

**SERVICE QUALITY PRACTICES AND CUSTOMER  
SATISFACTION IN COMMERCIAL BANKS IN KENYA**

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## DECLARATION

This research project is my original work and has not been presented for a degree in any other University or for any other award.

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This research project has been submitted with my approval as the university supervisor.

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To all may Allah reward you in good ways and bless you.

## **ABSTRACT**

The study set out to examine service quality practices and customer satisfaction in commercial banks in Kenya. The research was motivated by the fact that there is limited research on effect of service quality on customer satisfaction in commercial banks especially Kenya. The objective of the study was to determine the extent to which service quality practices were adopted by commercial banks in Kenya. Further most of the studies focus on a single firm rather than the whole industry. The literature review revealed mixed findings because some research employed five dimensions while others used six dimensions and nine dimension thereby giving different results. The study used cross sectional survey research design so as to cut across all the commercial banks and also to collect data on service quality and customer satisfaction simultaneously at one point in time. Primary data was collected from both the operational manager and bank customers using a likert type scale questionnaire. The census was used to collect data from operation manager while systematic random sampling was used to collect data from customers. The finding was that most of the commercial banks in Kenya uses the servQual dimensions to some extent. On average, all the managers agree to use assurance, tangibility, empathy and reliability in strengthening customer relationship while they were uncertain on the use of responsiveness. It was also found that on average, all the managers were also uncertain to use assurance and responsiveness while on average they agree to practice tangibility, empathy and reliability in appreciating customers. There was significant relationship between ServQual dimensions (reliability, assurance, tangibility, empathy and responsiveness) and indicators of customer satisfaction (customer loyalty, customers' degree of appreciation and customer strengthened relationship). Therefore this study recommends that management should pay attention to service quality and other factors which may lead to customer satisfaction. They should also put more emphasis on ServQual dimensions in order to create customer satisfaction. The management should therefore train and motivate employees to practice all the ServQual dimensions on all the determinants of customer satisfaction so as to increase company's customer base.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Organizations all over the world faces many challenges especially from the environment which include intense competition, changes in technology, changes in tastes and preferences of the customers, innovation and many others. To deal with these challenges firms are focusing their efforts on maintaining loyal customer base through customer satisfaction. For survival and prosperity, organizations must provide quality goods and services. Evaluations of quality in goods are easier when compared to that of services. Service quality distinguishing characteristics include intangibility, heterogeneity, and inseparability (Parasuraman, Zeithml & Berry (1985).Service quality has become an increasingly important factor for success and survival in any organization. Provision of high quality service aids in meeting several requirements such as customer satisfaction and its subsequent loyalty and market share, soliciting new market share, improved productivity, financial performance and profitability service.

Several theories help to show the need by firms to survive in this dynamic world. Survival based theory (Spencer, 1985) emphasized on the notion that by following the principle of nature, only the best and the fittest of competitors will win, which in the end would lead to the improvement of the social community as a whole. Resource-based view (Penrose, 1959) states that the source of firm's competitive advantage lies in their internal resources, as opposed to their positioning in the external environment. The resource-based view of the firm predicts that certain types of resources owned and controlled by firms have the potential and promise to generate competitive advantage and eventually superior firm performance. Bain (1968) argues that

according to the Market-Based View (MBV) the industry factors and external market orientation are the primary determinants of firm performance.

In Kenya, the banking sector plays a dominant role in the financial intermediation, particularly with respect to mobilization of savings and provision of credit (Were & Wambua, 2013). Though performing their functions they are faced by tremendous changes in innovation and financial service environment as well as liberalization that have increased competition and interminable variety of product. Therefore to reduce the effect of these challenges they are forced to move from a producer oriented definition of competitiveness to one that recognizes the banks' ability to manage the linkage between activities and customers. To achieve this, they have to provide quality services to customers by monitoring and evaluating processes at each stage to ensure that customers get value for any services provided. Quality services leads to Customer satisfaction. This is very crucial as customers remain loyal to company's product if the products meet their perceived taste and preferences.

### **1.1.1 Service Quality**

Service is "any intangible act or performance that one party offers to another that does not result in the ownership of anything" (Kotler & Keller, 2009:789). In all, service can also be defined as an intangible offer by one party to another in exchange of money or pleasure. According to Parasuraman et al., (1985) the characteristics of services were intangibility, heterogeneity, and inseparability which must be acknowledged for a full understanding of service quality.

Gronroos (1990) describes service quality as having two dimensions that is, a technical or outcome dimensions and a functional or process related dimension. Spreng and Mackoy (1996) also argue that service quality and customers satisfaction

are inarguably the two core concept that are at the crux of marketing theory and practice. Reichheld and Sasser (1990) on the other hand state that there is a positive relationship between customer loyalty and profitability. Kanishka (2006) defines service quality as a measure of the extent to which the service delivered meets the customers' expectations. He further argued that the nature of most service is presence of customer in the delivery process and the perception of quality is influenced by not only the service outcome but also the delivery process. Service quality is a measure of how well the service level delivered matches customer expectations. Delivering quality service means conforming to customer expectations on a consistent basis (Lewis & Booms 1983).

Service quality is very important to any organization because it is a route to competitive advantage and profitability. Quality superiority has been found to provide substantial performance related benefits such as customer loyalty, responsiveness to demand, market share growth and productivity (Berry & Parasuraman, 1991). Bank service quality is usually perceived as a critical prerequisite for satisfying and retaining valued customers (Taylor & Baker, 1994). Therefore organizations should first identify what the consumer perceives as service quality in order to successfully leverage service quality as a competitive edge. Service quality will enable organizations to make more sales which will in turn increase the profitability of the firm and hence improving the firm's image.

### **1.1.2 Determinants of Service Quality**

The determinants of service quality are presented by Parasuraman et al. (1985) as encompassing; reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles.

Subsequently, Parasuraman et al. (1988) revealed a high degree of correlation between some of the elements and consolidated them into five determinants: reliability, assurance, tangibles, empathy, and responsiveness. Studies by Carman (1990) and Cronin and Taylor (1992) confirmed convergence of the variables into five factors. The five factors; reliability, assurance, tangibles, empathy, and responsiveness are acronymed RATER by Buttle (1996).

Service reliability is the ability to perform the promised service dependably and accurately (Smith, Smith & Clarke, 2007). This dimension of service quality examines the ability of the service provider to perform services right the first time and keep service promises. . It also means consistently performing the service dependably and accurately. According to [Berry et al. \(1991\)](#), service reliability is the service is essential for most customers and managers should use every opportunity to ensure that services offered to customers have zero errors. Organizations should recommend ways to improve reliability, measure error rates and reward accurate and reliable service so as to motivate employees.

Buttle (1996) posits that responsiveness is the willingness to help customers and provide prompt service. Responsiveness is the readiness of staff members to help in a pleasant and effective way. One of the major determinants of service quality is timely and adequate response. Employees should be willing and able to deliver timely and substantive response to inquiries and complaints. A service provider is responsive if they are prompt in service delivery, is willing to help customers and has service staffs who respond to customer requests.

Smith et al. (2007) and Kay and Pawitra (2001) both agree that assurance is knowledge and courtesy of employees and their ability to convey trust and

confidence. The service provider must instill confidence in customers in the process of transacting, make customer feel safe and display courtesy consistently. Robledo (2001) suggests that empathy is the approachability, ease of access and effort taken to understand customers' needs. Empathy is the individual attention given to customers including showing care and empathy in handling claims and accidents. Tangibility is the physical evidence of the service, meaning physical facilities, appearance of personnel, tools or equipment used to provide the service (Sureshchandar, Rajendran & Anantharaman, 2002). It also includes the appearance of the physical artifacts and staff members connected with the service (accommodation, equipment, staff uniforms, and so on).

### **1.1.3 Customer Satisfaction**

Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's performance (outcome) in relation to his or her expectation'' (Kotler & Keller, 2006:144). It is a psychological concept that involves the feeling of well-being and pleasure that results from obtaining what one hopes for and expects from an appealing product and/or service (World trade organization, 1985). Satisfaction is merely the result of things not going wrong; satisfying the needs and desires of consumers (Besterfield, 1994).

Customer satisfaction is a term that has received considerable attention and interest among scholars and practitioners perhaps because of its importance as a key element of business strategy, and goal for all business activities especially in today's competitive market (Lovelock & Wirtz, 2007). It is a consumer's post-purchase evaluation and affective response to the overall product or service experience (Oliver, 1980). Customer satisfaction is an experience based assessment made by the customer

of how far his own expectations about the individual characteristics or the overall functionality of the services obtained from the provider have been fulfilled (Bruhn, 2003). Indicators of customer satisfaction are customer loyalty, degree of appreciation and strengthened relationship.

Customer satisfaction is important because it provides marketers and business owners with a metric that they can use to manage and improve their businesses. It is the best indicator of how likely a customer will make a purchase in the future. In a competitive marketplace where businesses compete for customers; customer satisfaction is seen as a key differentiator. Businesses which succeed in these cut-throat environments are the ones that make customer satisfaction a key element of their business strategy. By measuring and tracking customer satisfaction organization can put new processes in place to increase the overall quality of customer service. McKinsey (1998) found that an unhappy customer tells between 9-15 people about their experience. Accordingly, 13% of unhappy customers tell over 20 people about their experience.

#### **1.1.4 Service Quality and Customer Satisfaction**

Customers expect benefits from product or services offered to them based on the sacrifice made. The relationship between service quality and customer satisfaction has been spurred by academicians including Spreng and Singh (1993) who found out that increase in service quality will lead in increase in customer satisfaction. Oliver (1980) established that customer satisfaction entails the full meeting of customer expectation of the product or service. To satisfy customers, organizations should ensure that they provide quality service. Researchers and academicians have also described that customer satisfaction is an antecedent of service quality (Parasuraman et al., 1988).

Service quality is a determinant of customer satisfaction, because service quality comes from outcome of the services from service providers in organizations.

Customer's satisfaction is therefore key to all business because a satisfied customer becomes loyal to the organizations and also tells others about the organization. Therefore organization that provides service quality will make more sales which in turn lead to profitability. Offering service quality will also improve the image of the organization and it will also be a source of motivation for the employees.

### **1.1.5 Commercial Banks in Kenya**

According to bank supervision report (Sept, 2014) the banking sector comprised 43 commercial banks, 1 mortgage finance company, 9 microfinance banks, 7 representative offices of foreign banks, 94 foreign exchange bureaus, 7 money remittance providers and 2 credit reference bureaus. The Kenyan Banking Sector registered enhanced improved performance with the size of net assets standing at Ksh. 3.08 trillion, loans and advances worth Ksh. 1.91 trillion, while the deposit base was Ksh. 2.25 trillion and profit before tax of Ksh. 104.54 billion as at 30th September 2014. Over the same period, the number of bank customer deposit and loan accounts stood at 26,603,385 and 4,068,304 respectively. The banking sector's aggregate balance sheet increased by 3.7 percent from Ksh. 2.97 trillion in June 2014 to Ksh. 3.08 trillion in September 2014. The sector's gross loans and advances grew from Ksh. 1.78 trillion in June 2014 to Ksh. 1.91 trillion in September 2014, translating to a growth of 7.3 percent.

Financial access survey (2013) further indicates that access to formal financial services has increased significantly, with 32.7% of the adult population accessing financial services from the formal, prudentially regulated financial institutions, 66.7%

of adults accessed financial services from any type of formal financial provider, The proportion of the financially excluded dropped from 39.3% in 2006 to 25.4% of the adult population in 2013 while the proportion of the population using informal financial services has declined to 7.8% from 33.3% in 2006.

Despite the above positive development, the banks are still faced with the challenges of satisfying customers' needs due to their changing tastes and preferences. Further, banking sector is also faced with challenges of managing processes because some processes do not involve in directly adding value to customers. It is with this respect that service quality ensures that the needs of customers are identified so as to meet or even exceed the expectations of the customers. Also service quality enables the banking sector to concentrate on only those processes that adds value to them so as to be efficient and effective because quality ensures zero defects in making banking transactions.

## **1.2 Research Problem**

Service quality is very critical to any organization because for organization to survive and prosper it must provide quality service. It enables the organization to make more sales and hence profitability. Firms that provides quality service attracts more customers and improves their public image. Service quality leads to customer satisfaction because a satisfied customer becomes loyal to the firm. Organizations should provide quality service to customers so as to attract and maintain them.

ADB (2014) argue that despite the stagnation of the number of commercial banks in Kenya since 2008, there is improved quality of financial services and expanded access. However, a KPMG survey (2013) maintains that there is still much further to go to meet the expectations of customers. It further contends that the customers are

more interested in service quality in making their banking decisions. Further, bank supervision report (Sept, 2014) observed that the banking sector in Kenya experienced enhanced improvement in performance both in asset size and customer base.

The literature on service quality and customer satisfaction both locally and internationally are expansive. However, almost all studies focus only on an individual institution in the industry rather than the whole industry. Stellah (2013) researched on service quality and customer satisfaction of ABC bank in Uganda; Agbor (2011), researched on the relationship between customer satisfaction and service quality in three service sectors in Umea. Hussein and Aziz (2013) investigated e- banking service quality in one of the Egypt's banks, and Maddern, Maull and Smart (2007) examined customer satisfaction and service quality in UK financial services.

Again, most of the studies looked at service quality in firms other than banks. Duodu and Amankwa (2011) researched on an analysis and assessment of customer satisfaction with service quality in insurance industry in Ghana. Hellen (2014) examined service quality and customer satisfaction in certified public accountant training institutions in Nairobi Kenya. Wanjiku (2014) investigated the effect of service quality on customer satisfaction in the mobile telecommunication industry in Kenya. Manani, Nyaoga, Bosire, Mbatia and Kongere (2013) examined service quality and customer satisfaction at Kenya Airways.

Further most of the literature reviewed in this study did not look at only the five dimensions of servqual model as proposed by Parasuraman et al., (1988). Isa (2008) examined the relationship between service quality perception and customer satisfaction in Islamic banks using the six dimensions of service quality. It was found that compliance dimension was very crucial to Islamic banking. Stellah (2013),

focused on all the dimensions of ServQual model to determine the service quality perceptions as she was interested in determining the various dimensions of service quality.

It was not clear whether the enormous growth of commercial banks in Kenya can be attributed to improvement in their service quality. Again, much has not been done on service quality and customer satisfaction in the banking sector as an industry. It is on this basis that the research investigates the effect of commercial banks service quality on customer's satisfaction in Kenya. Based on the above discussion the following research questions are posed: To what extent have commercial banks in Kenya adopted service quality practices? What is the relationship between service quality and customer satisfaction in commercial banks in Kenya?

### **1.3 Research Objectives**

The general objective of the study is to establish the effect of service quality on customers' satisfaction. The specific objectives are:

1. Determine the extent to which service quality practices are adopted by commercial banks in Kenya.
2. Establish the relationship between service quality and customer satisfaction in commercial banks in Kenya.

### **1.4 Value of the Study**

This study is relevant to academicians because it adds knowledge to the existing framework of service quality and customer satisfaction. With respect to its academic value, the study accumulates knowledge that eventually outgrows the boundaries of academia and pervade management. This study contributes to existing theories by

confirming or adding value to the relationships that are involved in customer satisfaction, service quality and SERVQUAL dimensions.

The study is also relevant to commercial banks because it helps them to redefine their corporate image to the one that is customer focused and emphasizes on service quality to satisfy customers. This study provides results that are useful to managers in banking organizations for strategic planning which enables banks to create a readiness profile in order to pinpoint the strength and weaknesses of their processes towards achieving quality and understand what dangers that can arise if they do not provide quality services to its customers.

To policy makers like the central banks, the finding and results of this study provides invaluable insights and a more reliable guide to monitoring the impact of the operations of the banking sectors while to other stakeholders, it provides invaluable information that allows them to provide useful suggestions to the improvement in service delivery of their respective banking sectors in Kenya.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter is a critical review of relevant literature. It begins with the theories that support this study, the models, empirical review on service quality and customer satisfaction and the last part will also give the conceptual framework of the study.

### **2.2 Theoretical Foundation of the Study**

This study is anchored on various theories that pertain to service quality and customer satisfaction. This included survival based theory, market based theory and resource based view.

#### **2.2.1 Survival Based Theory**

The survival-based view or survival of the fittest theory was originally developed by Spencer (1985). It was him who synthesized Darwin's theory of evolution and natural selection with Adam Smith's invisible hands to come up with the idea of Social Darwinism. This theory, which was quite popular during late 19th and early 20th century, emphasized on the notion that by following the principle of nature, only the best and the fittest of competitors will win, which in the end would lead to the improvement of the social community as a whole. Social Darwinism assumed it is normal for the competition to behave in hedonistic ways to produce the fittest business, who survived and prospered by successfully adapting to its environment or become the most efficient and economic producer of all (Tengku 2010).

The relevance of this theory to this study is that firms have to continuously monitor their competitive environment in order to survive. To achieve this, they need to

understand the changing tastes and preference of their customers so as to produce quality goods and services that will satisfy them.

### **2.2.2 Market Based Theory**

Porter (1981) argues that industry factors and external market orientation are the primary determinants of firm performance. The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position. The strategic position is a firm's unique set of activities that are different from their rivals. Schendel (1994) posit that the strategic position of a firm is defined by how it performs similar activities to other firms, but in very different ways.

Therefore, a firm's profitability or performances is determined solely by the structure and competitive dynamics of the industry within which it operates. This theory support the study in that firm needs to continuously scan its environment so as to understand the market demand in order to produce quality products so as to attain competitive edge.

### **2.2.3 Resource Based View**

Resource based view (RBV) argues that the firm's internal environment is a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment. The theory suggests that resources that are valuable, rare, difficult to imitate, and non-substitutable best position a firm for long-term success. Firms resources are assets, capabilities, processes, knowledge, information among others, that is managed and controlled by the firm so as to enable them to implement superior strategies that improves efficiency and effectiveness (Barney 1991).Capabilities are needed to bundle, to manage, and otherwise to exploit

resources in a manner that provides value added to customers and creates advantages over competitors (Barney 1996).

A firm is said to have a competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors (Barney, 1991). Barney (1991) further argued that to have the potential to generate competitive advantage, firm's resource must be valuable in the sense that it exploits the strengths of the organization so as to adapt to opportunities in the environment and deal with threats. Hence the provision of quality service is a resource that adds value to the service offered by organization in order to obtain customer satisfaction and loyalty. The resource must also be rare among a firm's current and potential competition because it gives the organization an added advantage of offering quality service relative to competitors hence creating customer satisfaction. A resource should also be non- substitutable so as to give organization monopoly power hence offering quality service and enhancing customer satisfaction and loyalty.

Barney (1996) also adds that resources must be difficult to imitate so that the firms maintains its ability to constantly innovate its products in order to increase the value perceived by the customer which will lead to customer satisfaction and service quality. Also there should not be strategically equivalent substitutes for this resource so as to enable the firm to be the most competent in providing quality service. The contribution of this theory to this research is that firms should develop a service that is unique so as to earn more revenue and hence profit.

## **2.3 Service Quality Models**

There are various models that explain the relationship between service quality and customer satisfaction. This includes Gaps, Groomroos and servQual models. The Gaps Model states that service quality is a function of the differences between expectation and performance along the quality dimension (Parasuraman et al., 1988). It reveals that service quality stems from a comparison of the customers' expectations from the service provider with their perceptions of the actual service performance.

Groomroos (1994), developed a service quality model that has three components of service quality, namely: technical quality; functional quality and image. Technical quality is the quality of what customer actually receives as a result of his/her interaction with the service firm and is important to him/her evaluation of quality of service. Functional quality is how he/she gets the technical outcome. Image which is reputational quality is very important to service firms and this can be expected to build up mainly by technical and functional quality of service. However, the study will use the servQual model of quality and customer satisfaction developed by Parasuraman et al., (1988).

## **2.4 ServQual model**

The model proposes a five-dimensional construct of perceived service quality: tangibles; reliability; responsiveness; assurance; and empathy with items reflecting both expectations and perceived performance. It highlights the main components of high service quality. They originally identified ten elements of service quality, but in later work, these were collapsed into five factors - reliability, assurance, tangibles, empathy and responsiveness - that create the acronym RATER. They formulated the

theory on the tenet that customers entertain expectations of performances on the service dimensions, observe performance and later form performance perceptions.

Businesses using SERVQUAL to measure and manage service quality deploy a questionnaire that measures both the customer expectations of service quality in terms of these five dimensions, and their perceptions of the service they receive. When customer expectations are greater than their perceptions of received service delivery, service quality is deemed low. In addition to being a measurement model, SERVQUAL is also a management model. The SERVQUAL authors identified five Gaps that may cause customers to experience poor service quality.

Buttle (1996) argues that SERVQUAL is still a useful tool for the measurement of service quality and still the mostly widely used and probably the best available. It has also been argued that the use of gap scores to measure service quality is more appropriate due to the fact that service quality is a multidimensional concept. It can also give an indication of the relative importance of the service quality dimensions, which influence customers' overall quality perceptions, thus, priority areas are brought to the attention of management.

## **2.4 Empirical Literature**

This section presents various researches that were carried out to test the above theories and models. Their findings, conclusions and recommendations will help to come up with research gaps. Stelah (2013), researched on service quality and customer satisfaction of ABC bank in Uganda. The finding was that ABC Bank applies most of the dimensions of service quality. The level of customer satisfaction in ABC bank is moderate according to results since the greatest number of customers 'expectations is met. There is significant positive correlation between service quality

and customer satisfaction. It is recommended that much emphasis should be put on service quality without disregarding other factors that may affect customer satisfaction in ABC bank. This can be done by improving on quality, studying customer needs, managerial planning and many more.

Isa (2008) examined the relationship between service quality perceptions and customer satisfaction in Islamic Malaysian banking. He found that majority of Islamic banking customers were satisfied with the overall service quality provided by their banks. The relationship between the two concepts was found to be significant. The findings suggest that the standard model of Islamic banking service quality dimensions should consist of the six dimensions and good determinants of satisfaction.

For Malaysian Islamic banking service quality, reliability was the key driver of service quality, followed by empathy, tangible, responsiveness, assurance, and compliance, respectively. It means that Muslim and non-Muslim customers are looking for banks that provide services at the promised time, are able to solve problem and cooperative, and offer a wide range of products and services. He recommended that though Islamic banking customers are satisfied with service quality provided by their banks, it's not guaranteed that their customers do not switch to other banks. Therefore the Islamic banks has to improve the relationship between bank's customers which is based on customers trust in accordance of Islamic principles.

Duodu and Amankwa (2011), studied on an analysis and assessment of customer satisfaction with service quality in insurance industry in Ghana and found that reliability and responsiveness are functional quality dimensions that were found to have significant impact on customer satisfaction. Technical quality, price, and image

quality were observed to be factors that do not significantly affect customer satisfaction in Ghana insurance industries. Reliability of service provider was found to be a key driver of customer satisfaction in insurance industries in Ghana. Therefore it is recommended that the management of insurance companies should be timely and consistent in service delivery and solving customer complains, provide service right the first time and keep error free records regarding customer information.

Agbor (2011) looked at the relationship between customer satisfaction and service quality in three service sectors in Umea. The finding was that service quality is not the only factors that could lead to customer satisfaction in service sectors; that service quality dimension varies in the different service sectors. It was suggested that organizations of service sector need to improve on dimensions of service quality in order to provide quality service to satisfy customers. Also, to provide total satisfaction to customers, the service sectors need to improve on the other factors that were given as reasons for satisfaction.

Hussein and Aziz (2013) investigated e- banking service quality in one of the Egypt's banks. They used stakeholder analysis and found that service quality is an important antecedent of customer satisfaction. According to them, nine dimensions of service quality have significant influence on customer satisfaction. These dimensions include usability, reliability, responsiveness, privacy, incentives, fulfillment, efficiency, assurance, and empathy. Moreover, the findings show that service quality is an important antecedent of customer satisfaction. This finding reinforces the need for banks managers to place an emphasis on the nine dimensions of service quality.

Maddern, Maull and Smart (2007) examined customer satisfaction and service quality in UK financial services. They evaluated the drivers of customer satisfaction by

specifically exploring the impact of business process management (BPM) on service quality and customer satisfaction. The finding was that staff satisfaction and service quality were key drivers of customer satisfaction. Technical service quality is found to play a critical role in determining customer satisfaction and a strong relationship is found between technical service quality and business process management. They recommend that managers should focus on technical service quality as a priority.

Munusamy, Chelliah and Mun (2010) examined customer service quality delivery and its Impact on customer satisfaction in the Banking Sector in Malaysia and found that in order to maintain the customer, the organization needs to ensure that the right products and services, supported by the right promotion and making it available at the right time for the customers. Assurance, empathy and responsiveness were found to have positive relationship but it has no significant impact on customer satisfaction. Reliability was found to have negative relationship but it has no significant impact on customer satisfaction and tangibles have positive relationship and have significant impact on customer satisfaction. They further recommend that marketers in the banking industry to improve in delivering service quality.

Hellen (2014) examined service quality and customer satisfaction in certified public accountant training institutions in Nairobi Kenya and found that there was a positive relationship between service quality and customer satisfaction. The five service quality dimensions except empathy was found to influence customer satisfaction. Also customer expectations were relatively higher than the perception hence resulting into dissatisfaction. Therefore it was recommended that certified public accountants training institutions should focus on improving all the five dimensions so as to achieve high customer satisfaction in order to obtain competitive advantage.

Wanjiku (2014) investigated the effect of service quality on customer satisfaction in the mobile telecommunication industry in Kenya. She used cross-sectional survey research design. She concluded that there was a positive relationship between customer satisfaction and service quality in the mobile telecommunication industry in Kenya.

Manani, Nyaoga, Bosire, Mbatia and Kongere (2013) examined service quality and customer satisfaction at Kenya Airways. The finding revealed that the key determinants of customer satisfaction with passengers were safety of their luggage, communication with customers to update them on status of their flight, provision of food variety and ability of the airline to update passenger about any changes to avoid inconveniences were particularly noted to increase significantly the level of customer satisfaction. They further recommend for a study to be done to investigating the impact of service quality on passenger's satisfaction in the local airline industry. This study can be extended to the local travelers to supplement in obtaining data which is crucial to improve customer service both locally and internationally.

#### **2.4 Research Gap**

Provision of quality service is very critical for any organization mainly because the main objective of any firm is to satisfy customers. It is on this basis that this study sought to find out service quality practices and customer satisfaction. Unlike most of the studies that considers only the dependent variable for data collection, This study was unique in the sense that it considers both dependent variable and independent variable for data collection and it has two questionnaires, one for operations manager and the other for customers. Questionnaires for customers involved the level of

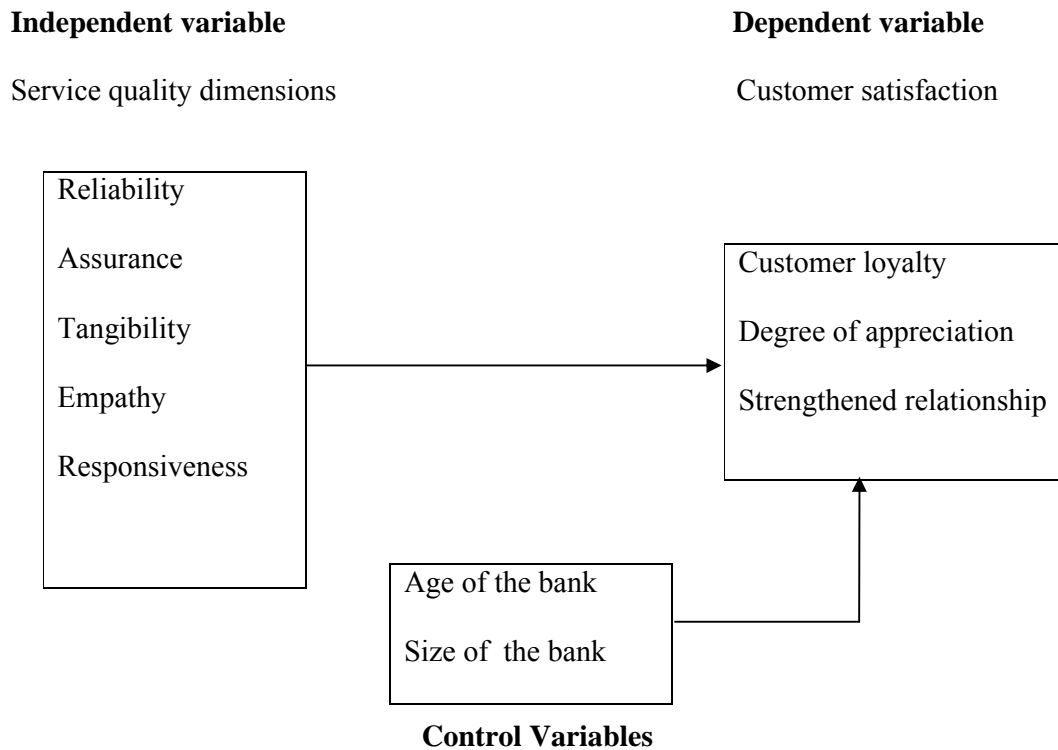
satisfaction that they obtain from the firms service and managers were asked about service quality practices.

Further most of the studies focus on a single firm, for example studies regarding service quality and customer satisfaction may be done in university of Nairobi, insurance company and Kenya airways. However this study concentrated on the whole industry rather than individual organization because it involved all the commercial banks in Kenya.

## **2.4 Conceptual Framework**

The dependent variable of the study is customer's satisfaction. Indicators of customer satisfaction are customer loyalty, degree of appreciation, and strengthened relationship. The independent variable is service quality which according to SERVQUAL measurement scale consist of five dimensional structures namely tangibles, Reliability, responsiveness, assurance, and empathy. These was measured using a 5 point likert scale. The control variables are the age of the bank and size of the bank. This means that the longer the periods of incorporation the better the quality of services provided and the bigger the bank the more it can afford to provide quality services.

Figure 2.1: Conceptual Framework of the Study



Source: Researcher, 2015

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter entails the introduction, research design, population of the study, Sampling technique, data collection methods used and data analysis.

### **3.2 Research design**

In order to achieve the objectives of this study, a cross sectional survey design was employed. According to Kothari (2005), a cross-sectional survey collects data to make inferences about a population of interest (universe) at one point in time which can be conducted using any mode of data collection, including interviews, questionnaires and electronic mail. This research design was used because it allowed the collection of both service quality and customer satisfaction data simultaneously and also helped in identifying association between the two hence making conclusion about the population.

### **3.3 Population of the Study**

Population of the study was all commercial banks operating in Kenya. As at 2014, there were 43 commercial banks (Bank Supervision Report, 2014), appendix 2.

### **3.4 Sample Design**

The study sought to obtain information from two sources, hat was, the bank on the service quality practices and the customers on customer satisfaction. A census of all the 43 banks were considered. One operation manager was selected from each bank who assisted in filling questionnaire on service quality practices. As the customer population is large, the following equation developed by Cochran (1963) was used to select the customers from the banks, given as

$$n = \frac{N \cdot (Z \cdot \sigma)^2}{e^2}$$

Where n is the sample size,

Z is the abscissa of the normal curve that cuts off an area  $\alpha$  at the tails

e is the acceptable sampling error

p is the estimated proportion of an attribute that is present in the population( or maximum variability assumed to be 0.5).

The study assumed 95% confidence level and variability to be 0.5. From the normal distribution table, the corresponding Z value is 1.96 and the significance level will be 5% giving the e value to be 0.05. This give the customer size as

$$n = 1.96^2 * 0.5 (1 - 0.5) / 0.05^2$$
$$= 384 \text{ customers}$$

This implied that 9 customers were selected from each 43 banks. A systematic random sampling technique was used to select the respondents. The technique was chosen because the sampling frame is not numbered and the bank customers are not exactly known.

### 3.5 Data Collection

The study employed primary data that was collected using structured questionnaires. There are two questionnaires, one for operation managers and the other for customers. Each questionnaire has two sections that is A and B. For operation managers, section A entails demographic information and section B is about the service quality practices as per ServQual dimensions( reliability, assurance, tangibility, empathy and responsiveness).For customers, section A includes demographic information and section B involves the indicators of customer satisfaction like customer loyalty, strengthened relationship and degree of appreciation. A five-point Likert scale ranging from strongly agree=1 to strongly disagree=5 will be used to measure the items. One questionnaire was administered to each bank.

### 3.6 Data Analysis

Data collected from the questionnaire was cleaned and edited to ensure accuracy, consistency and completeness. The SPSS was run for factor analysis so as to reduce the number of factors affecting service quality to a manageable one. It enabled regrouping of similar items under the same dimension. The first objective which is the extent to which service quality practices based on SERVQUAL model are adopted by commercial banks in Kenya will be analyzed using descriptive statistics mainly the mean, standard deviation and Karl Pearson's correlation coefficient.

The relationship between service quality and customer satisfaction in commercial banks in Kenya was analyzed using multiple regression given as

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10}$$

Where: Y is the customer's satisfaction,  $\beta_0$  is the levels of satisfaction without the influence of the five dimensions,  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  are the sensitivity of reliability ( $\beta_1$ ),

assurance ( $\beta_1$ ), tangibility ( $\beta_2$ ), empathy( $\beta_3$ ) and responsiveness( $\beta_4$ ) in influencing the customers satisfaction while  $\beta_1, \beta_2$  are the sensitivities of the control variables, size of the bank( $\beta_5$ ) and age of the bank( $\beta_6$ ) and  $\epsilon$  represents error term.

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents an analysis, presentation and interpretation of the data collected. This was done by checking the questionnaires, editing, coding, transcribing and cleaning the data. The data was analyzed using Statistical Package for Social Sciences (SPSS). The transcribed data was subjected to data cleaning using descriptive statistics.

### **4. 2 Response rate**

A total of 384 questionnaires were distributed to customers and 42 to managers. Three hundred and Eighty four of the customers responded to the questionnaire representing a response rate of 100%while only 30 out of 42 questionnaires distributed to managers were responded representing 71% as shown in table 4.1.

**Table: 4.1 Response Rate**

<b>Category</b>	<b>Frequency</b>		<b>Percentage</b>	
	<b>Customers</b>	<b>managers</b>	<b>Customer</b>	<b>Managers</b>
Response	384	30	100%	71%
Non response	0	12	0%	29%
<b>Total</b>	<b>384</b>	<b>42</b>	<b>100%</b>	<b>100%</b>

**Source: Research data, 2015**

According to Mugenda and Mugenda (2003) a response rate of 50% is adequate for the study, 60% is good and above 70% is excellent response for data analysis.

### **4.3 Demographic Information for Banks**

The background information was categorized into; job experience, educational level, age of the bank and number of branches for operation managers and period of being a

customer to the bank and whether they have an account with other banks.

The job experiences of bank managers were summarized in the following table 2 below:

#### **4.3.1 Managers Job Experience**

The job experiences of bank managers were summarized in the following table 4.2.

**Table 4.2: Managers Job Experience**

Years	Frequency	Percent
Below 1 year	4	13.3
1-3 Years	12	40
4-5 years	8	27.7
Above 5 Years	6	20
TOTAL	30	100

**Source: Research data, 2015**

Table 4.2 shows that 13% of the managers have experience of less than 1 year, 40% have experience between 1 to 3 years, and 27.7% have experience between 4-5 years while 20% have experience over 5 years. This implies that majority of the managers have experience in the banking sector more than 1 year and hence ability to implement quality.

#### **4.3.2 Managers Level of Education**

The managers' level of education were as shown in table 4.3

The managers were asked to indicate their level of education. The results are shown in table 4.3.

**Table 4.3: Levels of Education**

<b>Education level</b>	<b>Frequency</b>	<b>Percent</b>
Diploma	2	6.7
Degree	24	80
Masters and above	4	13.3
<b>Total</b>	<b>30</b>	<b>100</b>

**Source: Research data, 2015**

Table 4.3 shows that 6.7% of managers had diploma levels of education, 80% had a degree while 13.3% had a master's degree and above. This implies that majority of the managers have attained high level of education.

### **4.3.3 Demographic Information of the Customers**

In this section the researcher focuses on the number of accounts the customer had and the duration that they have been a customer of commercial banks in Kenya.

#### **4.3.3.1 Number of Accounts**

The demographic profile of the respondents on the number of accounts they have is as shown in table 4.4

**Table 4.4: Number of Accounts**

<b>No. of accounts</b>	<b>Frequency</b>	<b>Percent</b>
<b>Only one</b>	88	22.9
<b>More than one</b>	296	77.1
<b>Total</b>	<b>384</b>	<b>100</b>

**Source: Research data, 2015**

Table 4.4 shows that majority of the respondents have more than one account (77.1 percent). Only 88 customers held one account representing 22.9 percent of the sample.

### 4.3.3.2 Number of Years as a Customer

The respondents were asked to indicate the number of years they have been a customer with the bank. The results are presented in table 4.5.

**Table4. 5: Number of years as a customer**

<b>Years</b>	<b>Frequency</b>	<b>Percent</b>
Below 1 year	44	13.3
1 - 3 Years	86	40
3 – 5 Years	120	27.7
Above 5 years	134	20
<b>Total</b>	<b>384</b>	<b>100.0</b>

**Source: Research Data, 2015**

The results in table 4.5 shows that 13% of the customers held an account with the bank for less than 1 year, 40% of the customers held an account with the bank for between 1 to 3 years, 27.7% of the customers held an account with the bank for between 4 and 5 years while 20% the customers held an account with the bank for over 5 years. This implies high degree of customer loyalty.

### 4.4Extent of Adoption of Service Quality Practices by the Commercial Banks in Kenya

The research sought to investigate the extent to which commercial banks have adopted service quality practices as per the ServQual dimensions like reliability, assurance, tangibility, empathy and responsiveness which was proposed by Parasuraman et al., (1985). The respondents were required to indicate the extent to which they agreed with the service quality practices. The responses were subjected to descriptive statistics and the findings were presented in table 4.6.

#### 4.4.1 Extent of Adoption of Tangibility

The findings on adoption of tangibility are presented in table 4.6.

**Table 4.6 Tangibility**

<b>Tangibility Activities</b>	<b>Mean</b>	<b>Std.Deviations</b>
1.Our bank has modern Equipment	1.87	1.074
2.The physical facilities at our bank are visually appealing.	1.50	0.731
3.Employees at our bank are neat in appearance	2.67	1.446
4.Materials associated with the service at our banks are visually appealing	2.53	1.358
5. Our bank has convenient opening hours	3.27	1.388
Average	2.1000	.72919

**Source: Research data, 2015**

It can be observed from the study results in table 4.6 above that the use of modern equipment by operational managers has a mean of 1.87 and a standard deviation of 1.074. This corresponds to approximately 2 on a likert scale implying that most of the respondents agreed on the use of modern equipment in quality improvements. On average, the respondents also agreed that the physical facilities of their bank are appealing. This is supported by a mean of 1.50 and a standard deviation of 0.731. Neat appearance of employees has a mean of 2.67 and a standard deviation of 1.446. This confirms that most of the respondents were not sure on the neat appearance of employees in improving quality. Materials associated with the service are visually appealing has a mean of 2.53 and a standard deviation of 1.358 an indication that most of the respondents were not sure on the use of visually appealing materials in quality improvement. Finally our bank has convenient working hours has a mean of

3.27 which implies that most of the respondents are completely unsure on banks having convenient working hours.

#### 4.4.2 Extent of Adoption of Empathy

The empathy result is as shown in table 4.7

Table 4.7: Empathy

Empathy Activities	Mean	Standard Deviation	N
Our banks always give customers individual attention	2.37	1.351	30
Our banks have operating hours convenient to all customers	1.97	1.129	30
Our banks have customer best interest at heart.	2.23	1.278	30
Employees of our banks understand the specific needs of our customers	3.10	1.517	30
Average			

Source: Research Data, 2015

It can be observed from the study results in table 4.7 above that our banks always give customers individual attention has a mean of 2.37 and a standard deviation of 1.351. This implies that most of the respondents agreed on banks giving individual attention to customers. Our banks have operating hours convenient to all customers have a mean of 1.97 and a standard deviation of 1.129. This confirms that the respondents agreed on banks having operating hours convenient to customers. Our banks have customers best interest at heart has a mean of 2.23 and a standard deviation of 1.278 which confirms that most of the respondents agreed on banks having customers interest at heart. Employees of our banks understand the specific needs of our customers has a

mean of 3.1 and a standard deviation of 1.517 implying that most of the respondents were not sure on whether the employees understand the specific needs of customers.

#### 4.4.3 Extent of Adoption of Reliability

The findings on adoption of reliability are presented in table 4.8.

Table 4.8: Reliability

<b>Reliability Activities</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>Sample Size</b>
When our bank promises to do something by a certain time, they do.	<b>2.10</b>	<b>0.999</b>	<b>30</b>
When a customer has a problem, our bank will show a sincere interest in solving it,	<b>2.8</b>	<b>1.349</b>	<b>30</b>
Our bank will provide the service right the first time.	<b>1.50</b>	<b>0.651</b>	<b>30</b>
Our bank will provide the service at the time they promise to do so.	<b>1.70</b>	<b>0.777</b>	<b>30</b>
Our bank insist on error free records	<b>2.63</b>	<b>1.497</b>	<b>30</b>
<b>Average</b>			

**Source: Research data, 2015**

The findings from the study reveal that most of the respondents agreed that their banks normally fulfill promises. This is supported by a mean of 2.10 and a standard deviation of 0.995. The banks are having interest in solving customer problems has a mean of 2.80 and a standard deviation of 1.349. This corresponds to approximately 3 on a likert scales implying that most of the respondents were not sure on whether banks were having interest in solving customer problems.

Our bank will provide service right the first time has a mean of 1.70 and standard deviation of 0.651. Corresponding to approximately 2 on a likert scale indicating that on average most of the respondents agreed on providing service right the first time by their banks. Our bank provides service at the time they promise has a mean of 1.50 and

a standard deviation of 0.777. This confirms that most of the respondents agreed on timely provision of service by their banks. Our bank insists on error free records has a mean of 2.63 and a standard deviation of 1.497 indicating that most of the respond

#### 4.4.4 Extent of Adoption of Responsiveness

The findings on adoption of responsiveness are presented in table 4.9.

**Table 4.9: Responsiveness**

<b>Responsiveness Activities</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>N</b>
Employees of our bank tell customers when service will be performed.	4.00	1.083	30
Employees of our bank are always willing to help customers.	3.13	1.279	30
Employees of our bank gives prompt service to customers.	3.20	1.297	30
Employees of our bank are never too busy to respond to customers' request.	1.97	1.189	30
<b>Average</b>			

**Source: Research data, 2015**

It can be observed from the study results in table 4.9 above that employees of our bank tell customers when service will be performed has a mean of 4.00 and a standard deviation of 1.083. This implies that most of the respondents disagreed about employees telling customers when services will be performed. On average, the respondents were not sure on whether employees were willing to help customers. This is supported by a mean of 3.13 and a standard deviation of 1.279.

Employees of our bank give prompt service to customers has a mean of 3.20 and a standard deviation of 1.297 which confirms that most of the respondents were not sure on the prompt service offered by employees to customers. Employees of our bank are never too busy to respond to customers request has a mean of 1.97 and a standard

deviation of 1.189 an indication that most of the respondents agreed on employees responding to customers

#### 4.4.5 Extent of Adoption of Assurance

The findings on adoption of assurance are presented in table 4.10.

Table 4.10: Assurance

<b>Assurance Activities</b>	<b>Mean</b>	<b>Standard Deviation</b>	<b>N</b>
The behavior of employees in our banks will instill confidence to our customers	2.33	1.516	30
Our customers feel safe when making transactions.	3.17	1.234	30
Employees of our bank are consistently courteous of our customers	3.20	1.031	30
Employees of our bank have relevant knowledge on how to answer customers.	2.37	1.245	30
<b>Average</b>			

**Source: Research data, 2015**

The findings from the study reveal that most of the respondents agreed that the behavior of employees instills confidence to customers. This is supported by a mean of 2.33 and standard deviation of 1.516. Our customers' feels safe when making transactions has a mean of 3.17 and a standard deviation of 1.234. This corresponds to approximately 3 on a likert scale implying that most of the respondents were not sure whether customers feel safe when making transactions.

Employees of our bank are consistently courteous of our customers has a mean 3.20 and a standard deviation of 1.031 This implies that on average most of the respondents were not sure on employees being courteous with customers. Employees have relevant knowledge on how to answer customers has a mean of 3.27 and a standard deviation of 1.245, an indication that most of the respondents were unsure on employees having relevant knowledge to answer customers

## **4.5 Relationship between Service Quality and Customer Satisfaction**

The study involved use of causal effect relationship to determine the effect of customer satisfaction on the five ServQual dimensions of service qualities as proposed by Parasuraman et al, namely reliability, assurance, tangibility, empathy and responsiveness. Multiple correlation coefficients (R) indicate the correlation between dependent and independent variables jointly predicted by the model.

The multiple coefficient of determination ( $R^2$ ) determines the changes in dependent variables as explained by independent variables jointly. A coefficient of determination of  $R^2 \geq 0.7$  is preferred. This implies that 70% of the changes in the dependent variable can be explained by the variations in the independent variables indicating a strong correlation between the variables. These objectives were achieved by testing three models namely ServQual dimensions on the three elements of customer's satisfaction as discussed below:

### **4.5.1 Service Quality Practices and Customer Loyalty**

The ServQual model on customer loyalty was represented by:

$$\text{cusloy} = \beta_0 + \beta_1 \text{respons} + \beta_2 \text{assurance} + \beta_3 \text{tangi} + \beta_4 \text{empathy} + \beta_5 \text{reliability} \dots \dots \dots (1)$$

Where cusloy is customer loyalty which is an element of customer satisfaction dependent variable  $\beta_0$  are the constant  $\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  are the regression coefficient on ServQual dimension which are independent variables that included responsiveness, assurance, tangibility, empathy and reliability. The test of the overall model for customer loyalty on the five SERVQUAL dimensions was given in table 12 below:

**Table 4.11: Test of Model for Service Quality and Customer loyalty**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F; Change	df1	df2	Sig. F Change
1	.793 <sup>a</sup>	.629	.552	.65800	.629	8.139	5	24	.000

Predictors: (Constant), RELIABILITY, ASSUR, RESPONS, TANG, EMPATHY

**Source: Research Data, 2015**

In Table 4.11 multiple coefficients of correlation (R) for model 1 case 1 was 0.793. This suggests that the degree of relationship between customer loyalty to reliability, assurance, tangibility, empathy and responsiveness is strong. The ( $R^2$ ) was 62.9% which means that 62.9% of the variations in the customer loyalty to service quality can be explained by changes in ServQual dimensions and 37.1% of variation in customer loyalty to ServQual dimensions is explained by other factors that are not within the control of the research. The results indicate that independent variables are significant in affecting the customer's loyalty.

#### **4.5.1.1 Test for the Significance of the ServQual dimensions on Customers' Loyalty**

Coefficients of the independent variables were tested using student t- test to determine whether they are significant at 5%.

A summary of the significance of the regression coefficients is provided in Table 4.12.

**Table 4.12: The Significance of the Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics			
	B	Std. Error	Beta			Zero-order	Tolerance	VIF	
1	(Constant)	-.858	.919		-.933	.360			
	RESPONS	.041	.207	.026	.198	.844	.078	.894	1.118
	ASSUR	.174	.190	.134	.914	.370	.432	.717	1.394
	TANG	.873	.266	.469	3.285	.003	.541	.757	1.321
	EMPATHY	.671	.206	.494	3.255	.003	.598	.670	1.492
	RELIABILITY	.063	.203	.047	.309	.760	.424	.678	1.474

Source: Research data, 2015

Table 4.12 above. Standardized coefficients are the estimates resulting from an analysis performed on variables that have been standardized so that they have variances of 1. Unstandardized coefficients indicate the average change in the independent variable associated with a one unit change in the dependent variable, statistically controlling for the other independent variable, thus the unstandardized coefficients from Table 11 was used in this study.

No evidence of serious multi collinearity is found between the independent variables, with all VIF scores less than 3 and well below the cut-off of VIF = 10 (Neter et al., 1989). Empathy is found to have the greatest influence on satisfaction ( $\beta=0.494$ ,  $t=3.552$ ,  $p=0.003$ ). Hence, empathy is a significant predictor of customer loyalty. The next strongest contribution is made by tangibility ( $\beta=0.469$ ,  $t=3.285$ ,  $p=0.003$ ) and then assurance ( $\beta=0.134$ ,  $t=0.914$ ,  $p=0.370$ ), reliability makes the smallest contribution ( $\beta=0.047$ ,  $t=0.309$ ,  $p=0.760$ ) and responsiveness ( $\beta=0.026$ ,  $t=0.198$ ,  $p=0.844$ ). It was established that empathy and tangibility were statistically significant in influencing customer loyalty.

#### **4.5.1.2 Effect of ServQual Dimensions on Customer Loyalty**

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customer loyalty was measured by assurance and the results indicate that assurance have a positive effect on customer loyalty as depicted in Table 4.12. A unit increase in assurance result in 0.174increase in customer loyalty. However, assurance has a p value of 0.370 which is greater than 0.05 and thus statistically not significant at 5%.This resulted to the acceptance that assurance has no significant effect on customer loyalty .

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customer loyalty was measured by tangibility and the results indicate that tangibility have a positive effect on customer satisfaction as depicted in Table 4.12. A unit increase in tangibility result in 0.873increase in customer satisfaction ratio. However, tangibility has a p value of 0.003 which is lower than 0.05 and thus statistically significant at 5%.This resulted to reject the null hypothesis that tangibility has no significant effect on customer loyalty.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customer loyalty was measured by responsiveness and the results indicate that responsiveness have a positive effect on customer loyalty as depicted in Table 4.12. A unit increase in responsiveness result in 0.041increase in customer satisfaction ratio. However, responsiveness has a p value of 0.844 which is greater than 0.05 and thus statistically not significant at 5%.This resulted to the acceptance that responsiveness has no significant effect on customer loyalty.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customer loyalty was measured by reliability and the results

indicate that reliability have a positive effect on customer loyalty as depicted in Table 4.12. A unit increase in reliability result in 0.063 increase in customer loyalty. However, reliability has a p value of 0.760 which is greater than 0.05 and thus statistically not significant at 5%. This resulted to the acceptance that assurance has no significant effect on customer loyalty.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customer loyalty was measured by empathy and the results indicate that empathy have a positive effect on customer loyalty as depicted in Table 4.12. A unit increase in empathy result in 0.671 increases in customer loyalty. However, empathy has a p value of 0.003 which is lower than 0.05 and thus statistically significant at 5%. This resulted to reject the null hypothesis that empathy has no significant effect on customer loyalty.

#### 4.4.1.3 Overall Effect of ServQual Dimensions on Customer Loyalty

Model 1 involves customer loyalty as a dependent variable with ServQual dimensions as independent variables in case 1

Table 4.13: F-test for Regression Model 1 case 1

Model 1	Sum of Squares	Df	Mean Square	F	Sig.
Regression	17;619	5	3.524	8.139	.000 <sup>b</sup>
Residual	10.391	24	.433		
Total	28.010	29			

Source: Research data, 2015

a. Dependent Variable: CUSLOY

b. Predictors: (Constant), RELIABILITY, ASSUR, RESPON, TANG, EMPATHY

The F-test was significant at 5% level of significance with a p-value of  $0.000 < 0.05$ .

This is an implication that generally, ServQual dimension significantly explain the

changes in customer loyalty. The significance of the resulting model was examined under the associated ANOVA output presented in Table 14 above. The model had F-value (5, 24) = 8.139 and the p-value was 0.000. This meant that the model was statistically significant at  $\alpha = 0.05$  level in explaining the simple linear relationship between customer loyalty and ServQual dimensions.

#### 4.5.2 Service Quality Practices and Customer Appreciation

The model to be tested was given by:

$$\text{appreci} = \beta_7 + \beta_7 \text{respons} + \beta_7 \text{assurance} + \beta_7 \text{tangi} + \beta_7 \text{empathy} + \beta_7 \text{reliability} \dots \dots \dots (3)$$

The significance of the resulting model was examined under the associated ANOVA output presented in table 4.14 below:

Table 4.14 Service Quality Practices and Customer Appreciation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F; Change	df1	df2	Sig. F Change
1	.808 <sup>a</sup>	.653	.580	.40713	.653	9.020	5	24	.000

Predictors: (Constant), RELIABILITY, ASSUR, RESPON, TANG, EMPATHY

Source: Research Data, 2015

Multiple coefficient of correlation (R) for the model was 0.808. This suggests that the degree of relation between appreciation to reliability, assurance, tangibility, empathy and responsiveness is strong. The ( $R^2$ ) was 0.653 which means that 65.3% of the variations in the appreciation to service quality can be explained by changes in SERVQUAL dimensions and 34.7% of variation in degree of appreciation to servQual dimensions is explained by other factors that are not within the control of

the research. The results indicate that independent variables are significant in affecting the customers' loyalty. The model have F- value (5, 24) =9.020 and the P-value was 0.000. This means that model was statistically significant in explaining the relationship between customers 'degree of appreciation and ServQual dimension.

**4.5.2.1 Test for the Significance of the ServQual dimensions on customer's appreciation**

Coefficients of the independent variables were tested using student t- test to determine whether they are significant at 5%. A summary of the significance of the regression coefficients is provided in Table 4.15

**Table 4 15: Significance of the Regression Coefficients on ServQual Dimensions**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-.731	.569		-1.285	.211	-1.905	.443
RESPONS	.378	.128	.376	2.954	.007	.114	.642
ASSUR	.446	.118	.539	3.793	.001	.203	.689
TANG	.401	.164	.337	2.436	.023	.061	.740
EMPATHY	.038	.128	.044	.298	.769	-.225	.301
RELIABILITY	.072	.126	.084	.573	.572	-.188	.332

**Source: Research data, 2015**

- a. Dependent Variable: Customers degree of appreciation
- b. Independent variable: ServQual dimensions

In Table 4.15 above, Standardized coefficients are the estimates resulting from an analysis performed on variables that have been standardized so that they have variances of 1. Unstandardized coefficients indicate the average change in the independent variable associated with a one unit change in the dependent variable, statistically controlling for the other independent variable. Assurance is found to have the greatest influence on assurance ( $\beta=0.539$ ,  $t=3.793$ ,  $p=0.001$ ). Hence, assurance is a significant predictor of customer appreciation. The next strongest contribution is made by responsiveness ( $\beta=0.376$ ,  $t=2.94$ ,  $p=0.007$ ) and then tangibility ( $\beta=0.337$ ,  $t=2.436$ ,  $p=0.023$ ), reliability makes the smallest contribution ( $\beta=0.084$ ,  $t=0.573$ ,  $p=0.572$ ) and empathy ( $\beta=0.044$ ,  $t=0.298$ ,  $p=0.769$ ). However, only assurance, tangibility and responsiveness were found to be statistically significant in influencing customers' appreciation.

#### **4.5.2.2 Effect of ServQual Dimensions on Customer Appreciation**

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Degree of customer appreciation was measured by responsiveness and the results indicate that responsiveness have a positive effect on degree of customer appreciation as depicted in Table 15. A unit increase in responsiveness result in 0.041 increase in degree of customer appreciation. However, responsiveness has a p -value of 0.007 which is lower than 0.05 and thus statistically significant at 5%. This resulted to the rejection that responsiveness has no significant effect on degree of customer appreciation.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Degree of customer appreciation was measured by assurance and the results indicate that assurance have a positive effect on Degree of customer

appreciation as depicted in Table 15. A unit increase in assurance result in 0.174 increase in Degree of customer appreciation. However, assurance has a p value of 0.370 which is greater than 0.05 and thus statistically not significant at 5%. This resulted to the acceptance that assurance has no significant effect on Degree of customer appreciation.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Degree of customer appreciation was measured by tangibility and the results indicate that tangibility have a positive effect on customer satisfaction as depicted in Table 15. A unit increase in tangibility result in 0.401 increase in degree of customer appreciation. However, tangibility has a p value of 0.023 which is lower than 0.05 and thus statistically significant at 5%. This resulted to reject the null hypothesis that tangibility has no significant effect on degree of customer appreciation.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Degree of customer appreciation was measured by empathy and the results indicate that empathy have a positive effect on Degree of customer appreciation as depicted in Table 15. A unit increase in tangibility result in 0.038 increase in Degree of customer appreciation. However, empathy has a p value of 0.769 which is higher than 0.05 and thus statistically not significant at 5%. This resulted to accept the null hypothesis that empathy has no significant effect on Degree of customer appreciation.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Degree of customer appreciation was measured by reliability and the results indicate that reliability have a positive effect on Degree of customer

appreciation as depicted in Table 15. A unit increase in reliability result in 0.072 increase in Degree of customer appreciation. However, reliability has a p value of 0.572 which is greater than 0.05 and thus statistically not significant at 5%. This resulted to the acceptance that assurance has no significant effect on Degree of customer appreciation.

#### 4.5.2.3 Overall Effect of ServQual Dimensions on the Degree of Appreciation

Model 2 involves customer appreciation as a dependent variable with ServQual dimensions as independent variables in case 2

**Table 4.16: Overall Effect of ServQual Dimensions on the Degree of Appreciation**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.475	5	1.495	9.020	.000 <sup>b</sup>
	Residual	3.978	24	.166		
	Total	11.453	29			

**Source: Research data, 2015**

Table 4.16 above shows that the regression model had F value (5, 24) of 9.020 and had a p-value = 0.000. The model was therefore significant at 5% level of significance with a p-value of  $0.000 < 0.05$ . This is an implication that ServQual dimension significantly explain the changes in the degree of customers appreciation.

#### 4.5.3 Service Quality Practices and Strengthened Relationship

In Table 4.17, multiple coefficients of correlation (R) for model 3 case 1 was 0.849. This suggests that the degree of relation between strengthened relationship to reliability, assurance, tangibility, empathy and responsiveness is strong. The adjusted  $R^2$  was 0.663 which means that 66.3% of the variations in the strengthened

relationship to service quality can be explained by changes in SERVQUAL dimensions and 27.9% of variation in strengthened relationship to ServQual dimensions is explained by other factors that are not within the control of the research. The results indicate that independent variables are significant in affecting the strengthened relationship.

**Table 4.17: Test of customer strengthened relationship model on ServQual dimension**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.849 <sup>a</sup>	.721	.663	.37601	.721	12.407	5	24	.000

Source: Research Data, 2015

- a. Predictors: (Constant), RELIABILITY, ASSUR, RESPON, TANG, EMPATHY
- b. Dependent Variable, Strengthened relationship

Table 4.17 shows that the regression model had F value (5, 24) of 12.407 and had a p-value = 0.000. The model was therefore significant at 5% level of significance with a p-value of 0.000<0.05. This is an implication that ServQual dimension significantly explain the changes in the customer strengthened relationship.

**4.5.3.1 Test for the Significance of ServQual dimensions on customer’s strengthened relationship**

The model to be tested is given by:

$$\text{streng rela} = \beta_7 + \beta_7 \text{respons} + \beta_7 \text{assurance} + \beta_7 \text{tangi} + \beta_7 \text{empathy} + \beta_7 \text{reliability} \dots \dots \dots (2)$$

Coefficients of the independent variables were tested using student t- test to determine whether they are significant at 5%. A summary of the significance of the regression coefficients is provided in Table 4.18.

Table 4.18: Significance of the Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	95.0% Confidence Interval for B	
	B	Std. Error	Beta			Lower Bound	Upper Bound
(Constant)	-1.082	.525		-2.059	.051	-2.166	.003
RESPONS	.458	.118	.442	3.876	.001	.214	.702
ASSUR	.550	.109	.645	5.064	.000	.326	.774
TANG	.373	.152	.304	2.456	.022	.060	.687
EMPATHY	.013	.118	.015	.112	.911	-.230	.256
RELIABILITY	.001	.116	.002	.012	.991	-.239	.241

Coefficients of the independent variables were tested using student t- test to determine whether they are significant at 5%. A summary of the significance of the regression coefficients is provided in Table 4.18. Standardized coefficients are the estimates resulting from an analysis performed on variables that have been standardized so that they have variances of 1. Unstandardized coefficients indicate the average change in the independent variable associated with a one unit change in the dependent variable, statistically controlling for the other independent variable, thus the unstandardized coefficients from Table 4.18 was used in this study.

Assurance is found to have the greatest influence on customers' strengthened relationship ( $\beta=0.645$ ,  $t=5.064$ ,  $p = 0.000$ ). Hence, assurance is a significant predictor

of customers' strengthened relationship. The next strongest contribution is made by responsiveness ( $\beta=0.442$ ,  $t=3.876$ ,  $p=0.001$ ) and then tangibility ( $\beta=0.304$ ,  $t=2.456$ ,  $p=0.022$ ), empathy makes the smallest contribution ( $\beta=0.015$ ,  $t=0.112$ ,  $p=0.911$ ) and reliability ( $\beta=0.002$ ,  $t=0.012$ ,  $p=0.991$ ). However, only assurance, tangibility and responsiveness were found to be statistically significant in influencing customers' strengthened relationship.

#### **4.5.3.2 Effect of ServQual Dimensions on Strengthened Relationship**

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customers strengthened relationship was measured by responsiveness and the results indicate that responsiveness have a positive effect on customers strengthened relationship as depicted in Table 4.18. A unit increase in responsiveness result in 0.458 increase in customer's strengthened relationship. However, responsiveness has a p value of 0.001 which is lower than 0.05 and thus statistically significant at 5%. This resulted to the rejection that responsiveness has no significant effect on customers strengthened relationship

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customers strengthened relationship measured by assurance and the results indicate that assurance have a positive effect on customers strengthened relationship as depicted in Table 4.18. A unit increase in assurance result in 0.55 increase in customers' strengthened relationship. However, assurance has a p value of 0.000 which is lower than 0.05 and thus statistically significant at 5%. This resulted to the rejection of null hypothesis that assurance has no significant effect on customer's strengthened relationship

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customers strengthened relationship was measured by tangibility and the results indicate that tangibility have a positive effect on customers strengthened relationship as depicted in Table 4.18. A unit increase in tangibility result in 0.373 increase in degree of customer appreciation. However, tangibility has a p value of 0.022 which is lower than 0.05 and thus statistically significant at 5%. This resulted to reject the null hypothesis that tangibility has no significant effect customers strengthened relationship.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customers strengthened relationship was measured by empathy and the results indicate that empathy have a positive effect on customers strengthened relationship as depicted in Table 4.18. A unit increase in tangibility result in 0.013 increase in customer's strengthened relationship. However, empathy has a p value of 0.911 which is higher than 0.05 and thus statistically not significant at 5%. This resulted to accept the null hypothesis that empathy has no significant effect on customers strengthened relationship.

Hypothesis was tested using t- test to determine the acceptance or rejection of the hypothesis stipulated. Customers strengthened relationship was measured by reliability and the results indicate that reliability have a positive effect on customers strengthened relationship as depicted in Table 4.18. A unit increase in reliability result in 0.01 increase in customers' strengthened relationship. However, reliability has a p value of 0.991 which is greater than 0.05 and thus statistically not significant at 5%. This resulted to the acceptance that assurance has no significant effect on customers strengthened relationship.

#### 4.4.3.3 Overall effect of ServQual dimension on customers strengthened relationship

Model 3 involves customers' strengthened relationship as a dependent variable with ServQual dimensions as independent variables in case 3

Table 4.19 Test of Customer Strengthened Relationship on ServQual Dimension

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.770	5	1.754	12.407	.000 <sup>b</sup>
	Residual	3.393	24	.141		
	Total	12.163	29			

Source: Research data

a. Dependent Variable: streRelation

b. Predictors: (Constant), RELIABILITY, ASSUR, RESPON, TANG, EMPATHY

Table 4.19 above shows that the regression model had F value (5, 24) of 12.407 and had a p-value = 0.000. The model was therefore significant at 5% level of significance with a p-value of  $0.000 < 0.05$ . This is an implication that ServQual dimension significantly explain the changes in the customer strengthened relationship.

#### 4.5 Discussion of the major findings

The main issue addressed in this study is service quality practices and customer Satisfaction among commercial banks in Kenya. The first objective is to determine the extent to which Service quality practices are adopted by commercial banks in Kenya. The result was that the practice of ServQual dimensions was found to be different among different commercial banks in Kenya. Meaning that the degree of use of ServQual dimensions varies depending on the indicators of customer satisfactions. For example on average all operations managers agreed to use ServQual dimensions on customer strengthening relationship. They agreed to use assurance, tangibility,

empathy and reliability in strengthening customer relationship while they were uncertain on the use of responsiveness. Also on average they are uncertain on use of the ServQual dimension on customers' degree of appreciation. They were uncertain to use assurance and responsiveness while on average they agree to practice tangibility, empathy and reliability in appreciating customers. However, on average, all the managers agree to use tangibility, empathy and reliability but uncertain to practice assurance and responsiveness in creating customers loyalty.

The second objective was to establish the relationship between service quality and customer satisfaction in commercial banks in Kenya. These study involved use of causal effect relationship to determine the effect of customer satisfaction on the five ServQual dimensions. Generally there was positive relationship between ServQual dimensions and customer satisfaction.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents a summary, conclusion and recommendations of the study findings as stipulated in the research objectives. Discussions and conclusions of the study finding were drawn upon which recommendations were made.

### **5.2 Summary**

The study set out to examine service quality practices and customer satisfaction in commercial banks in Kenya. The research was motivated by the fact that there is limited research on effect of service quality on customer satisfaction in commercial banks especially Kenya. Further most of the studies focus on a single firm rather than the whole industry. Chapter one gave the background, problems of the study and objectives and the study variables.

Chapter two reviewed both theoretical and empirical literature related to service quality and customer satisfaction used in Kenya. The literature review revealed mixed findings because some research employed five dimensions while others used six dimensions and nine dimension thereby giving different results.

Chapter three gave the methodology of the study used. The study used cross sectional survey research design so as to cut across all the commercial banks and also in order to collect data on service quality and customer satisfaction simultaneously at one point in time. The sampling technique used was systematic random sampling.

Chapter four presents the result of the findings. The finding was that most of the commercial banks in Kenya use the servQual dimensions to some extent. On average, all the managers agree to use assurance, tangibility, empathy and reliability in

strengthening customer relationship while they were uncertain on the use of responsiveness. It was also found that on average, all the managers were also uncertain to use assurance and responsiveness while on average they agree to practice tangibility, empathy and reliability in appreciating customers. There was significant relationship between ServQual dimensions (reliability, assurance, tangibility, empathy and responsiveness) and indicators of customer satisfaction (customer loyalty, customers' degree of appreciation and customer strengthened relationship).

### **5.3 Limitation of the Study**

Limitation of the study was the difficulty in approaching the respondents because due to their large number and also it takes more time to visit all the commercial banks of which they are 43 in numbers. Finance is also a limited factor because research firms have to be hired so as to help in data collection.

Time was also a limited factor because these study considers both the dependent variables and independent variables for data collection. Also the population of the study was vast and scattered making it difficult for data to be collected on time.

### **5.4 Suggestions for Further Research**

The research was carried out on service quality and customer satisfaction in commercial banks in Kenya. Based on the findings the study recommends also areas to be researched further. First quality is a function of so many forces. Study recommends research on staff motivations on customer satisfaction. The effect of the size of the company and customer's satisfaction and other factors other than service quality on customer's satisfaction

Service quality leads to customer satisfaction, which in turn increases the organizational performance through profitability. It is on these regard that this study recommends that much to be done on the effect of service quality on organizational profitability.

### **5.3 Conclusion**

The first objective was to determine the extent to which service quality practices are adopted by commercial banks in Kenya. To answer the objective, the research hypothesis tested was that there is no significant relationship between ServQual dimensions and customer satisfaction. The extent was first measured by use of mean and standard deviation. Customer satisfaction was split into its determinants namely; strengthening relationship, degree of appreciation and customer loyalty. The findings were that majority of managers strongly agree to use ServQual dimensions in strengthening relationships.

The test show that we accept the null hypotheses for tangibility and reliability but reject for the other remaining dimensions. Majority of managers also agree to use ServQual dimensions in influencing customers degree of appreciation but when tested we accept `null hypotheses. Many managers agree to use tangibility, empathy and reliability in influencing customer loyalty. However, we reject the null hypotheses for responsiveness but accept for the others generally it can be concluded that managers in Kenya to some extent use ServQual dimensions in influencing customer loyalty and customer strengthening relationship.

The second objective was to establish the relationship between service quality and customer satisfaction in commercial banks in Kenya. The general hypotheses was that there is no relationship between service quality and customer satisfaction. The

customers satisfactions were split into its three determinants and the effect of each individual ServQual dimensions were tested. The degree of appreciation and all the ServQual dimensions have positive relationship. However, only responsiveness and tangibility were significant in influencing customers' degree of appreciation, thereby rejecting the null hypotheses for the two but accepting for the other dimensions.

All the ServQual dimensions and customer loyalty have a positive relationship. However, only tangibility and empathy was significant in influencing customer loyalty. We therefore reject the null hypotheses for tangibility and empathy but accept for the other dimensions. The effect of all the ServQual dimensions and customer strengthened relationship were positive. However, the degree of relationship is only significant for responsiveness, assurance and tangibility only, thereby rejecting null hypotheses for the three but accepting for empathy and reliability. Using ANOVA as an overall model indicates that ServQual dimensions significantly explain the degree of customer appreciation, customer loyalty and customer strengthened relationship.

In addition to relationships between service quality and customer satisfaction, prior research suggested that there is positive relationship between service quality and customer satisfaction (Parasuraman et al 1988,1991).The findings indicate that establishment of higher levels of quality will lead customers to have higher level of satisfaction. In addition the findings of this study are consistent with previous studies by Stellan (2013), who stated that there was strong link between service quality and customer satisfaction in ABC bank.

#### **5.4 Recommendation**

The study made the following recommendations to the industry based on the findings. The ServQual dimensions were not fully utilized by managers in Kenya to satisfy

customers effectively. Therefore management should pay attention to service quality and other factors which may lead to customer satisfaction.

They should also put more emphasis on ServQual dimensions in order to create customer satisfaction. The management should therefore train and motivate employees to practice all the ServQual dimensions on all the determinants of customer satisfaction so as to increase company's customer base.

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**APPENDICES**

**APPENDIX 1: QUESTIONNAIRE**

I am a student from university of Nairobi, management science department, currently carrying out a research on the effect of service quality on customer satisfaction with a survey of commercial banks in Kenya.

The main objective of this questionnaire is to obtain your response about the quality of service offered by commercial banks in Kenya. The information obtained from you will be confidential and will only be used for academic purpose only.

I therefore kindly request you to answer the following questions.

Thanking you in advance.

**QUESTIONNAIRE FOR MANAGERS**

**a) PRELIMINARY INFORMATION**

**Section A: Demographic Information**

**1. For how long have you been a manager of this bank?**

- a) Less than a year ( )                      b) 1-3 years ( )
- c) 4-5 years ( )                                d) Over 5 years ( )

**2. What is your education level?**

- Diploma ( )      Degree ( )      Masters and above ( )

**2. How many branches does your bank have?**

.....

**3. How long has your bank been in existence?**

.....years.

**Section B: SERVICE QUALITY PRACTICES**

Indicate the extent to which the following statements apply to your bank.

**Respond by using this scale of 1-5. Where;**

**1-Strongly agree 2-Agree 3-uncertain 4-Disagree 5-Strongly disagree**

	<b>Tangibles</b>	1	2	3	4	5
1	Our bank has modern equipment.					
2	The physical facilities at our bank are visually appealing					
3	Employees at our bank are neat in appearance					
4	Materials associated with the service (such as pamphlets or statements) at our bank are visually appealing					
6	Our bank has convenient working hours.					
	<b>Reliability</b>					
1	When our bank promise to do something by a certain time, they do.					
2	When a customer has a problem, our bank will show a sincere interest in solving it.					
3	Our bank will provide the service right the first time					
4	Our bank will provide the service at the time they promise to do so.					
5	Our bank insists on error free records.					
	<b>Responsiveness</b>					
1	Employees of our bank tell customers when service will be performed.					
2	Employees of our bank are always willing to help customers.					

3	Employees of our bank gives prompt service to customers					
4	Employees of our bank are never too busy to respond to customers' request.					
	<b>Assurance</b>					
1	The behavior of employees in our bank will instill confidence to customers					
2	Customers of our bank feels safe when making transactions					
3	Employees of our banks will be consistently courteous to customers					
4	Employees of our bank have the relevant knowledge to answer customers					
	<b>Empathy</b>					
1	Our banks always gives customers individual attention					
2	Our banks have operating hours convenient to all the customers					
3	Our bank have customers best interest at heart					
4	Employees of our bank understand the specific needs of our customers					

**Thank you for your time.**

## **APPENDIX 2: QUESTIONNAIRE**

I am a student from university of Nairobi, management science department, currently carrying out a research on the effect of service quality on customer satisfaction with a survey of commercial banks in Kenya.

The main objective of this questionnaire is to obtain your response about how satisfied you are with the commercial banks services in Kenya. The information obtained from you will be confidential and will only be used for academic purpose only.

I therefore kindly request you to answer the following questions.

Thanking you in advance.

### **QUESTIONNAIRE FOR CUSTOMERS**

#### **4. Section A: Demographic Information**

##### **1. Kindly state the bank you belong to?**

.....

##### **2. For how long have you been a customer of this bank?**

- a) Less than a year ( )                      b) 1-3 years ( )  
c) 4-5 years ( )                                d) Over 5 years ( )

##### **3. Do you have an account with any other bank?**

**If yes please specify**

.....

#### **Section B: Indicators of customer**

**Please indicate the extent to which the following statements apply to your bank.**

**Respond by using this scale of 1-5. Where;**

**1-Strongly agree 2-Agree 3-uncertain 4-Disagree 5-Strongly disagree**

	<b>Customer loyalty</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>1</b>	You usually set up for next appointment before leaving the organization					
<b>2</b>	You do not have an account with any other bank.					
<b>3</b>	Your experience with the bank is very good					
<b>4</b>	Your reaction to the services offered by your bank is very good					
<b>5</b>	Your expectations on quality of service is being met					
	<b>Degree of appreciation</b>					
<b>1</b>	You are very happy with service provided by your bank					

<b>2</b>	You are likely to tell your friends and families about the positive experience with your bank					
<b>3</b>	You do appreciate the willingness of the bank staff to help you.					
<b>4</b>	The bank employees gives much time to meet all your needs.					
<b>5</b>	You are very satisfied with how the bank					

	handles your complains.					
	<b>Strengthened relationship</b>					
<b>1</b>	You have got good relationship with the employees.					
<b>2</b>	Bank employees have good communication skills with you.					
<b>3</b>	You can talk to employees of your bank whenever you want to enquire something.					

<b>4</b>	You have positive attitude towards your bank.					
<b>5</b>	In case of complaints you forward it politely.					

**Thank you for your time.**

**APPENDIX 2: COMMERCIAL BANKS IN KENYA**

<b>s/no</b>	<b>Bank</b>	<b>No. of branches</b>	<b>sample</b>
1.	UBA Kenya Bank Ltd	4	2
2.	The Co-operative Bank	87	39
3.	Bank of India	5	2
4.	Barclays bank	83	38
5.	Charter house	9	4
6.	Standard Chartered	37	17
7.	Prime Bank	13	6
8.	Transnational Bank	9	4
9.	Oriental Commercial Bank Ltd.	10	5
10.	NIC Bank	13	6
11.	ABC Bank	9	4
12.	National Bank	34	16
13.	K-Rep Bank	27	12
14.	Victoria Bank	3	1
15.	KCB Bank	167	76
16.	I&M Bank	17	8
17.	Imperial Bank Limited	11	5
18.	First community bank	12	6
19.	Guardian Bank Ltd.	6	3
20.	Giro Commercial Bank Ltd	7	3
21.	Fina Bank	11	5

22.	Fidelity Bank	6	3
23.	First America Bank	2	1
24.	Equity Bank	115	53
25.	Gulf Africa Bank	8	4
26.	Equatorial Commercial Bank	4	2
27.	Habib bank	7	3
28.	Dubai Bank Kenya Ltd	4	2
29.	Middle East bank	4	2
30.	Development Bank Of Kenya	2	1
31.	Eco Bank	12	6
32.	Commercial Bank of Africa	9	4
33.	Citibank N A	4	2
34.	Chase Bank	7	3
35.	CFC Stanbic Bank Limited	17	8
36.	Bank of Baroda (Kenya) Ltd.	8	4
37.	Bank of Africa Kenya Ltd	10	5
38.	Credit Bank	4	2
39.	Consolidated bank	12	6
40.	African Banking Corporation	9	4
41.	Oriental commercial bank	10	5
42.	Southern credit corporation	9	4