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Determinants of Customer Satisfaction in the Kenyan Banking Industry

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Abstract
Banks depend on sufficient and sustaining profitability to survive in the global business world. Customers are the main source of banks' profitability. Studies have established a link between satisfaction and variables such as profitability, retention, and share of wallet. This study intends to examine the antecedents of customer satisfaction from the banking customer's perspective. In order to achieve this aim, structured questionnaires were issued to 2000 customers spread across the 43 banks in Kenya. The findings from the study established a positive relationship between bank-related factors and customer satisfaction in Kenyan banks. .Recommendations based on the findings were made to the Kenyan banks which if implemented will enhance the satisfaction of the bank customers as well as improve customer retention rates. The conclusion from this study is that Customer satisfaction can lead to higher rates of retention of the Kenyan bank customers.
Key words: Customer Satisfaction, banking, Kenya

1. Introduction

- Modern banking has been influenced by globalisation. Regulatory, structural and technological factors are significantly changing the banking environment throughout the world leading to intense competitive pressures (Grigoroudis, Politis and Siskos, 2002). Customer satisfaction has come to be regarded as a key business strategy of every organisation and a benchmark against which many banks have set their standards. According to Wang, Lin and Su (2003); Anubav (2010) and Parvatiyar and Sheth (2000) maintaining existing customers for organisations is ever more important than the ability to capture new ones. Customers are critical for any organisation's success. Without customers organisations would have no resources, no profits and therefore no market niches that can enable them compete in the global arena

In Kenya, at independence in 1963, banks consisted of nine foreign owned commercial banks, the largest of which were Barclays Bank, Standard Chartered Bank, National Bank and Grindlays Bank (Brownbridge and Harvey, 1998). In the 1990s the government introduced a number of policy reforms aimed at a gradual liberalisation of the financial markets opening the banking sector to unprecedented growth. As a result, the banking sector grew to 33 commercial banks and 50 non-bank financial institutions (NBFIs) by 1994. By the end of 2009, this number amounted to 46 banks with a total branch network of 500 (Central Bank of Kenya, 2009). Currently the number stands at 43 due to mergers. Due to increased competition banks have put infrastructure in place namely, setting up Customer Service departments and Call Centres to address the needs of the customers. It is not clear if such measures amongst others have helped to improve satisfaction of the bank customer and their retention rates with the respective banks.
The study objective was to establish determinants of customer satisfaction in the Kenyan banking industry from the customer's perspective.

2. Customer satisfaction

Customer satisfaction is a post consumption evaluation or a pleasurable level of consumption-related fulfillment (Henning-Thurau and Thurau, 2003). In the case of banks, satisfaction refers to the extent to which banking products and services meet customer needs. Customer satisfaction has many facets. Some of the observable measures are service quality, loyalty; repurchase behaviour and trust, among others. These measures have been studied extensively in isolation or together by different marketing scholars. Previous studies in the developed countries such as the studies done by Anderson and Fornell (2001) and Anderson and Mittal (2000) have attempted to look at different dimensions of quality service and how they relate to customer satisfaction. Almost all studies reviewed are unanimous that a satisfied customer is loyal and contributes to profitability.

Customer satisfaction entails customer needs and expectations being met all the time, every time throughout the life of a product or service (Roger and George, 2001; Gustafsson, Johnson and Ross, 2005). Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a product's perceived performance or outcome in relation to the person's expectations (Kotler, Armstrong and Cunningham, 2002). As the definition indicates, satisfaction is a function of perceived performance and expectations. The term 'customer satisfaction' is a subjective, non-qualitative term. Customer satisfaction results from either the quality of banking services (product), quality of service, engagement of the customer, price factors and meeting or exceeding customers' expectations, consuming products and services (Prabhakar, 2005). If the performance of a bank falls short of these expectations, the customer becomes dissatisfied. If the performance matches expectations, the customer is satisfied. If the performance exceeds expectations, the customer is delighted. Only delighted customers or highly satisfied customers stay loyal to the services provider (Salmen and Muir, 2003; Dubrovski, 2001).

There are a diversity of definitions for customer satisfaction. From the review of literature it is apparent that researchers have tended to use determinants of customer satisfaction to define and measure customer satisfaction. Some of the determinants used include loyalty, quality service, expectations and disconfirmation. The early researchers in the field of customer satisfaction used any of these determinants or in combination, for instance expectation and disconfirmation (Kang, Nobuyuki and Herbert, 2004), expectation and performance (Johnson, Anderson and Fornell, 2001); quality and disconfirmation (McQuitty, Finn and Wiley, 2000) and expectation and quality (Giese and Cote, 2002) to define customer satisfaction. Customer satisfaction has been of key interest to researchers for the last two and a half decades. Researchers have established some of the key antecedents of customer satisfaction in retail banking with respect to customer satisfaction in the competitive world of business as well as the key antecedents to overall customer satisfaction in any other industry (Jamal, 2004).

Satisfaction reinforces positive attitudes toward the brand, leading to a greater likelihood that the consumer will repurchase the same brand. Dissatisfaction results when consumer expectations are not met. Such disconfirmation of expectations is likely to lead to negative brand attitudes and lessens the likelihood that the consumer will buy the same brand again.. As customers feel more satisfied with services, they will be more likely to repurchase and encourage others to use the products or services by word-of-mouth. Coldwell (2001), under the auspices of "Growth Strategies International'' (GSI) performed a statistical analysis of Customer Satisfaction data encompassing the findings of over 20,000 customer surveys conducted in 40 countries by InfoQuest. The conclusions of the study were:

- "A totally satisfied customer contributes 2.6 times as much revenue to a company as a somewhat satisfied customer;
- A totally satisfied customer contributes 17 times as much revenue as a somewhat dissatisfied customer; and
- A totally dissatisfied customer decreases revenue at a rate equal to 1.8 times what a totally satisfied customer contributes to a business".

3. Methodology of Research

The theoretical orientation of the study was founded on the Theory of Reasoned Action (TRA) which suggests that a customer's response to an offering is usually well reasoned and is manifested clearly in their attitude and behaviour. The concept of customer satisfaction can be explained by the Theory of Reasoned Action (TRA) which is concerned with the determinants of consciously intended behaviour (Fecikova, 2004, Davies, Foxall and Pallister, 2002).

The SERVQUAL model by Parasuraman et.al (1988) was also examined with some of its components forming key components of the questionnaire.

This study is intended to provide new insight pertinent to the banking customer in Kenya by examining the antecedents of customer satisfaction from the banking customer's perspective and further to examine to what extent customer satisfaction impacts on retention of the bank customer. To achieve this objective, the study adopted a descriptive survey design which was chosen because the target population was dispersed over a wide geographical area. Samples drawn from the 43 Kenyan banks were taken and structured questionnaires were issued to 2000 customers spread across all the banks in Kenya. Customer satisfaction and retention were the dependent variables while the bank related factors was the independent variable. The sampling process used the multi-stage sampling technique. In the first stage, cluster sampling was used to group the target population using their banks of affiliation. The second stage involved stratified sampling which grouped the bank customers in either urban or rural branch settings. In the third stage, proportions were determined based on branch customer portfolios to ensure representation. Finally, systematic random sampling was used to select the individual respondents for the study.

The following hypothesis was conceptualised based on a critical review of the literature to guide the research.

H.1.There is a relationship between bank-related factors and customer satisfaction in Kenyan banks
H.o. There is no relationship between bank-related factors and customer satisfaction in Kenyan banks

Sample of Research

The sample size was computed using Fischer's (1998) formula ($n=Z^2pq/d^2$), where:

N = Sample size
Z = 1.96, that is the value of Z corresponding to the 95% confidence level
p = 0.5 (50%)
q = 1-p (1-0.5=0.5)
d = 0.05 (5% error margin)

This gave a minimum sample size of 384 respondents. The questionnaires were administered by use of field agents who distributed the questionnaires to bank customers in various banks and work places in the various towns according to the sampling design. A total of 590 questionnaires were completed out of which 70 were annulled due to errors leaving a sample of 520 which formed the basis of this analysis..

The primary data collection instrument for this study was self-administered questionnaires. Service attributes from literature reviewed as well as those highlighted by Parasuraman in the SERVQUAL model (Parasuraman et. al, 1988) formed the basis of the questions.

Data Analysis was conducted using Statistical Package for Social Sciences (SPSS) computer software which was used to carry out the data analysis. The types of statistics or indices used depended on the variables in the study and the scale of measurement used (such as ratio, interval, ordinal and normal). In this case the statistical tests used by the researcher included: Pearson Chi-square, ANOVA Test and, Pearson Correlation. The tests were used because the variables were measured at interval or ratio scales. Pearson correlation was used where the data was continuous while Spearman correlation was used where the data was ranked.

Cronbach Alpha was computed to assess the reliability of the data collected. According to Leedy and Ormrod (2003) a Cronbach Alpha value greater than 0.6 is regarded satisfactory for reliability assessment. The overall Cronbach Alpha value was 0.7 which was higher than the acceptable value of 0.6 according to George and Mallery (2003). It was therefore concluded that the data collected were reliable for the subsequent stages of analysis.

4. Empirical results and discussion of findings

Hypothesis

H.1.There is a relationship between bank-related factors and customer satisfaction in Kenyan banks
H.0.There is no relationship between bank-related factors and customer satisfaction in Kenyan banks

The results of the Chi-square tests presented in Table 1.1 reveal a significant relationship at 0.05 (5%) since the p-value of the test was less than 0.05 ($p<0.05$).This leads to rejecting the null hypothesis and accepting the alternative hypothesis stating that there is a relationship between bank-related factors and customer satisfaction in Kenyan banks. In order to test the direction of the relationship, a correlation test was performed and the results are shown in Table 1.1.

Table 1.1: Chi-Square for the Hypothesis

	Values	df	P-values	Decision
Pearson Chi-Square	3687.655	1617	.000	Reject H_0
Linear-by-Linear Association	246.064	1	.000	
N of Valid Cases	520			

The results presented in Table 1.2 show a positive Pearson Correlation of 0.689 with a significant p-value of 0.000 ($p<0.05$). The high values of the test statistics indicate a strong relationship between the two variables. In addition, the significant p-value ($p<0.05$) indicates that the two variables are linearly correlated with a high probability or likelihood of occurrence. This means that a proportionate positive change or improvement in bank-related factors leads to increased customer satisfaction in the Kenyan banking industry and vice versa.

Table 1.2: Pearson Correlation for the Hypothesis

		Bank-related Factors	Customer Satisfaction	Deduction
Bank-related Factors	Pearson Correlation	1	.689*	Positive Correlation
	P-value	-	.000	
	N	520	520	
Customer Satisfaction	Pearson Correlation	.689*	1	Positive Correlation
	P-value	.000	-	
	N	520	520	

Correlation is significant at the 0.05 significance level.

A five-point Likert scale was used and which comprised of strongly agree, agree, neutral, disagree and strongly disagree. The findings are presented in Table 1.3. The findings show that slightly more than two fifths (42.6%) of the respondents agreed with the statements that their banks usually send accurate statements on time. Those who indicated that the banks' staff understand the customers' specific needs for financial services were 44.2% and those who reported that the banks have never asked the customers' what they need comprised 44.6% of the total.

The majority of the respondents were neutral on the following issues: Their banks' products are suited to their needs (43.7%), the waiting period in the banking hall is minimal and hardly noticeable (35.4%), the customers can always access the bank management anytime they need anything (31.7%), the customers are usually satisfied with the services they get from the bank (36.3%), the banks' staff usually follow through on their promises (36.3%), and the banks' staff are able to handle most of the customers' questions satisfactorily (42.1%). These statistics should be of concern to the bank management who must endeavour to improve on the aspects examined in order to have the customers satisfied.

In addition, the findings further show that most of the respondents disagreed with the following statements: The banks offer entertainment and refreshments to their customers (62.5%), the banks' networks are adequate and ensures accessibility in all regions (56.5%), the banks' staff meet the customers with a smile when they arrive in the banking halls (52%), the banks' staff are never too busy to respond to customers' requests (46.5%), and the banks usually communicate to customers proactively (47.2%). The banks must focus on the issues here especially offering entertainment for customers waiting on the queues or better queue management and must improve on their geographical representation in the country. Bank staff must improve on communication and be timely when it comes to responding to customers' queries.

Table 1.3: Bank-related Factors

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Standard deviation

	%	%	%	%	%		
My bank's products are suited to my needs	20.4%	24.4%	43.7%	9.0%	2.5%	4.2391	1.16866
The bank offers entertainment and refreshments	6.7%	17.1%	13.7%	26.5%	36.0%	3.8261	1.22572
The bank network is adequate and ensures accessibility in all regions	5.4%	15.4%	22.7%	32.7%	23.8%	4.0652	1.33020
The waiting period is minimal, hardly noticeable	7.9%	21.3%	35.4%	23.3%	12.1%	4.0217	1.57289
The bank's staff meet me with a smile when I arrive in the banking hall	9.4%	16.5%	22.1%	28.3%	23.7%	2.0870	1.71076
I can always access the bank management anytime I need anything	13.1%	28.8%	31.7%	17.5%	8.8%	3.5435	1.43022
Statements are sent to me on time and are accurate	11.3%	31.3%	23.1%	17.7%	16.5%	3.4348	1.50404
I am usually content with the services I get from the bank	11.5%	32.1%	36.3%	12.9%	7.1%	3.7609	1.45268
The bank usually communicates to me proactively	11.5%	20.0%	21.3%	31.2%	16.0%	3.6957	1.53599
The bank's staff are never too busy to respond to my requests	11.9%	16.3%	25.2%	39.0%	7.5%	3.8043	1.33378

The bank's staff follow through on their promises	10.6%	30.8%	36.3%	15.2%	7.1%	2.1522	1.56910
The bank's staff are able to handle most of my questions satisfactorily	16.3%	27.1%	42.1%	10.2%	4.2%	3.6304	1.42489
The bank's staff understand my specific needs for financial services	11.3%	32.9%	32.9%	15.2%	7.7%	3.6087	1.42673
My bank has never asked me what I need	22.7%	21.9%	16.5%	21.5%	17.3%	4.1957	1.15802

4. Conclusions & Implications

The study has validated view held by other researchers such as Henning Thurau and Thurau (2003), Cronin and Steven (2000) Kang, Nobuyuki and Herbert (2004) and Reichheld (2003) whose studies linked satisfaction to quality service, pricing, relationship with service provider's staff and value. It further reinforces findings from Ganesh, Arnold and Reynolds (2000) and Tam (2004) whose findings linked customer satisfaction to post purchase behavior or retention.

This study is significant being the first of its kind in Kenya and will provide a basis for further research.
The study however had its limitations in that it did not make a distinction between public and private owned banks.
This study was carried on bank customers in Kenya and though some service providers may find the findings relevant, the findings cannot be generalized beyond the banking industry without caution. Other studies within the East African Community or the African Continent may be required for comparison.
This study has highlighted the significant role customer satisfaction in banks would play in ensuring that customers are retained and financial inclusion is enhanced in the banking sector.

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