability, process driven, customer focus and technology orientation) on customer satisfaction.
- Furthermore, the multiple regression analysis notifies more than sixty three percent variance of customer satisfaction is attributed to customer relationship management (reliability, process driven, customer focus and technology orientation).
- As far as the relative influence of an individual component of CRM on customer satisfaction the result of multiple regression coefficients ( $\beta$ ) commence process driven approach is the most dominant relational dimension in determining the variation in customer satisfaction and next customer focus and reliability.
- Thus, only hypothesis four was rejected.

### **5.3. Recommendations**

Based on the conclusions drawn in the previous section, the following measures are recommended for Awash Bank in order to reach the ultimate benefits from the implementation of CRM activities and enhance customer satisfaction.

As per the finding, from four CRM dimensions, reliability, process-driven approach, and customer focus has positive significance influence on customer satisfaction with the bank help managers ascertain priorities, at least in terms of satisfaction drivers. Thus, to enhance customer satisfaction the bank should make continuous effort to improve the effect of CRM dimensions specially processes driven approach, reliability and customer focus.

Process driven approach has the highest influence on customer satisfaction. Therefore, managers of Awash Bank should give more attention (by giving training to employees) in executing customer transaction correctly and deliver service rapidly are important in enhancing customer satisfaction.

Reliability and customer focus dimensions also have strong effect next to process driven approach on customer satisfaction. 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.

Unfortunately, technology orientation has shown little effect on customer satisfaction, still has a positive correlation with the dependent variable; therefore, it is very important factor to addresses the operational performance of the banks with the use of the latest technology such as automatic teller machines, internet banking, mobile banking and POS. The bank's CRM technology allows collection of customer information across various point of contact and thereby delivers personalized services to maximized customer value. Further, CRM technologies augment the customer information processes and enables effectiveness of relational efforts. Therefore, it needs more attention.

✓ Bank managers, the identification of these dimensions, enable to design an effective CRM that fosters enduring relationships with customers.

Generally, bank managers should focus on scoring of the three dimensions to maximize CRM activities. Therefore, the satisfaction of the customers is of immense importance to the present and future firm performance of Awash banks. The customer who is satisfied shall always be loyal and remain with the company. For the company to keep the customer, it requires less effort, time, and money than getting a new customer. A satisfied customer is willing to pay a higher price. When the customers are satisfied, they represent a free form of advertisement, and they are mostly inclined to buy other products.

#### **5.4. Limitation and Future research directions**

There is time and financial limitation to conduct detail and complete research of all the branches of the bank in Mekelle since the target population (customers) is large. Customer relationship management dimensions namely reliability, process driven approach, customer focus and technology orientation are used. The study is limited only on bank's purposely selected branches in.

Future research is recommended to identify other variables of customer relationship management that affect customer satisfaction. For example, customer trust, commitment and CRM knowledge are some of the variables. Moreover, the research is conducted in special grade IV branches of Awash Bank of Ethiopia located in Addis Ababa, thus further research is recommended to assess the influence of these dimensions on customer satisfaction in branches lower than grade IV and in those branches located outside Addis Ababa too.

Finally, this study offers a cross-sectional view. CRM efforts can be regarded as an ongoing process to keep abreast of the changing customer preferences. Thus, future studies should use longitudinal framework to provide further insights on the dimensions studied over time.

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## Appendix Questionnaire

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 A case of Awash Bank of Ethiopia, Mekelle” for the fulfillment of the requirement of Masters in Marketing Management at Mekelle University College of Business and 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 asks your cooperation to attempt all questions objectively and honestly.

Thank you for your cooperation!

### Part I. Personal Information

Please indicate your reply by putting ( ) Mark

1. Sex:    A) Male         B) Female
2. Age group:  
    A) 18-30         B) 31-40         C) 41-50         D) 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   
    Other please specify \_\_\_\_\_
5. Relationship with this bank  
    A) Less than 1 year         B) 1-4 years         C) 5-7 years   
    D) 8 – 10 years         E) More than 10 years
6. The Service/s you use from the bank (you can indicate more than on service)  
    A) Saving     B) Current account     C) Loan         D) Importand Export   
    E) Money transfer         F) Forex         G) ATM

## Part II. Customer Relationship Management

Please indicate the extent to which you agree/disagree with the following statement. Strongly disagree represents the least weight of 1 while strongly agree is for the highest weight of 5.

Please put (√) mark according to your choice.

Description	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
<b>1. Reliability</b>					
1.1 This bank maintains consistent service standards.					
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.					
<b>2. Process-driven Approach</b>					
2.1 This bank delivers services at the earliest.					
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.					
<b>3. Customer Focus</b>					
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 strengthens the emotional bonds with its key customers by wishing them on					

important occasions.					
3.4 The Bank uses the concept of 'Relationship Pricing' in pricing its services.					
<b>4. Technology Orientation</b>					
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 gives technology-based services to the customers; it maintains and builds better customer relationship.					
4.4 The bank information system is designed to give comprehensive data about all aspects of its customers, so that the bank can be responsive to them					
<b>5. Customer Satisfaction</b>					
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.					