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Original Research

Effect of Relationship Marketing on Customer Satisfaction in the Case of in Ethiopian Banking Industry

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Abstract

This research looked at the banking sector in Ethiopia to see how relationship marketing affected customer satisfaction. In order to determine whether Relationship Marketing causes a rise in Customer Satisfaction, this study employed an explanatory research strategy. The study employed a mixed-methods strategy. The research made use of data collected from both official and unofficial sources. To choose the participants from the study's intended demographic, researchers employed both basic random selection and stratified sampling methods. Data analysis techniques included descriptive statistics and inferential procedures. In addition, SPSS -Version 25 was utilized for data analysis in the study. This study looked at the banking business in Ethiopia and showed that customer happiness is significantly impacted by three aspects of relationship marketing: commitment, transparency, and empathy. The Ethiopian financial sector also pays little attention to the trust. So, the research suggests that the bank keep up its efforts to foster commitment, openness, and empathy. Furthermore, in order to build trust among clients, it is preferable if the organization gives high consideration.

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INTRODUCTION

The liberalization of Ethiopia's financial sector has allowed the country's financial institutions to flourish and expand during the past two decades. Banks nowadays face stiff competition from both internal rivals and external rivals in the form of other financial institutions. Banks cater to their customers' demands by offering a range of products and incentives. Customers don't notice much of a difference in the banking products supplied because competitors swiftly match new offerings. "Abera (2016)" made the claim. Furthermore, a large proportion of consumers transfer banks frequently, despite the fact that banks strive to enhance customer happiness and retention. Banks in this situation would do well to study up on the four impacts of different marketing approaches so that they can hold on to their current customers and attract new ones while improving their competitive position. As a result, relationship marketing has grown into a promising branch of marketing that centers on fostering enduring bonds with clients and other stakeholders. The strategy is of utmost importance to service companies due to the significant client interaction and intangible character of their products. An important part of relationship marketing is that it helps businesses make more money from customers and gives service firms a leg up in the market because of the intangible qualities of relationships that are hard for rivals to replicate (Chakiso, 2015).

The subject is receiving a lot of attention and numerous studies have been carried out by different researchers to demonstrate the numerous advantages of relationship marketing. One of these benefits is the development of customer loyalty, which is especially important in the banking sector and the service industry as a whole (Berry, 1995). Many things have contributed to relationship marketing's success in bringing customers happiness, including honesty, reliability, competence, fairness, kindness, empathy, conflict management, and the ability to communicate or share confidential information (Ndubisi, 2007).

Research in the topic is still debatable, nevertheless, because previous studies found conflicting results when examining the relationship marketing components and the extent to which they impacted both customer happiness and the sales performances of businesses. Empathy, commitment, trust, perceived value, perceived service quality, and conflict handling are factors that impact customer loyalty, according to Malik et al. (2012) in the context of retail banking in northern Malaysia. According to research, the two most important factors influencing customer satisfaction and a company's bottom line are the quality of communication and its approach to addressing conflicts. The dedication of bank employees was also found to be a significant factor in determining client loyalty in Sri Lanka (Gaurav K., 2008). Furthermore, there is a dearth of research in Ethiopian academia on the topic of relationship marketing's impact on businesses' bottom lines and client happiness. The majority of research ignored the banking industry as a whole in favor of examining a specific bank.

Given the significance of relationship marketing in Ethiopian banking today and the aforementioned gaps in theory and context, this study will use five explanatory variables—trust, commitment, communication, conflict handling, and empty—to examine how relationship marketing affects customer loyalty at a sample of Ethiopian commercial banks. Thus, the author(s) did not take into account the impact of Relationship Marketing on Banking Customers' Satisfaction, according to the researcher's information. The goal of this research is to find out how the chosen banking sector in Ethiopia fared in terms of customer satisfaction after implementing relationship marketing strategies.

MATERIALS AND METHODS

Research Design

The study opted for an explanatory research design. The cause-and-effect relationship of the phenomenon is explained using an explanatory research design, according to Martin (2013). Because of this, researchers in Ethiopia's banking sector used an explanatory research methodology to look at how relationship marketing affected customer satisfaction.

The study used a mix of qualitative and quantitative research methods. In order to overcome the limitations of both qualitative and quantitative research methodologies, mixed-method studies are increasingly being used.

Target Population

Staff and clients of Ethiopian financial institutions were the focus of the research. Based on their performance, both publicly and privately owned banks were included. Consequently, the target group was chosen from among the Ethiopian commercial banks that are owned by the government (Husnain & Akhtar 2015; Levesque, 1996).

Three commercial banks that were privately held were chosen. Like Oromiya Bank, Nib International Bank, and Awash International Bank. Those particular institutions were highlighted as the top-performing private commercial banks in the 2019/2020 Annual Report of the Ethiopian National Bank. This is the meat and potatoes of why we went with those financial institutions. Metawa and Almossawi (1998) narrowed the study's focus to focus on those banks' clients and workers.

Sampling Techniques

There were two types of sampling methods employed in the research: probability and none probability. The respondents were chosen using stratified sampling techniques. The following banks were chosen on purpose: Oromia Bank, Nib International Bank, Awash International Bank, and Ethiopian Commercial Bank. According to the 2019/2020 annual report of the Ethiopian National Bank, those were the banks chosen. This yearly analysis ranked the aforementioned financial institutions as Ethiopia's best commercial banks. According to the data presented in the report, those financial institutions ranked in the top five for that particular fiscal year. The researcher has chosen those banks intentionally because of this (Abtin & Pouramiri, 2016). Consequently, those financial institutions were hand-picked for their customer-accessibility and financial strength (Rao & Abegaz, 2017; Taleghani et al., 2011; Worku et al., 2016).

In addition, respondents from both publicly-owned commercial banks and privately-owned CBEs were chosen using stratified sampling procedures. This means that there is a tier system for commercial banks in Ethiopia, with privately held institutions including Oromiya Bank, Nib International Bank, and Awash International Bank making up the second tier. Lastly, each respondent from the stratum was selected using simple random sampling techniques. In addition, the accompanying figure illustrates the precise procedures for sampling.

Sample size

The researcher has followed this formula proposed by Cochran (1977) to get the sample size from a target group. Since the exact quantity of customers from the goal is impossible to ascertain, the researcher opted for this calculation. Therefore, the formula is suitable for determining the sample size in cases where the population is very huge. As a result, here is the formula:

$$no = \frac{Z^2 pq}{e^2}$$

Where: n_0 =is the sample size, z= is the selected critical value of the desired confidence level p= is the estimated proportion of an attribute that is present in the population; q= 1-p and e are the desired level of precision.

Therefore, using the above formula the sample size of the study was calculated as the following:

p = 0.5 q =1-0.5=0.5

e = 0.05 z =1.96

$no = \frac{Z^2 pq}{e^2}$; $no = \frac{1.96^2 0.5 * 0.5}{0.05^2}$ = 384

Therefore, the sample size of the study was 384 respondents

Source of Data

The research drew on primary and secondary data collected from a number of different banks. Data came primarily from questions asked of respondents, in-depth interviews, and careful observation (Jesri, 2013; Ok, 2018; Sivesan, 2012). The banks' annual reports and strategic plans were among the secondary sources of information.

Method of Data Collection

In addition to reviewing secondary sources that have contributed to the development of key information pertaining to the study objectives, primary data was gathered through the use of a questionnaire.

Method of Data Analysis

Researchers in this study employed inferential statistics to go through their data. The link between the independent variable (link Marketing) and the dependent variable (Customer satisfaction) was examined using the Multiple Regression model.

Multiple Regression Analysis

When looking for the overall impact of multiple independent variables on a dependent variable (adjusted R square) or the individual effects of each independent variable on the dependent variable when controlling for the other independent variables (i.e., establishing the relationship between each independent variable while controlling for the other independent variables' effects), multiple regression analysis is a great tool to use. Consequently, the firm's sales performance in the banking industry was investigated using multiple regression analysis, which looked at the relationship between relationship marketing, promotional strategy, customer happiness, and the firm.

To examine the effect of relationship marketing on customer satisfaction in the Ethiopian banking industry

CS = β0+ β1 Comun + β2 Commit + β3 transp + β4 emph +β5 Tru + ε

Where: B1, β2, β3, β4 and β5 are the Regression Coefficients to be estimated; CS = Customer Satisfaction; Comun = Communication; Commit = Commitment; Transp = transparency; Emph =empathy; Tru = trust; ε = Errorterm

RESULT AND DISCUSSION

Regression Model Assumption Test

The multicollinearity test decision rule for the given model is a variable with a VIF value larger than 10, as stated by Bambore and Singla (2017), which indicates the presence of a multicollinearity problem. The regression coefficients in Table 1 below show that there is no evidence of multicollinearity in this study. This is due to the fact that the tolerance coefficients are greater than 0.360 and the variance inflation factor coefficients are less than 10. Additionally, the researcher has verified that the data is normal, and the data set appears to be straightforward.

Table 1

Multicollinearity test

S. No	Model (Constant)	Collinearity Statistics	
		Tolerance	VIF
1	Trust	0.283	3.533
2	Communication	0.403	2.482
3	Commitment	0.426	2.346
4	Transparency	0.371	2.696
5	Empathy	0.330	3.026

This means that the normalcy test is satisfied. Looking at the linearity probability plot visually shows that the points tend to be in a straight line, hence there was no violation of the linearity assumption (Ahearne et al., 2008; Gilaninia et al., 2011). The normalized residuals scatter plot clearly shows this. We have not found any significant violations of assumptions. Thus, it is clear that the assumption tests for normality, linearity, scatter plot, tolerance, and variance inflation factors were satisfied. so that the regression analysis can be conducted.

Table 2

Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.943[a]	0.889	0.887	0.05362

[a] *Predictors: (Constant), trust, empathy, transparency, commitment, Communication*

Table 2 displays the correlation coefficient (R) between the anticipated and observed values. status of the metric that is being measured. It can take on values between zero and one. A weak or nonexistent linear relationship between the dependent and independent variables is indicated by a tiny value. Thus, the high value of R (0.943, or 94.3% in Table.2) suggests a strong association between relationship marketing and customer happiness.

Table.2 displays the range of variables utilized for the analysis. The R-squared value, which is the determinant coefficient, indicates the extent to which the independent variables of trust, communication, commitment, transparency, and empathy are influencing the dependent variable of customer happiness. According to Table.2, an R-squared value of 0.889 indicates that 88.9% of the shift in customer satisfaction can be attributed to TCE (Truth, Communication, Commitment, Transparency, and Empathy). In this study, around 11.1% is left unexplained. What this means is that other scholars will look into the remaining variables in the future. Table 2 is located above. When estimating the model's fit to the population, the adjusted R-squared, which is the sample R-squared, is a more optimistic measure.

Table 3

ANOVA

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	7.499	5	1.500	521.664	0.000[b]
Residual	0.940	327	0.003		
Total	8.439	332			

[a] Dependent Variable: customer satisfaction, [b] Predictors: (Constant), trust, empathy, transparency, commitment, Communication

It is common for the model to perform better on the sample than on the population as a whole. A more accurate reflection of the model's goodness of fit in the population is provided by adjusted R squared, which is an attempt to rectify R squared. Accordingly, the adjusted R-squared value is 0.887, or around 88.7 percent.

Statistical significance is achieved in analysis of variance (ANOVA) when the F ratio is high and the probability is lower than 0.05. In light of this, we can verify the model's overall significance and fitness using the results in Table 3. A value of Prop>F=0.000 indicates that the model's output is statistically significant at a level lower than the 50% significance threshold. According to Alrubaiee and Al-Nazer (2010), this indicates that the model is highly effective in explaining the data.

Table 4 shows the results of the research tests that used a multiple linear regression model. According to Table 4, the multiple linear regression model has a good fit for the predictability of the data because the F-statistic is 521.664 with probability (F=0.000). At a significance level of $P < 0.05$, this suggests that the model is very significant.

This demonstrates that the independent variables of interest in the Ethiopian banking sector—customer satisfaction—are all significantly impacted by the interplay of empathy, commitment, communication, transparency, and trust.

Table 4

Regression Coefficients Result

Coefficients Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.236	0.085		2.771	0.006
Communication	0.157	0.024	0.197	6.548	0.000
Commitment	0.223	0.023	0.280	9.635	0.000
Transparency	0.196	0.018	0.320	10.770	0.000
empathy	0.268	0.014	0.435	19.344	0.000
Trust	0.083	0.024	0.096	3.471	0.001

[a]Dependent Variable: Customer satisfaction.

To determine the relative importance of the independent variables, standardized coefficients are helpful. You can use them to compare how different independent variables affect the dependent variable. The regression coefficients are displayed in the table above. 4 Commitment had the lowest standardized coefficient (0.280), followed by Transparency with a value of 0.320, and Empathy with a value of 0.435. Communication was the fourth variable with a value of 0.197, and trust was the last variable with a value of 0.096. Out of the four independent factors, the first three—compassion, openness, and dedication—had the most impact on customers' happiness.

A statistical analysis of the regression coefficient revealed that the following factors significantly predicted customer satisfaction: empathy, dedication, transparency, communication, and trust. Given that each of their p-values—for empathy, commitment, transparency, communication, and trust—is less than 0.000, 0.000, and 0.000, respectively. thus, none of them are greater than 0.05. Each independent variable under Research has its unstandardized beta coefficient value examined in this study to determine the explanatory variable's unique contribution. As a result, the unstandardized beta coefficients for empathy (0.268), transparency (0.196), commitment (0.223), communication (0.157), and trust (0.083) are as follows.

Thus, it can be said that in the Ethiopian banking sector, customer satisfaction was determined by empathy. In the realm of research, this translates to an increase of 0.268 degrees in customer satisfaction for every unit increase in empathy, 0.196 degrees in transparency, 0.223 degrees in commitment, 0.157 degrees in communication, and.083 degrees in trust. All of these factors contribute to a higher level of customer satisfaction overall. Trust has a less impact on customer happiness than empty promises, unwavering commitments, and openness, according to this.

The optimal data fit, as determined by the multiple linear regression model, is given by the following equation:

$$CS = 0.236 + \beta_1 0.157(Comun) + \beta_2 0.223(Commit) + \beta_3 0.196(Transp) + \beta_4 0.268(Emph) + \beta_5 0.083(Tru) + \varepsilon$$

Customer satisfaction (CS) served as the dependent variable in these multiple regressions, with communication (Commun), commitment (Commit), transparency (Transport), empathy (emph), and trust (Tru) serving as the independent variables.

A value of R of 0.943 was determined by the data analysis.94.3% of the time, there is a strong correlation between relationship marketing and happy customers. Also, the study found that R-squared is 0.889, which indicates that 88.9% of the shift in customer satisfaction can be attributed to TCE (trust, communication, commitment, transparency, and empathy). In this study, around 11.1% is left unexplained. What this means is that other scholars will look into the remaining variables in the future. The results of the regression analysis showed that out of the three variables, commitment (0.280), transparency (0.320), and empathy (0.435), commitment had the greatest standardized coefficient. Communication was the fourth variable with a value of 0.197, and trust was the last variable with a value of 0.096. The first three of these independent variables empathy, transparency, and commitment had a significant impact on consumer satisfaction in that order.

Each independent variable under Research has its unstandardized beta coefficient value examined in this study to determine the explanatory variable's unique contribution. Consequently, the unstandardized beta coefficients for empathy (.268), transparency (0.196), commitment (0.223), communication (0.157), and trust (0.083) are as follows.

CONCLUSIONS

The study found that in the Ethiopian banking industry, customer happiness is greatly affected by both dedication and empathy. that's why it's wise for the bank to prioritize keeping its empathy. Having said that, the research shows that the bank is not paying much more attention to trust. Consequently, it is imperative that the bank devise optimal tactics to foster client trust.

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DECLARATION

The authors declare that they have no competing interests.

DATA AVAILABILITY

The data are available from the corresponding author upon reasonable request.

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