Effect of Relationship Marketing on Firm Sales Performance in the Case of Banking Industry in Ethiopia

Getachew Etana Eticha[*], Zerihun Ayenew Birbirsa[**], Misganu Getahun [***]

*PhD Candidate in Management at Wollega University, Ethiopia

**Associate professor of Management, Jima University, Jimma, Ethiopia

*** Assistant professor of Management, Wollega University, Ethiopia

Corresponding email: getachewettana@gmail.com

Abstract

This paper presents a study on the effect of relationship marketing on the firm sales performance of the banking industry in Ethiopia. For the study, an explanatory research design is used so as to investigate the causal relationship between relationship Marketing and firms' sales performances. Both primary and secondary sources of data are exploited. Stratified and convenient sampling techniques are also employed to select the respondents from the target population of the study. Descriptive statistics and inferential methods of data analysis are implemented using AMOS software. The executed results show that among dimensions of relationship marketing, both commitment and trust have a high effect on the firm sales performance of the Ethiopian banking industry. Moreover, Relationship Marketing has a positive and significant direct effect on the Firm's sales Performance (b=, 1.72, P < 0.001). Therefore, the practices of Trust, commitment, empathy, and communication are in good progress, and it is recommended that banks should give more emphasis on building relationship marketing.

<u>*Keywords*</u>**: Commitment, Communication, Empathy, Firm Sales Performance. Relationship Marketing and Trust**

----

1. Introduction

Relationship marketing has emerged over the years as an exciting area of marketing that focuses on building long-term relationships with customers and other parties (Aderaw and Manjit S, 2016). Various studies have been conducted by different researchers to show the many benefits of relationship marketing which include the development of customer loyalty in the banking sector. (Stavros & Westberg, 2009; Gilbert and Choi, 2003). Thus,

Relationship marketing is seen as an effective weapon to retain existing customers (Joe Choon et al.,2015). Additionally, Relationship marketing deals with those policies and strategies that organizations are practically implementing, maintaining, and enhancing the customer relationship to retain and attract new customers (Wilson et al., 2016). On the other hand, Aldaihani, & Ali, (2019) have found customer Profitability, Privacy, innovation of products and services, internal marketing, transparency, and brand image as relational strategies for customer retention. Likewise, Tawseef and Mushtaq (2020) mentioned that relationship marketing dimensions such as Trust, Communication, Commitment, Cooperation, Transparency, and Empathy affect the firm performance in the banking industry. Therefore, Best practices in relationship marketing require a comprehensive approach to clients (Catalina Chirica,2018).

However, Among the studies conducted in Ethiopia regarding the effect of relationship marketing on Firm sales performance, most studies focused on a single bank context instead of the whole banking sector. Thus, to the extent of the researcher's knowledge, no study was conducted to identify the effect of Relationship marketing on the firm sales performance of the Ethiopian banking industry by considering both public and privately owned banking industries. Moreover, The previous study revealed that the Ethiopian banking sector is characterized by the existence of high concentration (low competition) and operational inefficiencies; which is a clear sign of the unimpressive performance of the sector (Zerayehun, 2019).

Mesfin (2017) articulated that, even if the Ethiopian financial sector reform intentions were improving profitability, efficiency, and productivity, by adopting a strategy of gradualism, Ethiopian banks' performance has remained poor with substantial gaps in service delivery to private agents, particularly to the rural and lower-income population. Additionally, different research was conducted on the performance of the Ethiopian banking sector. Respectively, compared to other world countries, the banking sector in Ethiopia is undeveloped and the sales performance of the banking sector in Ethiopia is not satisfactory (Admassu and Asayehgn, 2014; Danbobi, 2020).

A study conducted by Deepak &Abebaw (2016) on the financial performance and ownership structure of Ethiopian commercial banks indicated that after the 1994 financial liberalization, the numbers of banks in the industry (particularly private banks) increased and the performance progress of the sector is better than the past. However, the study conducted by Belayneh (2017)

indicated that, still the bank's selling Performance in Ethiopia is weak and is much less booming than its neighbors. A similar study by Tesfaye (2015) found that, since 1991, Ethiopia has been taking various liberalization measures which are intended to enhance the performance of banks in the industry. Some of the measures include lifting the lending rate cap, allowing private owners to invest in banks, and introducing new financial instruments like introducing treasury bills, interbank foreign exchange markets, and others.

Despite the reforms introduced in the sector, the financial sector still remains to be undiversified in terms of ownership, market share, and financial instruments (Asayehgn, 2016). accordingly, such type of structure hampers the performance of the banking industry and enables inefficiency to reign in the sectors. Therefore, as per the knowledge of the researcher, the aforementioned authors did not consider the effect of Relationship marketing on the firm sales performance of the banking industry. Hence, this study is aimed to assess the effect of relationship marketing on the firm's sales performance, in the case of the selected banking industry, Ethiopia. Specifically, the study aimed to Assess the effect of trust, communication, commitment, transparency, and empathy on the firm's sales performance in the case of a selected banking industry, Ethiopia.

2. Literature Review

2.1. Theoretical Literature review

The concept of relationship marketing has received a great deal of attention from Scholars in the field of marketing. Respectively, Different scholars have discussed the theoretical foundation of Relationship marketing. Relationship marketing was the predominant way of thinking when developing a marketing strategy in both industrial and consumer marketing throughout the last decade of the 20th century (Tseng, 2007). Moreover, Peng and Wang (2006) stated that it was during the last decade of the 20th century that relationship marketing began to dominate the marketing field.

Relationship Marketing in the Banking Industry

According to Ibrahim et al., (2015), the current business situations provide customers with numerous choices which increase their bargaining power (Shanka, M. S,2012). Customers are looking for a variety of benefits from banks, such as better services, fewer transaction fees, higher interest rates for their accounts, indications of wealth, new products, and access to the bank through numerous practical channels, among other things. This has made

institutions rethink new ways to satisfy customers so as to remain in business. Relationship Marketing is one way that a bank can differentiate itself from other financial institutions and encourage brand loyalty among its customers. thus, different theories were discussed to show the philosophical foundation of relationship marketing

Transaction Cost Theory

Transaction cost theory emerged over 80 years ago yet continues to exert an important influence on marketing thought (Aric Rindfleisch, 2019). One of the theoretical foundations of modern forms of inter-organizational relations is the theory of transaction costs. Essentially, Douglas, J. Meehan (2001) argued that decisions about opening new businesses or retaining and developing certain parts of the company should be based on transaction cost theory. According to the Author, such decisions can solve major issues, such as the question of optimization of the organizational structure.

Therefore, Transactions lie at the heart of marketing activity and have long been invoked as a foundational element of marketing thought. For example, in his Principle of Marketing book, Kotler (1972) suggests that "marketing's core idea is market transactions." The importance of transactions is also evident in our day-to-day experiences, which are typically filled with a variety of transactions in both our personal and professional lives. However, a substantial number of marketing scholars such as Anderson (1985); Heide and John (1992); Jap, S. D et al., (2013) also have considerable interest in the manner in which transactions are organized. According to the Authors, this theory suggests that conducting transactions is a costly endeavor (e.g., negotiating contracts, monitoring performance, and resolving disputes) and different modes of organizing transactions (e.g., within a market or a firm) entail different costs. Hence, according to this theory, a comparative examination of the relative transaction costs (or their indicants) of these alternative modes reveals how a particular transaction should be conducted (Williamson 1985).

Social Exchange Theory

As to Russell and Marie (2005), Social exchange theory (SET) is among the most influential conceptual paradigms for understanding workplace behavior. Its venerable roots can be traced back to at least the 1920s. According to Shore et al., (2002) One of the basic tenets of social exchange theory is that relationships evolve into trusting, loyal, and mutual commitments. To do

so, parties must abide by certain "rules" of exchange. Rules of exchange form a "normative definition of the situation that forms among or is adopted by the participants in an exchange relation" (Rupp and Cropanzano, 2002)

Consequently, rules and norms of exchange are "the guidelines" of exchange processes. Thus, the use of social exchange theory in models of organizational behavior is framed based on the exchange rule or principle the researcher relies on (Witt, L., 2001).   Moreover, most management research focuses on expectations of reciprocity; however, several other exchange rules have been outlined in social exchange theory. Thus, the majority of this section will outline principles of reciprocity, but we also introduce negotiated rules and lesser-researched rules of exchange (Russell and Marie 2005).

Relational Contracting theory

Relational contracting (RC) is a generic term for collaborative approaches to procurement, such as partnering, strategic and project alliances, supply chain management, joint ventures, and lean construction. These approaches are based on trust, cooperation, and commitment. Since the 1980s, various forms of relational contracts have been advocated as an alternative to traditional arm's length relationships (Harrison, D, 2004).

RC is based on the proposition that economic exchanges contain a significant social component, which is reflected in the behavior and social relationships of the parties to the exchange. In such circumstances, the need to maintain the relationship overrides the gains achieved by enforcing the appropriate legal contractual obligations (Hughes, W, and Maeda, Y, 2002). While these attitudinal and behavioral norms are typically considered to be essential to the success or failure of RC, how they are understood, communicated, and acted out is less clear. The practice and usage of RC are explored as an alternative to formal contracting.

Relational contracting (RC) is based on the proposition that economic exchanges contain a significant social component, which is reflected in the behavior and social relationships of the parties to the exchange (Roger et al., 2003 Sheth, J. N., and Atul, M., 2000). In such circumstances, the need to maintain the relationship overrides the gains achieved by enforcing the appropriate legal contractual obligations. These authors observed that in most long-term contractual and business relationships, the legal mechanisms offered by specific contracts are not followed strictly but governance emerges from values and agreed-upon processes. Relational

contracts are motivated by the mutual recognition that the result of such exchange exceeds those that could be gained from other forms of exchange or exchange with different partners. ((Roger et al., 2003). Sheth, J. N., and Atul, M., 2000)

2.2. Empirical Literature review

Banks that embrace the marketing concept see relationship Marketing as the way to build loyal and profitable long-term relationships with each customer. Relationship-based marketing can result in long-term retention, which leads to improved financial and market performance, and an increased competitive edge (Shanka, M. S,2012). The study conducted by Mudassir H & M. Waheed A., (2015), in the sector of banking, revealed that the convenience of location, price, recommendations from others, and advertising are not important selection criteria for banks.

Relationship marketing variables:

In the literary review, many variables and concepts traditionally used in research in relationship marketing were presented and defined. Among different Literature, Hind and Kandoussi (2013) identified the following variables:

Trust

Trust is defined as a willingness to rely on an exchange partner in whom one has confidence (Morgan and Hunt, 1994). It is essentially the belief that an individual will provide what is promised (Callaghan et al., 1995). The inclusion of trust as a central variable in a relationship exchange has been examined widely in the marketing literature. For example, in service marketing, Berry and Parasuraman (1991) find that "customer-company relationships require trust". In retailing, Berry (1983) stresses that "trust is the basis for loyalty". In strategic alliances, Sherman (1992) concludes that "the biggest stumbling block to the success of alliances is the lack of trust." In addition, recent work by Morgan and Hunt (1994) also identified trust as a key construct in their model of relationship marketing. Moreover, trust is viewed as a central construct in studies conducted by the Industrial Marketing and Purchasing Group (Ford, 1990). This study theorizes that the higher the level of trust between buyer and seller, the greater the probability of long-term relationships.

Trust is viewed as a vital factor as important as commitment in relational exchanges. Literature on trust gives a multitude of definitions. According to Miao et al., (2014), Trust is to "believe in the reliability and integrity of the partner, and also trust is defined as the

client's perception of credibility, integrity and client's goodwill. This means that the seller has the necessary skills to adequately meet the expectations of the client to whom he transmits reliable and relevant information. The seller will act in the client's interest whatever the situation is. Thus, the following hypothesis was Proposed

Ha₁: *Commitment has a significant effect on the firms' Sales Performance*

Communication

Communication is defined as the formal as well as information exchange and sharing of meaningful and timely information between buyers and sellers. Communication, 15 especially timely communication, fosters trust by assisting in solving disputes and aligning perceptions and expectations (Etgar, 1979). Research on relationship marketing also highlights the importance of information exchanges in business relationships. Mohr and Nevin (1990) call communication "the glue that holds together a channel of distribution". Anderson and Narus (1990) stress the crucial role communication plays in the formation of cooperation and trust in partnerships. Morgan and Hunt (1994) find that communication has a positive and indirect impact on the retailer-supplier relationship commitment in the automobile tire industry. Additionally, some studies reveal that information exchange can help both buyers and sellers to respond better to new opportunities and threats. Hamfest and Lindberg (1987) find that the transmission of information through a contact network can spur technological development.

To prove the aforementioned Empirical findings, the following Hypothesis was tested.

Ha₂: *Commination has a significant effect on firm's Sales Performance*

Commitment

According to relationship literature, commitment is a crucial variable, but not exclusive in an exchange relationship for a company desiring to maintain good relationships with its clients for the long term. Specifically, "the commitment of exchange partners is the key to achieving outcomes of great value, commitment as the desire to maintain a valuable relationship. This definition stresses the importance of value creation in a relational exchange (Bonnemaizon and Louyot, 2015).

Research on organizational Commitment has indicated that Organizational Commitment is a spontaneous, organic process that develops through the association of an individual with the

organization (Messner, 2013). It can be based on various stages or levels of commitment with antecedents that are based on an individual's perception of loyalty. The commitment of employees to an organization is essential because it affects their engagement in the organization and contributes to their retention (Tuna, et al., 2016). Employees are more willing to invest in their work when they feel that the organization supports their psychological need to feel safe and supported and those employees who are committed also have a greater sense of job satisfaction, which may be a predictor of engagement (Saeed, et al., 2014). Moreover, Tuna et al. (2016) among others have noted that the extent to how strongly an individual identifies with an organization is a predictor of the individual's OC. Employees who are committed have a sense of purpose that may help them to advance organizational goals and objectives. Therefore, the researcher Proposed the following hypothesis

Ha₃: Commitment has a significant effect on the firm's Sales Performance

Transparency

Transparency is a key variable in the financial markets, and even more so in the banking sector. It is widely considered an important contributor to bank stability because of the use of financial reports in effective market discipline and bank supervision. It is also regarded as a necessary condition for the implementation of corporate governance especially in emerging economies. However, the issue related to factors influencing bank transparency is less analyzed in the banking literature.

There are inherent difficulties in making the riskiness of any enterprise transparent, including banks. For instance, in many countries, the value of core banking activities, e.g., as they relate to credit risk and impairment inherent in the credit portfolio, cannot be estimated without some degree of imprecision. Therefore, the financial strength of a bank at any point in time and its financial performance over accounting periods, which are key inputs into any assessment of its riskiness, are subject to a certain degree of uncertainty. Furthermore, the risk appetite of a bank and the quality of its internal controls are crucial to the assessment of its riskiness, but may be difficult to communicate meaningfully, and, hence, difficult to make transparent. To achieve transparency a bank, in its financial reports and other disclosures to the public, should provide timely information on key factors affecting market participants'

assessment of banks. Based on the above-mentioned empirical findings the following hypothesis was Proposed.

Ha₄: *Transparency has a significant effect on the firm sales performance.*

Empathy:

Empathy leads to the continuous use of banking services by its customers (Van Iwaarden et al., 2003; Lo et al., 2010; Nupur 2010; Santhiyavalli, 2011; Shanka, 2012; Devi & Ramburuth, 2012). Ilyas (2013) and Rajalakshmi (2016) found that empathy is one of the most significant factors considered by customers while assessing service quality. Empathy helps in bringing customer satisfaction (Lau et al., 2013; Hamzah et al., 2017). Customers have a favorable perception regarding the bancassurance channel (Singh & Choudhury, 2017).

Empathy helps in building positive emotions toward the brand (Lee et al., 2011). Employees''s ability to understand customer emotions, and expectations, and respond accordingly in coordination with appropriate interactive behaviors increases loyalty towards the brand (Jones & Shandiz, 2015). Empathic employees have the ability to provide personalized assistance to customers (Wieseke et al., 2012) resulting in higher customer satisfaction. The empathetic employee develops a long-lasting relationship between customers and the brand (Agnihotri & Krush, 2015; Itani & Inyang, 2015). Thus, the study tested the following hypothesis

Ha₅: *Empathy has a significant effect on firm sales Performance*

Firm's sales performance in the banking industry

According to Kosile et al., (2012), the real purpose of business is to create and sustain mutually beneficial relationships, especially with selected customers. The main proposition assumes that successful relationships are the two-way flow of value. A positive relationship has been established between relationship marketing and organizational performance.

Ismail, S. T. (2009) revealed that Relationship marketing usually results in strong economic, technical, and social ties among the stakeholders' parties thereby reducing their transactions costs and increasing exchange efficiencies included in relationship marketing which are not only buyers or seller's exchanges but also business partnerships, strategic alliances, and cooperative marketing networks. The relationship typically involves seller-customer

exchange, but it could involve any stakeholder's relationship. Additionally, Ismail (2009) showed that relationship marketing emphasizes that relationships are partnerships with an emphasis on social bonding, cooperation, joint problem-solving, sharing resources and activities, and basing a relationship on common goals.

Moreover, relationship marketing emphasizes that long-term relationships are mutually beneficial. In any genuine relationship, both parties involved should be beneficiaries of the outcome of such relationship. The research conducted by Bergman (2010) the finding reveals a positive and significant relationship between Relationship Marketing and Bank Performance indicators. The Relationship Quality and Relation Benefits were found to be positive and significant determinants of Bank performance.

2.3. Conceptual Framework

The study finds out the effect of relationship marketing on the firm's sales performance in the Ethiopian banking industry. The study conceptualizes relationship marketing as the independent variable and Firm Sales Performance as a Dependent Variable. Therefore, based on the theoretical and empirical review, the following conceptual framework in which this specific study is governed is developed as follows:
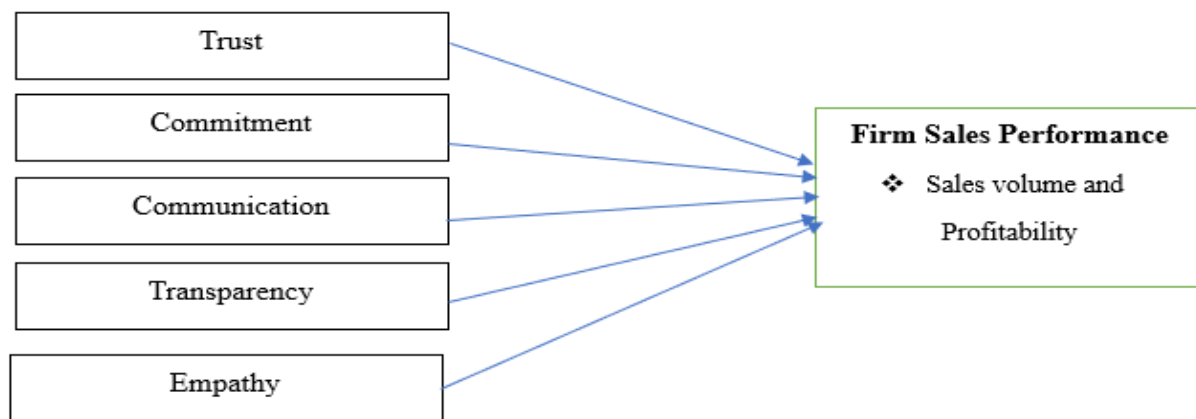
Figure 1: Conceptual Framework
Source: Researcher own survey, 2022

3.Methodology Used

An explanatory research design was employed to examine the causal relationship between the independent variable (relationship marketing) and dependent variable (Firms Sales Performance) in the case of the selected Ethiopian banking industry. Mixed method research was employed as both qualitative and quantitative research approach helps utilization of their strength and tackle

of disadvantages of both designs. The target population of the study was employees and customers of the selected banking industry in Ethiopia. Both governments owned and privately owned banks were included based on their performances. Accordingly, of government-owned banks, the Commercial Bank of Ethiopia was selected as a target group. From privately owned commercial banks, three banks were selected: Nib International Bank, Awash International Bank, and Oromiya Bank. Accordingly, those selected banks were mentioned as the best-performing private commercial banks.

Both probability and none probability sampling techniques were used in the study. Stratified sampling techniques were used to select the respondents. Respectively, Ethiopian Commercial Bank, Nib International Bank, Awash International Bank, and Oromia Bank were selected purposively. Thus, Government owned commercial bank is categorized as one stratum, and privately owned banks (Nib International Bank, Awash International Bank, and Oromia Bank) were categorized as the second stratum. Finally, convenient sampling techniques were used to select each respondent from the stratum. Further, the following figure shows the clear steps of sampling techniques.

For determining the sample size from a target group, the researcher has used the following formula which is suggested by Cochran (1977). Thus, the formula was calculated as the following:

$$n_0 = \frac{Z^2 pq}{e^2}$$

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

Therefore, for p = 0.5, q =1-0.5=0.5, e = 0.05, and z =1.96, the sample size of the study was 384 respondents. In this research in order to analyze the data, inferential statistics were used. A structural equation model was used to examine the relationship that exists between the independent Variables (Relationship Marketing) and dependent variable (Firms Sales Performance).

4. Result and Discussion

384 booklets of questionnaires were distributed and 333 of them were collected. This is 86 percent of the total Sample size. This has been done due to the follow-up of the researchers and countless commitments of the respondents. The following table depicts the response rate.

4.1. **Descriptive Analysis**

In this section, the feedback of respondents toward five measurement dimensions of relationship marketing is analyzed and interpreted. Respectively the researcher has used to analyze the grand mean of five dimensions of relationship marketing.

Table 1: Descriptive statics for RM

Descriptive Statistics			
	N	Grand Mean	Grand Std. Deviation
Trust		4.4026	.20855
Communication		4.4603	.24284
Commitment	333	4.4958	.20364
Transparency		4.3735	.32664
Empathy		4.4019	.22340
Valid N (Listwise)			

Source: researchers' own survey, 2022

Respondents were asked to reply on the issue of trust, communication, commitment, and transparency in the banking industry. Under the aforementioned dimensions, several questions were raised for the respondents. Based on the feedback of the respondents the researcher analyzed the grand mean for each dimension. The analysis result from Table 1 indicates that the grand mean value of all questions under trust, communication, commitment, and transparency is 4.4026, 4.4603, 4.4958, 4.3735, and 4.4019 respectively. the executed results show that the bank is trusted by its customers, there is smooth communication between the customers and the banks, the bank is committed to its customers, the customers trust their banks, and both customers and bank feel the sense of being emphatic.

On the other hand, the customers' trust in the bank enables the banks to retain their customers. And, the availability of trust among the customers helped the banks to boost their sailing performances. The availability of smooth communication between banking and its customers helped the bank to generate sufficient profit. Thus, the availability of commitment in the banks

creates a conducive environment for the customers. Therefore, the customers didn't worry about their birr. They feel safe or safeguarded for their finance.

4.2. Inferential Analysis

Exploratory Factor Analysis for the Variable of Relationship Marketing

KMO and Bartlett's Test

Table 2 represents the result of KMO and Bartlett's test for the data related to the variables of Relationship Marketing.

Table 2: Exploratory Factor

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.665
Bartlett's Test of Sphericity	Approx. Chi-Square	943.611
	Df	10
	Sig.	.000

Source: researcher's own survey, 2022

Since KMO is greater than 0.5 and Bartlett's test significance number is less than 0.05 (sig<0.05), it can be said that the data is proper for doing factor analysis. Moreover, Table 2: shows the commonalities of the questions related to Relationship Marketing.

Table 3: communality test

Communalities		
	Initial	**Extraction**
Trust	1.000	.873
Communication	1.000	.762
Commitment	1.000	.810
Transparency	1.000	.868
Empathy	1.000	.915
Extraction Method: Principal Component Analysis.		

Source: researcher's own survey, 2022

In their studies, MacCallum et al. (1999) advocated that all items in a factor model should have communalities of over 0.60 or an average communality of 0.7 to justify performing a factor analysis with small sample sizes. Therefore, the numbers of communalities in Table 3 are greater than 0.05, all the questions related to the variable of relationship Marketing are proper in the process of factor analysis; therefore, no question is deleted. The total variance explained is presented in Table 3.

Table 4: Total Variance Explained

Total Variance Explained						
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.819	56.388	56.388	2.819	56.388	56.388
2	1.407	28.144	84.532	1.407	28.144	84.532
3	.382	7.634	92.165			
4	.222	4.441	96.607			
5	.170	3.393	100.000			
Extraction Method: Principal Component Analysis.						

Source: researcher's own survey, 2022

The total variance explained in Table 4 shows that these questions totally form two factors and these two factors explain and cover about 84.532% of the variance of 'Relationship Marketing '. This number indicates the very good power of explanation of research questions for Relationship Marketing.

Reliability test
Table 5: Reliability Test

Reliability Statistics		
	Variables	**Cronbach's Alpha**
1	Trust	0.866
2	Communication	0.885
3	Commitment	0.732
4	Transparency	0.79
5	Empathy	0.80
Overall Reliability		
		0.836

Source: researcher's own survey, 2022

The reliability of the survey instrument was tested using Cronbach's alpha (Cronbach, 1951) as a test of internal consistency for Relationship Marketing and Customer Satisfaction. The

Cronbach's alpha result for each variable is greater than 0.7 and the Cronbach's alpha result for all variables the Cronbach's Alpha is 0.836 (see Table 5). According to the thump rule, composite reliability values greater than 0.70 reflects good reliability. Between 0.60 – 0.70 is also acceptable if other indicators of the construct's validity are good (Hair et al., 2006). Hence, the composite reliability of the measurement model falls in acceptable values of greater than 0.7. In general, depending on the above reliability check for the measurement scales using Cronbach Alpha, the measurement model was acceptable.

Validity test

The following CFA is conducted to analyze the validity of the data. A Confirmatory Factor Analysis (CFA) was conducted using AMOS 23. Measurement model validity depends on establishing acceptable levels of goodness–of–fit for the measurement model and finding specific evidence of construct validity. Convergent and discriminant validities are two fundamental aspects of construct validity. Convergent validity refers to how closely the new scale is related to other variables and other measures of the same construct. Not only should the construct correlate with related variables but it should *not* correlate with dissimilar, unrelated ones. A determination along the latter lines is referred to as discriminant validity (de Vet et al., 2011; Streiner et al., 2015).

Table 6: Convergent Validity and Discriminant Validly

			Loading	square of standard loading	The sum of square standard loading	No of indicators	AVE	Square root of AVE
Trust	<---	RSM	0.761	0.579		5	0.522	0.71
Communication	<---	RSM	0.85	0.722	2.366			
Commitment	<---	RSM	0.586	0.343				
Transparency	<---	RSM	0.584	0.341				
Empathy	<---	RSM	0.617	0.380				
Market share	<---	FSP	0.972	0.944	2.217	3	0.739	0.859
Sales volume	<---	FSP	0.616	0.379				
Profit	<---	Firm sales	0.945	0.893				

		Pr.						

Source: Researcher Own survey, 2022

According to the arguments of different scholars, as a rule of thumb and for adequate convergence, an AVE of at least 0.50 is highly recommended. It has been said that an AVE less than 0.50 means items explain more errors than the variance in your constructs. For any measurement model, an AVE must be calculated for each construct and must be at least 0.50. Therefore, Table 6 shows that the result of AVE for all variables is greater than 0.5. Hence, there is no problem with convergent validity.

Discriminant validity is referring to the extent to which the construct is actually differing from one another empirically. It also measures the degree of differences between the overlapping construct and the discriminant validity which can be evaluated by using cross-loading of indicator, Fornell & Larcker criterion, and Heterotrait-monotrait (HTMT) ratio of correlation. By looking at the cross-loading, factor loading indicators on the assigned construct have to be higher than all loading of other constructs with the condition that the cut-off value of factor loading is higher than 0.70. Therefore, the result from Table 6 shows that there is no problem of Discriminant validity.

Multiple Regression Assumption Test

Normality of Distribution: This assumption is made to check if the data are normally distributed or not. The normality of distribution can be checked with a graphical (histogram and dot plot) method of tests.

Histogram of Residuals: In the histogram, a bell-shaped symmetrical curve is observed by having maximum scores in the middle and lesser at the edges. The histogram and normal probability plot (NPP) of the dependent variable are given in Figure 1
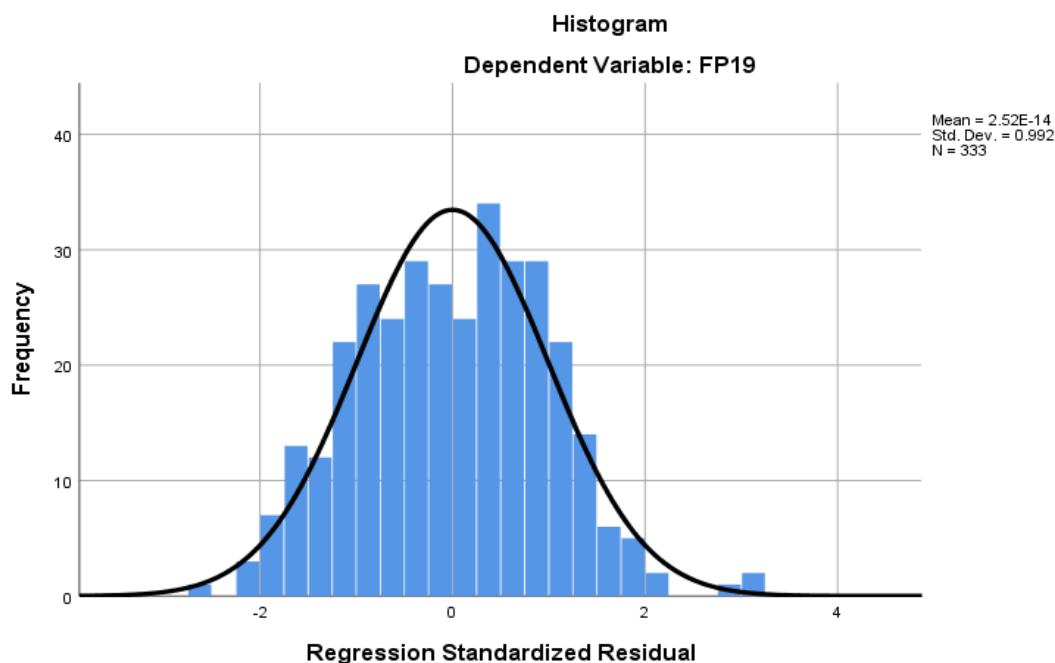
Figure 1: Histogram of Residuals Linearity Test / Homoscedasticity

Source: Researcher Own survey, 2022

This test is conducted to see if there is a linear relationship between independent and dependent variables. The researcher used a normal probability plot (NPP) and scatter plot to check the normality assumption. The figures show that the data used for this research was linear and homoscedastic.
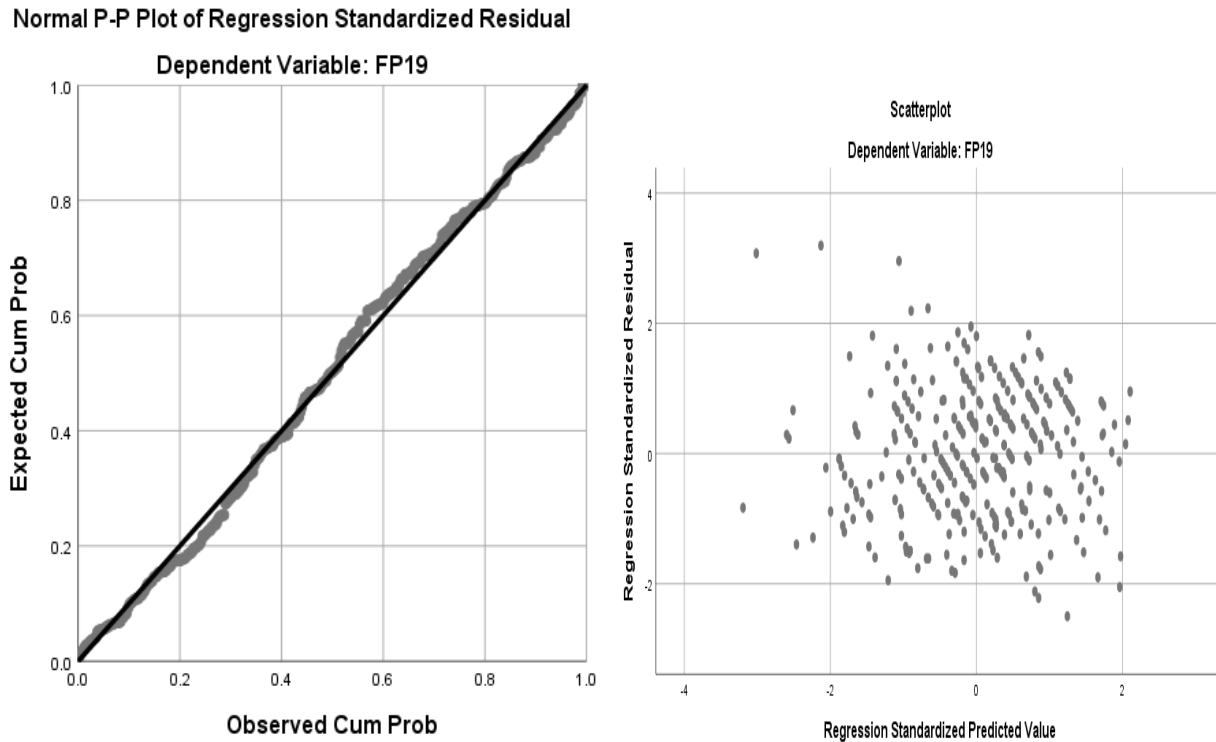
Figure 2: Linearity Test / Homoscedasticity

Source: Researcher Own survey, 2022

Multicollinearity test

Multi-collinearity is a situation in which predictor variables are highly correlated or interrelated (ramadan, 2018). The presence of multi-collinearity in a regression analysis indicates the use of redundant information which as a result can led to unstable regression coefficient estimates. The term multicollinearity is the existence of a "perfect," or exact, linear relationship among some or all explanatory variables of a regression model and also refers to the case in which two or more explanatory variables in the regression model are highly correlated and also an indication for a linear relationship between independent variable. So, multicollinearity occurs when the independent variables are not independent of each other. Based on this the researcher used the variance inflation factor test to check the presence or absence of multicollinearity in the data. Multicollinearity test results were shown in Table 7.

Table 7: Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	(Constant)		
	Trust	0.283	3.533
	Communication	0.403	2.482
	Commitment	0.426	2.346
	Transparency	0.371	2.696
	Empathy	0.330	3.026
Dependent variable: Firm sale performance			

Source: Researcher Own survey, 2022

According to Raykov & Marcoulides (2006), decision rule of the multicollinearity test for the model stated is a variable whose VIF value is greater than 10, this indicates the existence of a multicollinearity problem. As it is observed in Table 7, there is no VIF value greater than 10. The researcher concluded that there is no problem of multicollinearity between the explanatory variables.

Table 8: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.893[a]	.797	.793	.08468
a. Predictors: (Constant), empathy, transparency, commitment, communication, trust				
b. Dependent Variable: Firm sales performance				

Source: Researcher Own survey, 2022

In Table 8, R shows that the correlation coefficient between the observed and predicted value of the dependent variable. It has a value between 0 and 1. Small value indicates that there is little or no linear relationship between the dependent variable and the independent variables. So, in Table 8, the value of R is .893 or 89.3% which indicate high relationship between relationship Marketing and Firm sales performance. Moreover, Table 8 also shows the variation of variables used in the analysis. R-square which is the coefficient of determinant tells how much variation is

taking place in firm sales performance (dependent variable) due to Trust, Communication, Commitment, Transparency, and Empathy (independent variables). It depicts that the value of R-square is 0.797, which means 79.7 % of change taking place in firm sales performance due to Trust, Communication, Commitment, Transparency, and Empathy. In this research, about 21.3% does not explain. This shows there were remaining variables that would be studied by other researchers for future. In the above Table 8, the adjusted R square is the sample R squared tends to optimistically estimate how well the model fits the population. The model usually does not fit the population but it fits the sample from which it is derived. Adjusted R squared attempts to correct R squared and more closely reflects the goodness of fit of the model in the population. In this research, the Adjusted R square value is found to be 0.793 which is about 79.3%.

Table 9: ANOVA

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	9.183	5	1.837	256.147	.000[b]
Residual	2.345	327	.007		
Total	11.528	332			
a. Dependent Variable: Firm sales performance					
b. Predictors: (Constant), Empathy, Transparency, Commitment, Communication, Trust					

Source: Researcher Own survey, 2022

In the analysis of variance (ANOVA), Table 9, if the F ratio is large and the probability is less than 0.05, then it is termed statistically significant (Saunders et al, 2012). Accordingly, the result obtained in the Table 9, the overall significance and fitness of the model can be checked with the value of Prop > F=0.000 shows that below the percent significance level, the model results are statistically significant. This suggests that the model has strong explanatory power.

Thus, validity, Assumption of Multiple regression analysis, and the reliability of the data were tested before proceeding into the investigation of the Effect of Relationship Marketing on Firm Sales Performance.
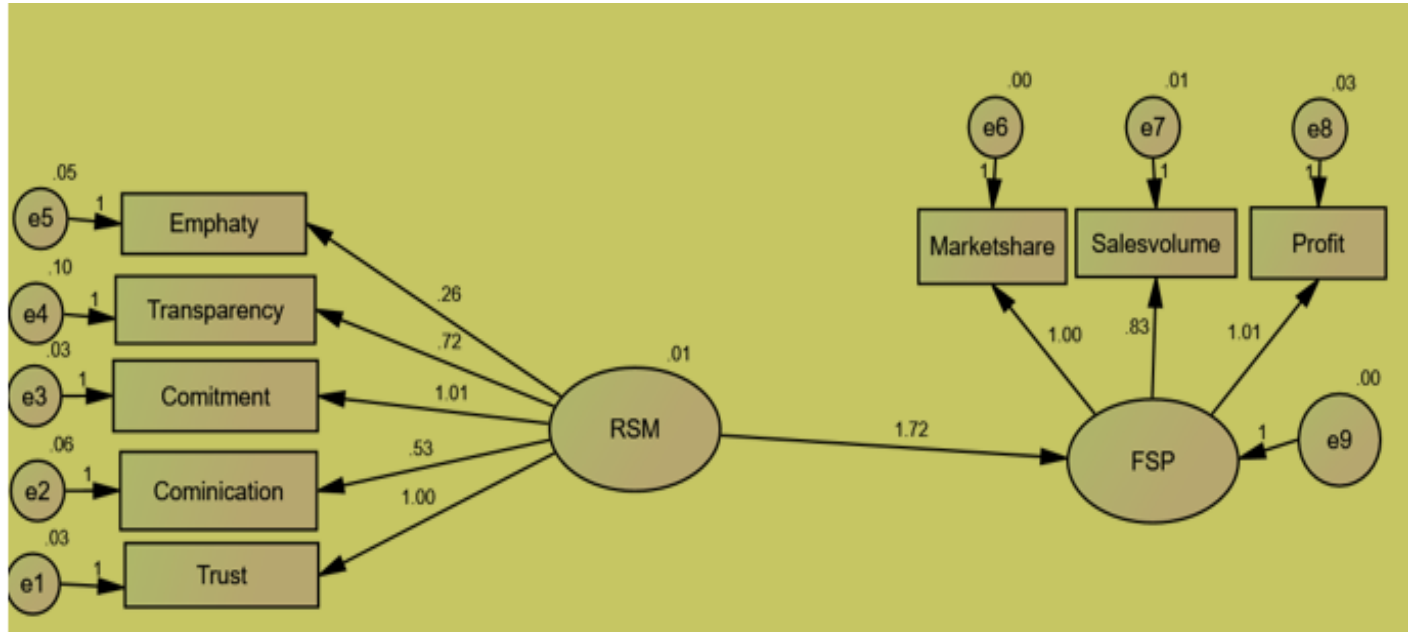
Figure 3: Output of AMOS For the Effect of RSM On FSP

Goodness for fit

A structural equation model generated through AMOS was used to test the relationship. Accordingly, Hair et al. (2010) reveled that a good fitting model is accepted if the value of the **CMN/DF is < 5.**

Table 10: CMIN

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	17	54.240	19	.000	2.855
Saturated model	36	.000	0		
Independence model	8	915.700	28	.000	32.704

Model	RMR	GFI	AGFI	PGFI
Default model	.002	.961	.927	.507
Saturated model	.000	1.000		
Independence model	.015	.529	.394	.411

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.941	.913	.961	.941	.960
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.075	.052	.098	.039
Independence model	.309	.292	.326	.000

Source: Researcher Own Survey, 2022

The above table revealed the result of model Goodness for fit. Respectively, the value of CMN/DF is 2.855, which is less than 5. Therefore, this can be taken as the best indicator for the good fitting model. Further, Lewis (1973) and Hair et al. (2010) stated that in order to confirm the good fitting model, the result of the goodness of fit indices (GFI), Confirmatory Fit index (CFI) should be Greater than 0.9. Thus, the result of standardized root means square residual (RMR) should be less than 0.05(< 0.05). thus, the result of standardized root means square residual (RMR) is 0.002, which is less than 0.05. Additionally, the result of the goodness of fit indices (GFI) is 0.961, which is greater than 0.9. This shows that the model is the best fit.

Further, Lewis (1973) and Hair et al. (2010) stated that in order to confirm the good fitting model, the value of the takur and Lewis (TLI), should be Greater than 0.9. Thus, the value of Takur and lewis (TLI), is 0.941, which is greater than 0.9. This shows that the model is the best fit. According to Hair et al. (2010), the result of RMSEA should be between the Range of 0.05-0.08. Thus, the value of RMSEA, is 0.075 which falls in the range of 0.05-0.08. This shows that the model is best fit.

Table 11-Squared Multiple Correlations: (Group number 1 - Default model)

	Estimate
Firm sales performance	1.008
Profit	.613
Sales volume	.688
Market share	.887
Empathy	.018
Transparency	.065
Commitment	.327
Communication	.064
Trust	.304

Source: Researcher Own survey, 2022

As it can also be seen from Table 11, Squared Multiple Correlations for response was 61.3%, for profit, 68.8% for trust, 88.7%, for Market share, 1.8%, for emphaty, 6.5 %, for transparency , 32.7 % , for commitment, 6.4 percent for commitment. 30.4 percent for trust. Additionally, it is accounted by Relationship marketing and customer satisfaction Variables.

3.3 Hypothesis testing

However, the study asssessed the effect of relationship marketing on Firm sales performance.Thus, under this assessment, five hypothesis were proposed. Therefore, using the Amos output, the hypothesis is tested. Table 12 depicts the result Structural Equation analysis. Accordingly, the first proposed hypothesis was proposed.

Ha$_1$: Trust has a significant effect on firm sales Performances

From the above table, the result of the t-value (C.R) for trust is greater than 1.96 and the p-value is less than 0.05. It shows that there is a significant relationship between trust and firm sales performance. There is therefore proof against the null hypothesis.

Table 12: Variances: (Group number 1 - Default model)

	Estimate	S.E.	C.R.	P	Label
F1	.013	.003	4.812	***	
e9(FSP)	.000	.004	-.078	.938	
e1(Trust)	.030	.003	11.274	***	
e2(Communication)	.055	.004	12.788	***	
e3(Commitment)	.028	.003	10.986	***	
e4(Transparency)	.100	.008	12.787	***	
e5(Empathy)	.049	.004	12.865	***	
e6(Market Share)	.005	.001	4.477	***	
e7(Sales Volume)	.012	.001	10.011	***	
e8(Profit)	.025	.002	10.965	***	

Source: Researcher Own survey, 2022

Ha$_2$: Communication has a significant effect on firm sales Performances

From table **12** the result of the t-value (C.R) for transparency is greater than 1.96 and the p-value is less than 0.05. It shows that there is a significant relationship between communication and firm sales Performance. There is therefore proof against the null hypothesis.

Ha$_3$: Commitment has no significant effect on firm sales Performances

From table **12** the result of the t-value (C.R) for commitment is greater than 1.96 and the p-value is less than 0.05. It shows that there is a significant relationship between commitment and firm sales Performance. There is therefore proof against the null hypothesis.

Ha$_4$: Transparency has a significant effect on firm sales Performances

From the table, the result of the t-value (C.R) for communication is greater than 1.96 and the p-value is less than 0.05. It shows that there is a significant relationship between transparency and firm sales Performance. Therefore, there is evidence to reject the null hypothesis

Ha$_5$: empathy has a significant effect on firm sales Performances

From Table **12** the result of the t-value (C.R) for trust is greater than 1.96 and the p-value is less than 0.05. It shows that there is a significant relationship between empathy and firm sales Performance. There is therefore proof against the null hypothesis. After testing the Proposed hypothesis, the effect of relationship marketing on firm sales Performances is analyzed as the following.

Effect of Relationship Marketing on Firm Sales Performance

Table 13: Standardized Regression Weights: (Group number 1 - Default model)

			Estimate
Firms Sales Performance	<---	Relationship Marketing	1.004
Trust	<---	Relationship Marketing	.552
Communication	<---	Relationship Marketing	.253
Commitment	<---	Relationship Marketing	.572
Transparency	<---	Relationship Marketing	.254
Empathy	<---	Relationship Marketing	.134
Market share	<---	Firms Sales Performance	.942
Sales volume	<---	Firms Sales Performance	.830
Profit	<---	Firms Sales Performance	.783

Source: Researcher Own survey, 2022

Table 13 revealed the standardized beta coefficient. Thus, the coefficient result of the above-mentioned dimensions is analyzed. The result in Table 13 shows that, when trust, communication, commitment, and transparency increase by 1 unit, activities of relationship marketing are improved by 0.552, 0.253, 0.572, 0.254, and 0.134 respectively with the p- value of less than 5%. This shows that trust, communication, commitment, and transparency have a significant effect on relationship Marketing. On the other side, when sales volume and profit, and relationship marketing increase by up 1-unit, firm sales performance is increased by 0.942,

0.830, 0.783, and 1.00 respectively with a p-value of less than 5%. This shows that market share, sales volume, profit, and relationship marketing have significant effects on the firm sales performance

Finally, the total effect of relationship marketing on Firm sales performance was tested using the path diagram. Respectively, Relationship Marketing has significant direct effect on the Firm's sales Performance (b=, 1.72, P < 0.001). This designated that when relationship Marketing goes up by 1, Firm sales Performance goes up by 1.72 . This indicates that the effect of relationship Marketing on Firm sales performance is positive and significant.

Conclusion and recommendation

The study found that there is a good and smooth communication between the bank and its customers. Furthermore, the bank is committed to its customers. Due to the availability of smooth communication and the commitment of the banks to their customers, the customers trust their banks. The concept of empathy is really practiced from both sides (banks and customers). Moreover, according to the inferential analysis of the study, the significance of trust, communications, commitment, and transparency in improving relationship marketing is verified. Moreover, the roles of Market share and profit in increasing firm sales performance are justified. Hence, it can be concluded that Relationship Marketing has a significant effect on the firm sales performance. Therefore, the practices of Trust, commitment, empathy, and communication are in good progress, and it is recommended that banks should give more emphasis on building relationship marketing.

REFERENCES

AdmassuBezabeh and AsayehgnDesta (2014).Banking Sector Reform in Ethiopia. International Journal of Business and Commerce School of Business and Leadership, Dominican University of California, San Rafael, California. Vol. 3, No.8.

Anderson, J. C., & Gerbing, D. W. (1988). Structural equation modeling in practice: A review and recommended two-step approach. Psychological Bulletin, 103(3), 411–423. https://doi.org/10.1037/0033-2909.103.3.411.

AsayehgnDesta (2016). Banking Sector Reform in Ethiopia. International Journal of Business and Commerce School of Business and Leadership, Dominican University of California, San Rafael, California. Vol. 3, No.

Belayneh, H. (2017). Determinants of Commercial Banks profitability of Ethiopian .

Book Review: Raykov, T., & Marcoulides, G. A. (2006). A first course in structural equation modeling (2nd ed.). Mahwah, NJ: Lawrence Erlbaum.

Cochran, W.G. (1977) Sampling Techniques. 3rd Edition, John Wiley & Sons, New York.

Cronbach, L. J. (1951). Coefficient alpha and the internal structure of tests. Psychometrika, 16, 297-334.

de Vet, H.C.W., Terwee, C.B., Mokkink, L.B., Knol, D.L., 2011. Measurement in Medicine: A Practical Guide. Cambridge University Press, Cambridge.

Deepak, K., &Abebaw, K. G. (2016). Financial performance and ownership structure of Ethiopian commercial banks. Journal of Economics and International Finance

Fit Index Criteria in Structural Equation Modeling, The Journal of Experimental Education, 74, 3, 2006, pp. 267-289

Garver, M. S. and Mentzer, J.T. Logistics research methods: Employing structural equation modeling to test for construct validity, Journal of Business Logistics, 20, 1, 1999, pp. 33-57.

Gujarati, D. (2011). Econometrics by example, Palgrave Macmillan, New York.

Hair, J. F., Black, W. C., Babin, B. J., & Anderson, R. E. (2010). Multivariate data analysis (7th ed.). Upper saddle River, New Jersey: Pearson Education International.

Hair.Jr., J. F., Black., W. C., Babin., B. J., Anderson., R. E., & L.Tatham., R. (2006). Multivariant Data Analysis. New Jersey: Pearson International Edition.

Hoelter, D. R. The analysis of covariance structures: Goodness-of-fit indices, Sociological Methods and Research, 11, 1983, pp. 325–344.

JetonZogjani, MalesorKelmendi, Baton Humolli and Samir Raçi,(2016), The Impact of Banking Performance in Banking Sector - Evidence for Kosovo

Kothari, C.R. (2004) Research Methodology: Methods and Techniques. 2nd Edition, New Age International Publishers, New Delhi.

Lewis, D., 1973a. Counterfactuals, Oxford: Blackwell (1973b). Causation, Journal of Philosophy, 70: 556–67.

Lukasz Kurylowicz (2004), Short History of Banking and Prospects for Its Development in Poland at the Beginning of the 21stCentur

MacCallum, R. C., Widaman, K. F., Zhang, S., & Hong, S. (1999). Sample size in factor analysis. Psychological Methods, 4, 84-99.

Mesfin D. Mekonnen, (2017), LiberalisationOf Ethiopia's Banking Sector And Its Legal Implication On The Regulation Of Banks

Mohammad Taleghani, ShahramGilaninia, SeyyedJavadMousavian (2011), The Role of Relationship Marketing in Customer Orientation Process in the Banking Industry with focus on Loyalty.

Northcott C (2004). "Competition in Banking: A review of Literature", Working paper 2004-24, Bank of Canada.

Oladele, Patrick Olajide, Akinola Grace Oluyemisi andAkinruwa, Temitope Emmanuel (2014), Sales Promotion Tools and Target Market In Nigerian BankingIndustry

Panayiotis Athanasoglou; Sophocles Brissimis and Manthos Delis, (2008), Bank-specific, industry-specific and macroeconomic determinants of bank profitability, Journal of International Financial Markets, Institutions and Money, 18, (2), 121-136.

Paul Kwame (2015), *Banks Performance in Ghana: Trends and Determinants CherinetBoke, (2015), the effect of relationship marketing on customers' loyalty*

Saunders, M., Lewis, P. and Thornhill, A. (2012) *Research Methods for Business Students. Pearson Education Ltd., Harlow.*

Shields, P.M. and Rangarajan, N. (2013) *A Playbook for Research Methods: Integrating Conceptual Frameworks and Project Management. New Forums Press, Stillwater, OK.*

Sivo, S. A., Fan, X. T., Witta, E .L. and Willse, J. T. *The Search for 'Optimal' Cutoff Properties:*

Streiner, D.L., Norman, G.R., Cairney, J., 2015. *Health Measurement Scales: A Practical Guide to Their Development and Use, fifth ed. Oxford University Press, Oxford.*

Tekatel, WesenLegessa, and Nurebo, BeyeneYosef (2019), *Comparing Financial Performance of State-Owned Commercial Bank with Privately Owned Commercial Banks in Ethiopia. European Journal of BusinessScience and Technology, 5 (2): 200–217. ISSN 2694-7161, DOI http://dx.doi.org/10.11118/ejobsat.v5i2.174.*

TesfayeBoru (2015), *Efficiency in the Ethiopian Banking System: An Application of Data Envelopment Analysis, European Journal of Business and Management www.iiste.org ISSN 2222-1905 (Paper) ISSN 2222-2839 (Online), Vol.6, No.23, 2015*

ZerayehuSimeEshete, (2019), *Competition in Ethiopian Banking Industry, African Journal of Economics Vol. 1 (5), pp. 176-190, December, 2013. Available online at www.internationalscholarsjournals.org*

Zunarni Kosim & Nor Hayati Ahmad & Tan Sek Choo, 2016. *"Determinants of Sales Force Performance in Banking Sector: A Case of Malaysia," Information Management and Business Review, AMH International, vol. 8(4), pages 13-23.*