

**INTERNAL SERVICE QUALITY MANAGEMENT AND  
OPERATIONS PERFORMANCE AMONG COMMERCIAL  
BANKS IN KENYA**

**BY  
GLADYS RACHILO**

**A Research Project Submitted In Partial Fulfillment Of The Requirements  
For The Award Of The Degree Of Master Of Business Administration, School  
Of Business, University Of Nairobi**

**OCTOBER, 2013**

## DECLARATION

This research project is my original work and has not been presented for examination to any other university.

Signed: ..... Date: .....

**GLADYS RACHILO**

D61/66905/2011

This research project has been submitted for examination with our approval as the Supervisors.

Signed: ..... Date: .....

**PETERSON O MAGUTU**

Lecturer,  
School of Business  
University of Nairobi

Signed: ..... Date: .....

**E.O. AKELLO**

Lecturer,  
School of Business  
University of Nairobi

## **ACKNOWLEDGEMENT**

I would like to extend my appreciation to my supervisors, family, friends and all the respondents who contributed tremendous inputs towards the successful completion of this research project.

Special gratitude and appreciation go to my Supervisors, Mr. Magutu and Mr. Akello , for their patience, guidance, support and dedication throughout the study. They were such an inspiration! I truly feel indebted to them.

Secondly, I am grateful to my parents for foreseeing the future and sacrificing so much to prepare and support me, the same extends to my entire family, for cheering me up after every tough day of fieldwork.

Thirdly, I am grateful to all the respondents who provided invaluable data and information. I couldn't have done it without them!

Finally, I am deeply grateful to the Almighty God who makes all things possible and for giving me strength, good health and sound mind throughout the study period.

## **DEDICATION**

I dedicate this research project to the Almighty God for His grace, mercy and blessings that have seen me through.

To my husband Fredrick Masagho who encouraged me whenever I felt like giving up and my two children Brighton Malela and Kayla Wamo. Thank you for your understanding when I would come home late at night after class and over the the weekends. Your support, love, patience, encouragement, sacrifices and prayers have transformed my dreams to this degree. May God keep and bless you abundantly .This is for you!

## **ABSTRACT**

Across all service industries, service quality remains a critical issue in maintaining and propagating business in the competitive market place. To survive in a highly competitive service environment, it is apparent that service industries need to provide customers with high quality services. The importance of services and managing them should therefore not be underestimated. Companies are forced to be part of the service competition and therefore need a completely new perspective to view business. Too often, they focus on their external customers from where the direct profit comes from. This perspective needs to be deflected also to include the internal customers since all customers are valuable. The objectives of this study were to determine the factors affecting internal service quality and establish the relationship between internal service quality and operations performance among commercial banks in Kenya. The research was conducted through a descriptive survey design and a total of 66 respondents randomly selected from 3 large commercial banks, 7 medium commercial banks and 12 small commercial banks. Questionnaires were used to collect primary data. The collected data was analyzed by use of the Statistical Package for Social Sciences (SPSS). The data analysis techniques included descriptive statistics like the mean, percentages and standard deviation. Inferential statistics like regression analysis were also used to establish relationships between the dependent and independent variables. The findings were presented in tables, pie charts and bar graphs. Major research findings indicated that the commercial banks carried out internal service quality management through a dedicated service quality management department and that the commercial banks used five main measures of service quality namely reliability, assurance, tangibles, empathy and responsiveness. The main conclusion was that different measures of service quality had different contributions to operational performance of commercial banks with the highest contributor being measures of reliability followed by measures of tangibles, measures of responsiveness, measures of assurance and measures of empathy respectively. The main recommendation was that policy makers should create policies and procedures that promote the inclusion of all measures of service quality in the pursuit of desired levels of operational performance among commercial banks. The researcher suggests that further research be carried out with an aim of creating a model to provide clear guidelines on the appropriate mix of internal measures of service quality that should be adopted by organizations in their quest to attain appropriate levels of operational performance.

## TABLE OF CONTENTS

DECLARATION .....	ii
ACKNOWLEDGEMENT .....	iii
DEDICATION .....	iv
ABSTRACT .....	v
LIST OF TABLES .....	ix
LIST OF FIGURES .....	x
LIST OF ABBREVIATIONS AND ACRONYMS .....	xi
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study .....	1
1.1.1 Internal Service Quality Management.....	2
1.1.2 Operational Performance.....	3
1.1.3 Commercial Banks in Kenya.....	4
1.2 Research Problem .....	6
1.3 Research Objectives.....	9
1.4 Value of the Study .....	9

CHAPTER TWO: LITERATURE REVIEW .....	11
2.1 Introduction.....	11
2.2 Service Quality.....	11
2.3 Measures of Service Quality .....	13
2.4 Organizational Performance .....	16
2.5 Operational Performance .....	17
2.6 Summary of Literature Review.....	21
2.7 Conceptual Framework.....	22
CHAPTER THREE: RESEARCH METHODOLOGY .....	23
3.1 Introduction.....	23
3.2 Research Design.....	23
3.3 Population of the study .....	24
3.4 Sample Design .....	24
3.5 Data Collection .....	24
3.6 Data Analysis .....	25
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .....	26
4.1 Introduction.....	26
4.2 General Information.....	26
4.3 Descriptive Statistics.....	32

4.4 Inferential Analysis .....	45
4.5 Discussion of Results .....	49
4.5.1 Relationship to Empirical Studies.....	49
4.5.2 Linkage of the Findings to Theory.....	51
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.....</b>	<b>53</b>
5.1 Introduction.....	53
5.2 Summary of the Findings.....	53
5.3 Conclusions.....	56
5.4 Recommendations.....	57
5.5 Limitations of the Study.....	58
5.6 Suggestions for Further Study .....	58
<b>REFERENCES .....</b>	<b>59</b>
<b>APPENDIX I: QUESTIONNAIRE .....</b>	<b>61</b>
<b>APPENDIX II: LIST OF COMMERCIAL BANKS &amp; THEIR MARKET SHARE IN GROSS ASSETS .....</b>	<b>68</b>

## LIST OF TABLES

Table 4.1 Year of Establishment of the Commercial Bank.....	27
Table 4.2 Respondents' Working Experience with the Current Employer.....	28
Table 4.3 Number of Branches.....	30
Table 4.4: Extent of Application of Measures of Service Quality on Internal Customers.....	34
Table 4.5: Views on the Standard Statements on Service Quality.....	35
Table 4.6: Effects of Measures of Tangibility on Operational Performance.....	36
Table 4.7: Effects of Measures of Reliability on Operational Performance.....	37
Table 4.8: Effects of Measures of Responsiveness on Operational Performance.....	39
Table 4.9: Effects of Measures of Assurance on Operational Performance.....	40
Table 4.10: Effects of Measures of Empathy on Operational Performance.....	41
Table 4.11 Model Summary.....	46
Table 4.12 ANOVA Model.....	47
Table 4.13 Coefficients of Determination.....	48

## LIST OF FIGURES

Figure 1: Conceptual Framework of the Study.....	22
Figure 2: Response Rate.....	27
Figure 3: Positions of the Respondents.....	29
Figure 4: Country of Origin.....	31
Figure 5: Existence of an Internal Quality Management Department.....	33
Figure 6: Average Queuing Time (Minutes) in the Banking Hall.....	42
Figure 7: Average Turn-Around Time (Days) for New Account Opening.....	43
Figure 8: Average Turn-Around Time (Days) for Loan Processing.....	44
Figure 9: Average Number of Frauds Reported per Annum.....	45

## **LIST OF ABBREVIATIONS AND ACRONYMS**

CBK: Central Bank of Kenya

IT: Information Technology

KBA: Kenya Bankers Association

MBA: Master of Business Administration

NSE: Nairobi Stock Exchange

SERVQUAL: Service Quality

SCB: Standard Chartered Bank Kenya Limited

TAT: Turn Around Time

TQM: Total Quality Management

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

Across all service industries, service quality remains a critical issue in maintaining and propagating business in the competitive market place. To survive in a highly competitive service environment, it is apparent that service industries need to provide customers with high quality services. The importance of services and managing them should therefore not be underestimated. Companies are forced to be part of the service competition and therefore need a completely new perspective to view business. Too often, they focus on their external customers from where the direct profit comes from. This perspective should be deflected also to include the internal customers since all customers are valuable (Jarvi, 2012).

In banking quality means not just meeting but exceeding customer expectations. For this reason, service quality is viewed as an important aspect in the banking industry. Further, it is evident that over the years, bank customers' perception of service quality has been changed tremendously. Today, quality includes a commitment towards continuous improvement and service relationships with customers. Also, the need for technology based services, new and improved product services and e-services are also viewed as important aspects of banking service quality that supports improved and superior quality services provided to customer (Gronroos, 2000).

Operations performance is a strategic and integrated approach to delivering sustained success to the organization by improving the contribution of the people who work in it and developing the capabilities of tools, equipment, teams and individuals to deliver the firms strategic objectives

(Ho et al.2005). A firm that attains its operations strategy would be said to have attained the desired level of firm performance and would be characterized by increase of sales or revenues, adequate cash flow from operations, desired return on investment, desired return on equity, growth in market share, new product development, market development, improved quality of products and services, personnel development, employee job satisfaction, employee productivity, and employee commitment or loyalty to the firm (Hill, 2000).

### **1.1.1 Internal Service Quality Management**

Service quality can be defined as an assessment of how well a delivered service conforms to the client's expectations. Service business operators often assess the service quality provided to their customers in order to improve their service, to quickly identify problems, and to better assess client satisfaction. In essence, internal service quality is about the perceptions of internal customers towards the service by internal service providers. The internal service quality components would include tools, policies and procedures, teamwork, management support, goal alignment, effective training, communication, rewards and recognition( Maylor, 2003).

There have been attempts to provide a generic instrument for measuring service quality across a broad range of service categories. The most often used approach for measuring service quality has been to compare a customer's expectation before a service encounter and their perceptions of the actual service delivered. According to Olsen and Johnson (2003), consumers evaluate service quality by comparing expectations (of service to be received) with perceptions (of service actually received) on ten dimensions: Tangibles, reliability, responsiveness, communication, credibility, security, competence, understanding or knowing customers, courtesy, and access.

Indeed, Parasuraman et al. (1988) later reduced the original ten dimensions to five: Tangibles (the appearance of physical facilities, equipment, and personnel); reliability (the ability to perform the promised service dependably and accurately); responsiveness (the willingness to help customers and provide prompt service); empathy (the provision of individual care and attention to customers); and assurance (the knowledge and courtesy of employees and their ability to inspire trust and confidence). These generic measures of service quality are commonly referred to as SERVQUAL measures.

According to Kang et al (2002), the internal factors affecting service quality include reliability of products and services, knowledge level of employees, quality of tools and equipment, customer care services and complaint management processes.

### **1.1.2 Operational Performance**

Performance is an index that measures the firm's ability to deliver value to customers, including: high levels of customer satisfaction; an increasing market share; positive cash flow; return on assets better than competitors'; low product costs and high productivity growth. There are five basic operational performance objectives that are considered to apply to all types of service quality operation: Quality, speed, dependability, flexibility and cost (Slack et al. 2004).

According to Johnston and Clark (2001) operational performance refers to the measurable aspects of the outcomes of an organization's processes, such as reliability, production cycle time, and inventory turns. It affects firm's performance measures such as market share and customer satisfaction. The measurement of operational performance entails gauging the quality of service

provided by distinct organizational units to other units within the organization. Like external customers, employees engage in numerous service encounters to satisfy the many needs they have in the course of carrying out their job responsibilities. These internal encounters include relationships between customer-contact staff and the back-room staff, managers and the customer-contact staff, managers and the back-room staff, and for large organizations, between the head office and each branch. Input from a range of functional areas can promote greater cooperation among the areas, support joint planning to anticipate and resolve operational problems, work to achieve goals collectively, develop a mutual understanding of responsibilities, and help improve overall operational performance.

The main issues involved in service quality that affect the level of organization performance include good working conditions for employees, a clean environment, community well-being, and supplier relationships. However, at an operational level, management requires a much more tightly defined set of service quality objectives to understand the (sometimes conflicting) objectives of its stakeholders and set its organizational performance objectives accordingly.

The provision of good internal services to employees is crucial to the overall performance of the organization because satisfied employees are a critical prerequisite for the satisfaction of external customers.

### **1.1.3 Commercial Banks in Kenya**

The banking industry in Kenya is governed by the Banking Act of Kenya Cap 488. The CBK which falls under the Minister of finance's docket is responsible for formulating and

implementing monetary policy directed to achieving and maintaining stability in the general price levels and fostering liquidity, solvency and proper functioning of a stable market-based financial system. As at the end of 31st December 2012, the number of financial institutions comprised 43 commercial banks, 1 mortgage finance company, 6 deposit taking microfinance institutions, 4 representative offices of foreign banks, 112 foreign exchange bureaus and 2 credit reference bureaus. The 43 commercial banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests and a forum to address issues affecting members.

The Central Bank of Kenya (2013) has recognised a total of 43 commercial banks in Kenya and documented their strength in terms of their market share in gross assets. The top 6 commercial banks in Kenya in terms of gross assets include Kenya Commercial Bank (14.2%), Equity Bank Limited (8.6%), Cooperative Bank of Kenya (8.5%), Barclays Bank of Kenya (8.4%) and Standard Chartered Bank Kenya Limited (7.9%) and CFC Stanbic Bank Kenya Limited (6.7%). Of the top 6 commercial banks in Kenya, the first 3 are indigeneous commercial banks (Kenya Commercial Bank, Equity Bank and Cooperative Bank) while the other three are subsidiaries of multinational banks (Barclays Bank, Standard Chartered Bank and CFC Stanbic Bank).

The other commercial banks in Kenya are categorised into medium size commercial banks and in this category there are 14 commercial banks which hold between 1% and 5% of the total gross assets in the commercial banking industry in Kenya. Commercial Bank of Africa tops this list with 4.1% of the gross assets while Bank of India is bottom with 1.1% of the gross assets. The third category is the small banks which consists of 23 commercial banks which own less than 1%

of the total gross assets in the commercial banking industry in Kenya. Top on this list is Consolidated Bank of Kenya with 0.8% and bottom is Jamii Bora Bank with 0.1% of the total gross assets. The full list of all the commercial banks in Kenya and their gross total assets is attached (Appendix I).

Commercial banks in Kenya are facing a cut-throat competition in product offerings and market share. The product offerings are almost identical and therefore each of the commercial bank is competing for the same customers. Service quality is the front that most commercial banks have chosen to excel in and this has led to the introduction of operational performance measures like complaints management, service metrics, customer call centres, suggestion boxes, customer surveys and measurements of turn-around times of every activity ranging from the time taken to accept a deposit to the time taken to make an Automated Teller Machine (ATM) transaction. These measures are the basis upon which the employees are appraised and rewarded in form of bonuses, salary increments and promotions. Generally the internal service quality Management in the commercial banks in Kenya centers on executing transactions in a better, faster, more efficiently and more cost-effectively manner (Ndung'u, 2011).

## **1.2 Research Problem**

The need to practise internal service quality management in pursuit of operational performance is rife in all organizations ranging from private, public and Non Governmental Organizations (NGOs). Customers and other stakeholders of any organization expect to get value for their money through delivery of acceptable levels of service quality. The managers are under pressure to deliver acceptable levels of firm performance while the shareholders expect adequate returns

on their investments. Therefore, there is need to ensure that the quality of services offered is sufficiently aligned with the operational performance objectives of the organization with the ultimate goal of delivering the desired levels of firm performance.

Most commercial banks in Kenya have embraced various internal service quality management measures ranging from tools, techniques, policies, procedures, systems, teamwork, management support, goal alignment, effective training, communication, rewards and recognition of employees and establishment of customer contact centres including customer surveys, call centres, hotlines and suggestion boxes. All these measures are aimed at creating competitive advantages in service quality and overcoming the tight competition among the commercial banks. However, the fact that the commercial banks in Kenya have institutionalized internal service quality management is not a sufficient proof that they will always attain the desired levels of organizational performance.

Many scholars have conducted studies aimed at establishing the relationship between service quality and organizational performance. Siwa (2010) in his study established that the main operational challenges facing the commercial banks include rampant frauds, inadequate data on customer complaints, expectations and suggestions and lack of infrastructural capacity to enable employees to deliver the expected levels of service quality. However, his study did not focus on the specific challenges facing the commercial banks in managing their internal service quality. Ngyema's (2011) study found out that service quality guaranteed commercial banks of retaining loyal customers and had a positive correlation with their financial performance. He however, did not evaluate the impact of service quality on the operational performance of commercial banks in

Kenya. Muthoni (2011) in her study established that the available data indicated high levels of service quality but the external indicators of service quality like customer perception and satisfaction levels were not proportionate to the scores on operational efficiency. Her study did not explain the specific measures that were used to come up with the data on operational efficiency.

Ndung'u (2011)'s findings indicated that the ICT infrastructure induced innovations were positively correlated with the operational performance of commercial banks. However, he observed that the innovations were mainly geared towards increasing customer share while the operational performance was a secondary objective. Lastly, Sang (2012) established that successfully implemented operational strategies were a source of competitive advantage for commercial banks. She also noted that the operational strategies were easy to copy among the commercial banks and therefore could not guarantee a sustainable competitive advantage to the commercial banks. However, her study took a generalist view on strategies and did not give specific attention to the internal service quality measures and their relationship with the attainment of operational goals.

The above scholars have mainly focused on the operational challenges, relationship between service quality and financial performance, measurement of the operational efficiency, impact of ICT induced innovation on operational performance relationships and analysis of the operational strategies and competitive advantages of commercial banks in Kenya. There is therefore need to establish the specific link between internal service quality Management and its impact on the overall operational performance of commercial banks in Kenya. This study sought to fill the

identified research gap through answering the following two research questions: What are the internal factors that affect service quality among commercial banks in Kenya? and if there is any relationship between service quality and operations performance of commercial banks in Kenya?

### **1.3 Research Objectives**

The objectives of the study were:

- i. To determine the factors affecting internal service quality among commercial banks in Kenya; and
- ii. To determine the relationship between internal service quality and operations performance among commercial banks in Kenya.

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

The findings of this study intend to make theoretical, practical and methodological contributions. Specifically, the findings will contribute to professional extension of existing knowledge in the theory of Operations Management by helping to understand the role of internal service quality management on the operational performance of organizations. The academia and business researchers may be able to borrow from the findings of this research to support literary citations as well as develop themes for further research.

Policy makers in the field of Operations Management may use the findings of this study to come up with universally applicable strategies that can make internal service quality Management aligned with the operations strategy of organizations and hence deliver the expectations of

stakeholders and facilitate the attainment of strategic ambitions of both private and public organizations.

Lastly, the findings of this study would be of benefit to the practicing staff and management of commercial banks in Kenya since they will shed light on the internal service quality measures that ought to be put in place in order to attain the desired levels of operational performance. This will lead to high performance levels and aid in the achievement of the commercial banks' operations strategies.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews that various concepts related to the study. They include the concept of service quality, the various internal measures of service quality like reliability of products and services, knowledge level of employees, quality of tools and equipment, customer care services and complaint management processes. It also presents the theoretical and empirical findings of studies related to service quality and operational performance of organizations.

### **2.2 Service Quality**

Over the past two decades, quality has been heralded as the source of competitive advantage. Quality has gone through an evolution process, from an operational level to a strategic level, and some scholars have given strong support for the view that quality must be adopted as a strategic goal in organizations (Adam, 1992).

Porter (1980) categorized quality as a primary basis for differentiation strategy. He contends that firms adopting this strategy will uniquely position their products and services based on several attributes leading to a premium price. He specifically suggests that quality creates a differentiation point which separates, even insulates, a firm from competitive rivalry by creating customer loyalty as well as lowering price sensitivity. In this way, the firm will be protected from competitive forces that reduce profitability. Similarly, Philips et al. (1983) noted that among the many sources of differentiation, quality was the approach that most often characterizes a differentiation strategy. They also noted the conventional wisdom which suggests

an incompatibility between high quality products and low cost for the reason that quality usually requires more expensive materials and processes, which is not supported under a cost leadership regime. This school of thought, however, does not totally negate the link between high quality and low cost. Rather, it suggests that high quality products will eventually result in lower costs after the firm attains benefits on economies of scale via higher market share (Philips et al., 1983).

The chain of reactions starts with quality improvement which results in cost reduction, which results in firms having the opportunity to offer high quality with low prices. In this way, firms will be rewarded with higher market share and a better competitive position in the market (Deming, 1982). In essence, this school of thought holds that there is no conflict between quality and cost as opposed to the traditional view which suggests that higher quality means higher costs. Aside from the opposing arguments outlined above, several scholars have suggested the unification of differentiation and cost leadership brought by quality. Belohlav(1993), for example, argued that attaining high quality performance allow firms to pursue not only a differentiation strategy, but also a cost leadership strategy. He further suggested that quality bridges the two different perspectives of strategy into one dimension called the value dimension.

The main factors that affect service quality are the tangibles, empathy and responsiveness. In these aspects of service quality, customers need new impressions each time, and existing clients expect the same as new clients. Especially empathy is the field that brings many potential moments of true (moments of magic) for all customers equally. Loyal customers (behavioural loyalty) expect lower level of service assurance because they trust service providers more. Reliability is the special field of benchmarking with competitive services; in essence therefore,

this factor remains in relationship with the use of service provided by others. And finally, responsiveness appears to be particularly tied to personal relationships, therefore, very sensitive to improper human resources policy by a company, especially some particular situations like rapid staff exchange (Ho et al., 2005).

### **2.3 Measures of Service Quality**

Understanding which factors have the most impact on the perception of overall service quality will enable an organization to focus on those particular factors in order to satisfy customers and deliver on the organizational performance objectives. Internal service quality can broadly be categorized into five dimensions: Reliability, assurance, tangibles, empathy and responsiveness (Kang et al., 2002).

#### **2.3.1 Reliability**

Reliability involves the ability of the organization to provide services as promised and exercising dependability in handling customers' service problems (Kang et al., 2002). The authors also hold that reliability entails performing services right the first time and maintaining error-free records. In practice, organizations should always ensure that they provide services at the promised time and that the internal service measures for reliability revolve around ensuring that coworkers provide service that is promised, they are dependable for handling any problems arising, and that they do the right thing the first time thus avoiding wastage of time in repeat performances. The correctness and accuracy of the information provided by coworkers would also signify the level of reliability of the organizations' services (Kang et al., 2002).

### **2.3.2 Assurance**

Assurance involves engagement of employees who instil confidence in the customer based on their level of knowledge, skills and expertise. The appropriate know-how of the employees also assures the customers by making them feel safe in all the transactions they execute with the organization. The courtesy levels of employees is also a source of assurance to the customers (Johnston and Clark, 2001). However, employees should be consistently courteous because any trace of uncouthness and mishandling of clients would erode the confidence and trust of customers. In addition, assurance measure concerns itself with the level of knowledge of the employees more especially knowledge that is adequate to handle all the customer queries and complaints.

Maylor (2003) suggests that the specific measures of assurance would include an evaluation of whether a customer can trust the workers and feel safe in dealing with the employees. It will also involve an assessment of the level of politeness and kindness of the workers and the extent of knowledge, skills and expertise of the employees in handling queries and complaints from internal and external customers.

### **2.3.3 Tangibles**

Olsen and Johnson (2003) contend that the minimum tangibles that can enable an organization to offer the required level of service quality include presence of modern equipment and tools, visually appealing facilities, neatness and professional appearance among the employees and visually appealing materials associated with the service under consideration. The specific measures suggested by Olsen and Johnson (2003) include whether an organization has up-to-date

equipment, comfortable and attractive working environment, professional dressing and etiquette among the employees and use of materials, tools and equipment that appeals to the customer in appearance, quality and applicability to the nature of service being offered.

#### **2.3.4 Empathy**

Kang et al., (2002) observes that service quality entails the act of employees dealing with customers in a caring fashion and the organization ensuring that its services are offered during hours and days that are convenient to the customer. They also suggest that the employees should ensure that they offer personalized service to each client in order to make the client feel that their interests are being addressed comprehensively. This nature of personalized service also enables the employees to understand the true nature of the customer's needs, queries and complaints. Kang et al., (2002) recommend various measures to ensure that empathy is incorporated in the service offerings of organizations. These include ensuring that the business operates within convenient business hours, employees handle customer queries in a linear fashion to foster the level of attention to detail, concern and understanding of the customer's needs and complaints. Other measures include avoidance of conflict of interest among the employees and appropriate use of working hours to ensure that customer issues are given priority over personal matters of the employees.

#### **2.3.5 Responsiveness**

Chowdhary and Chowdhary (2005) hold that responsiveness entails keeping customers informed about when services will be performed, delivery of prompt services to the customers, high levels of willingness to help customers and readiness to respond to customer queries and complaints.

The measures to ensure responsiveness include appropriate communication mechanisms that provide clear and accurate information to the employees in regard to customer queries and complaints. They also suggest that there is need to ensure the Turn Around Time (TAT) of customer queries and complaints is minimized so that the customers can be assured of quick and timely responses. The capacity of employees to accommodate special requests and needs of clients would also be a measure of the ability of employees to respond to customer requests. This measure will also assist management teams to measure the seasonal variations in the volume of customer requests and be the basis of engaging headcounts to boost the capacity of customer service teams.

## **2.4 Organizational Performance**

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). It involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. Specialists in many fields are concerned with organizational performance including strategic planners, operations, finance, legal, and organizational development. Therefore, organizational performance is the ability of an organization to fulfill its mission through sound management, strong governance and a persistent rededication to achieving results. Indeed, even non profit organizations are associated with organization performance through the mission-driven, adaptable, customer-focused, entrepreneurial, outcomes oriented and sustainable activities (Nordberg, 2008).

The creation of flexible, high-performing, learning organizations is the secret to gaining competitive advantage in a world that won't stand still. This can be attained through flexible or lean manufacturing methods and associated employment-relation practices. Other essentials of effective organization performance include self-managed teams and decentralization of decision making. In reality therefore, organization performance is an analysis of a company's performance as compared to goals and objectives. Within corporate organizations, the three primary outcomes analyzed include financial performance, market performance, shareholder value performance and production capacity performance (Pearce and Robinson, 2005).

## **2.5 Operational Performance**

Operational performance of an organization is a measure against standard or prescribed indicators of productivity, capacity utilization, perceived value of offerings, effectiveness, efficiency, and environmental responsibility such as, cycle time, waste reduction and regulatory compliance. This implies that operations strategies have a direct effect on the operational performance of organization and the overall organizational performance (Nordberg, 2008). Determining which strategies are the most important in terms of impact on the outcomes of the organization and the determination of the appropriate outcome measures is part of the overall process of measuring operational performance.

### **2.5.1 Operations Strategy**

An operations strategy is viewed as an effective use of operations capability for achieving business and corporate goals. Operations strategies can be viewed as efforts with the purpose of accomplishing the goals of the firm through better utilization of multiple factors in the

production process (Kang et al., 2002). The operations strategies used by most service organizations include: Total Quality Management (TQM); Just In Time (JIT); manufacturing cells; Flexible Management Systems (FMS); benchmarking; computer networking with suppliers and concurrent engineering (Kang et al., 2002).

TQM is an enterprise-wide strategy with a central focus of customer satisfaction through continuous improvement of the quality of products and services and the the levels of customer service in relation to the speed of handling customer queries and complaints. The JIT strategy is based on the principle of getting the right material at the right time. It creates seamless process and ensures minimal wastage of time in executing of services to customers. Manufacturing cells strategy attempts to organize the production process by combining machines and equipment to produce a family of parts more efficiently than the traditional job shop. This leads to low costs of products and services and timely satisfaction of the needs of clients. FMS strategy allows a firm to respond to the market demand by making its operations flexible. Operations flexibility is attained by incorporating computer numerical control machinery, robotics and automated materials handling devices (Kang et al., 2002).

Benchmarking is a strategy that allows an organization to compare its current performance with that of its competitors. This in turn is used as an input for planning to achieve continuous improvement. Computer networking with suppliers and customers is an important operations strategy that should enable a firm to be more responsive in decision making through effective communication. Lastly, concurrent engineering integrates product development and design with process design so that the whole design process is right the first time. This enables a company to

be competitive by lowering cost and cutting the lead time for product introduction. It could be argued that the strategies identified here are all relatively broad based and involve more than mere localized changes in operations (Kang et al., 2002).

### **2.5.2 Performance Goals**

Samir et al. (2006) have also identified the performance goals that firms typically establish to measure their success. These goals can be categorized into four areas relating to: markets, products, economic outcomes and employees. The measures related to the market involve the determination of the market share in terms of the number of customers served by an organization and the customer share (the number of services offered by the organization to each client). Another measure of the market involves an assessment of the sales volume in relation to the total sales in a given market. The second performance goal involves the product where the organization seeks to enhance the product quality and introduce new and improved products in the market. The organization also seeks to increase its productivity and institute measures to ensure continuous improvement in the product features. The third goal is economic in nature and entails measures that maximise the annual earnings, profitability and return on investment. The fourth performance goal seeks to improve employee skills and flexibility in order to assure the organization of the requisite knowledge and skills to deliver on the customer requirements.

Samir et al. (2006) hold that this categorization represents an attempt to capture a broad range of outcomes that are important to firms. This approach avoids the potential problem that may result when strategies have a limited impact on some narrow aspect of organizational performance. The relationship between the operations strategies chosen by a firm and performance goals may

depend on the particular strategy and the outcome selected. For example, product benchmarking may be expected to have a stronger relationship with quality than, for example, improvements in employee skill. Therefore, a broad range of goals will provide the opportunity to deliver the operational performance in the short run and the organizational performance in the long run

### **2.5.3 Measures of Operational Performance**

The five main measures of operational performance include customer satisfaction, employee satisfaction, productivity, cash flow scores and gross margin scores. There are many metrics that can be used to measure the customer satisfaction score. They include Voice of Customer (VOC), Customer Satisfaction (CSAT) and the Net Promoter Score (NPS). It is important to measure customer satisfaction for every function and every service of an organization and to do it for both internal and external customers over a period of time. Apart from the primary objective of knowing how well the organization is serving its customers, this score and its trending over time helps in identifying the functions that need the most attention. The Employee Satisfaction Score is based on the realization that attrition hurts the top line and bottom line and therefore it seeks to increase focus on happier workplaces and organization culture. This is done through establishment of SMART (Specific, Measurable, Attainable, Realistic and Timely) objectives for all employees to provide guidance on the best ways to improve performance by focusing on the areas that matter the most to the people (Kang et al., 2002).

The productivity measure is based on Return On Investment (ROI). It measures sales productivity across accounts. For instance, if a new business exceeds the targeted sales and marketing expenses, then it would indicate that the business is on the path to success. Cash flow

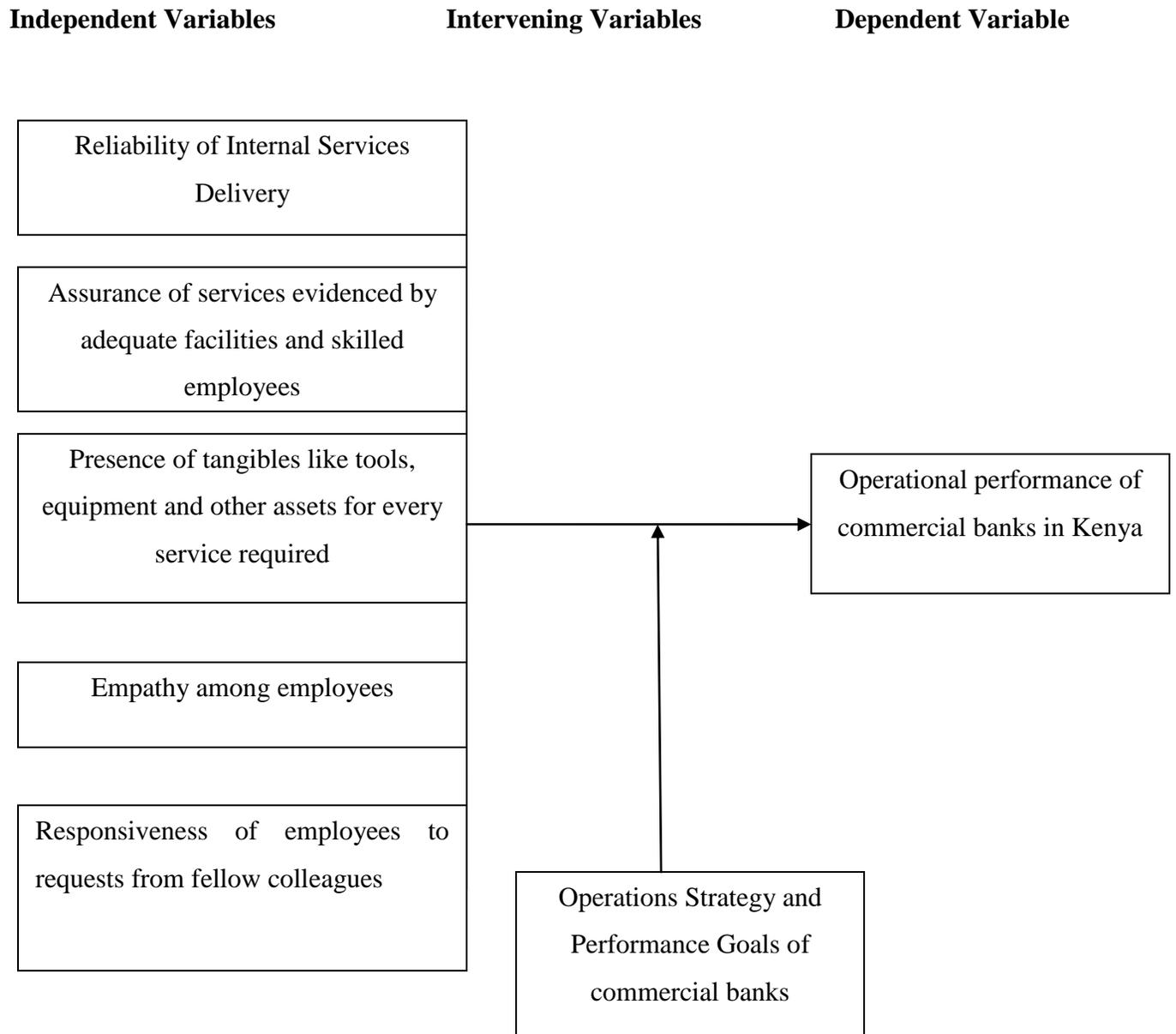
measures include DSO (Days Sales Outstanding) and DPO (Days Payable Outstanding). DSO gives the average number of days it takes a company to collect their accounts receivable or payments outstanding. DPO gives the number of days it takes a company to pay its creditors or vendors. There are a number of operational inefficiencies that can be pin pointed based on the trend of these two metrics. The Gross Margin measure is like the mother of all business metrics and the best indicator of a business's health. The higher the gross margin, the more the indication that the company is on the right track in every operational aspect. The organization does not have to wait for the quarterly or annual financial results to determine profitability, productivity and customer satisfaction. In addition, managing and monitoring gross margin on a regular basis goes a long way in reducing unpleasant surprises in the long run and also in deciding critical strategic initiatives for pricing, investments and sales efforts (Nyeck et al., 2002).

## **2.6 Summary of Literature Review**

According to the literature reviewed in this section, the main factors that affect service quality are the tangibles, empathy, responsiveness, assurance and reliability. Understanding these factors which are believed to have the most impact on the perception of overall service quality will enable an organization to focus on them in order to satisfy both internal and external customers and deliver on the organizational performance objectives.

## 2.7 Conceptual Framework

Figure 1: Conceptual Framework of the Study.



Source (Rachilo,2013)

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the research methodology adopted in the study on internal service quality management and operations performance among commercial banks in Kenya. It starts with discussing the research design of the study. Secondly, the chapter describes the study population in terms of the nature of the population and its relevance to the study objectives. Thirdly, the chapter presents the sample design and explains its application in choosing the sample size of the study. Fourthly, the study presents the types of data to be collected, data collection procedures, and the data collection tools. Lastly, the data analysis techniques, the expected outputs and information presentation methods are discussed.

### **3.2 Research Design**

A descriptive survey research design was used. According to Kothari (2004) descriptive research includes cross sectional surveys and fact-finding enquiries and describes the state of affairs as it exists at present. A descriptive research design helps to ascertain and be able to describe the characteristics of the variables of interest in a situation and portrays the characteristics of a particular situation and it has the advantages of accuracy and flexibility (Kombo and Tromp, 2006). Therefore, descriptive survey design was applicable and enabled the researcher to collect information that was relevant in determining the internal factors affecting service quality among commercial banks in Kenya and also establishing the relationship between service quality and operations performance among commercial banks in Kenya.

### **3.3 Population of the study**

Burns and Grove (2003) describe a population as all the elements that meet the criteria for inclusion in a study. The target population for this study consisted of 43 commercial Banks (CBK, 2013). These commercial banks included 6 large commercial banks, 14 medium commercial banks and 23 small commercial banks ( Appendix II).

### **3.4 Sample Design**

The researcher employed stratified random sampling technique to select a representative sample from each of the three categories of commercial banks in Kenya. The sample consisted of 3 large commercial banks, 7 medium commercial banks and 12 small commercial banks to make a sample size of 22 commercial banks. A total of 66 employees were selected to serve as the representatives of the selected commercial banks. The researcher targeted 3 employees from each of the selected commercial banks.

### **3.5 Data Collection**

Primary data was used for the study. The data was obtained by use of questionnaires. The questionnaire consisted of three sections where the first section collected general information including the bio data of the respondents, the second section collected information on the factors affecting internal service quality among commercial banks while the third section sought to establish the relationship between internal service quality and operations performance among commercial banks in Kenya. Permission to administer the questionnaires was sought through an introduction letter.

### 3.6 Data Analysis

Data analysis began with editing, coding and tabulation of the data according to the research questions. The data was then entered into the computer using the Statistical Package for Social Sciences (SPSS) for analysis. Descriptive statistics like mean and standard deviation were used to summarise the findings while regression analysis was used to establish relationships between the variables. The regression model was as follows:  $Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + \epsilon$ ; Where:

Y = Operations Performance Index

$B_0$  = Constant

$B_1$  = Coefficient of Reliability of services

$X_1$  = Total Value of Reliability scores

$B_2$  = Coefficient of Assurance in service delivery

$X_2$  = Total Number of Assurance scores

$B_3$  = Coefficient of Tangibles in service delivery

$X_3$  = Total Value of Tangibles score

$B_4$  = Coefficient of Emphathy in customer service

$X_4$  = Total Value of Emphathy scores

$B_5$  = Coefficient of Responsiveness in service delivery

$X_5$  = Total Value of Responsiveness score

$\epsilon$  = Error term

Frequency tables, bar graphs, means, standard deviation and percentages shall be used to present the information.

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

### **4.1 Introduction**

This chapter contains analysis of the findings from the study. The chapter analyses the data systematically by focusing on the study objectives: To determine the factors affecting internal service quality among commercial banks in Kenya; and to determine the relationship between internal service quality and operations performance among commercial banks in Kenya. The findings are presented as a report of the questions answered by the respondents.

### **4.2 General Information**

The general information sought in this study were, year of establishment, respondents working experience, position held, number of branches and country of origin.

#### **4.2.1 The Response Rate**

A total of 66 questionnaires were administered but only 49 were fully filled and returned while 17 were not returned. This represented a response rate of 74%. This was considered a good representative of the sampled population. The findings can therefore be used for generalization.

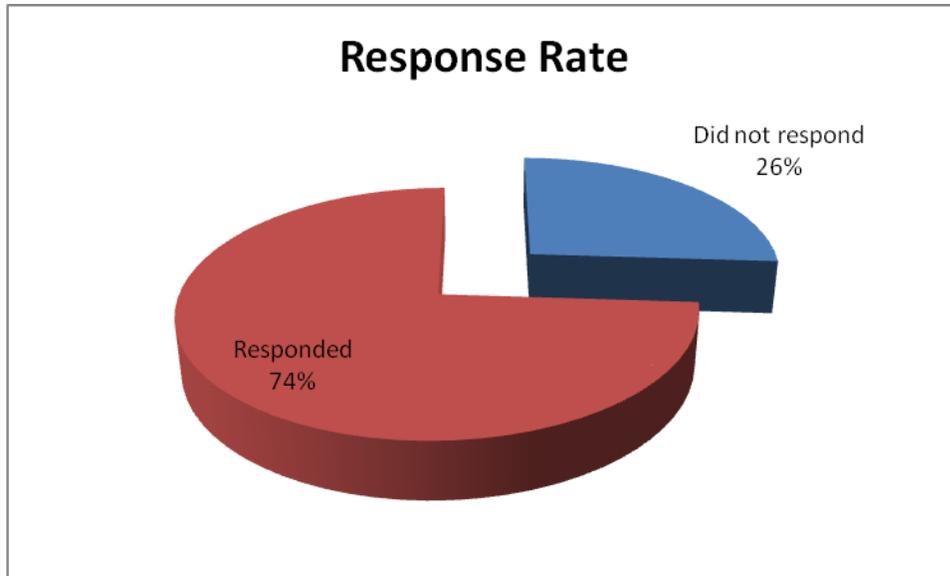


Figure 2: Response Rate.

#### 4.2.2 The Year of Establishment of the Commercial Bank

The number of years a firm has been in operation can determine its experience and resources for quality management within its operations. The researcher sought to find out the year when the commercial banks were established in Kenya.

**Table 4.1**

*Year of Establishment of the Commercial Bank*

Year	Frequency	Percent
Before 1940	12	24
1940 – 1960	9	19
1961 – 1980	12	24
1981 – 2000	12	24
2001 – Present	4	9
<b>Total</b>	<b>49</b>	<b>100</b>

Source: Research (2013)

The findings indicated that 12 (24%) of the sampled commercial banks were established before 1940 while a total of 33 (67%) commercial banks were established between 1940 and 2000. Only 4 (9%) commercial banks were established between 2001 and the present. The findings confirm that most banks in Kenya have been in operation for at least 15 years and therefore are expected to have a well established internal quality management system and experience in the issues being studied.

#### 4.2.3 The Respondents' Working Experience at the Current Employer

Work experience was considered important since by having worked for a given employer for more than 5 years, one is able to judge trends and give responses that can be relied on. The researcher sought to establish the length of working experience of the respondents with their current employers.

**Table 4.2**

*Respondents' Working Experience with the Current Employer*

<b>Years</b>	<b>Frequency</b>	<b>Percent</b>
Less than 1 Year	9	18
1 - 5 Yrs	23	47
6 - 10 Years	10	21
11 - 15 Yrs	4	8
Over 15 Yrs	3	6
<b>Total</b>	<b>49</b>	<b>100</b>

*Source: Research (2013)*

The findings indicated that 9 (18%) of the respondents had worked with the current employer for less than 1 year. While 37 (76%) had worked for the current employer for a period of between 1

– 15 years. Only 3 (6%) respondents had worked with the current employer for over 15 years. This shows that most of the selected respondents had a wealth of experience and were therefore able to give dependable responses to the questions asked.

#### 4.2.4 Nature of Position of the Respondents

Internal quality management is an all inclusive activity where everyone in the bank is involved but at different levels and as such positions held by the respondents were considered important in determining whether there was proper coverage of all the stakeholders. The researcher sought to establish the nature of the current position held by the respondents. The positions that were held included support staff, clerical staff, line management, departmental management and functional management.

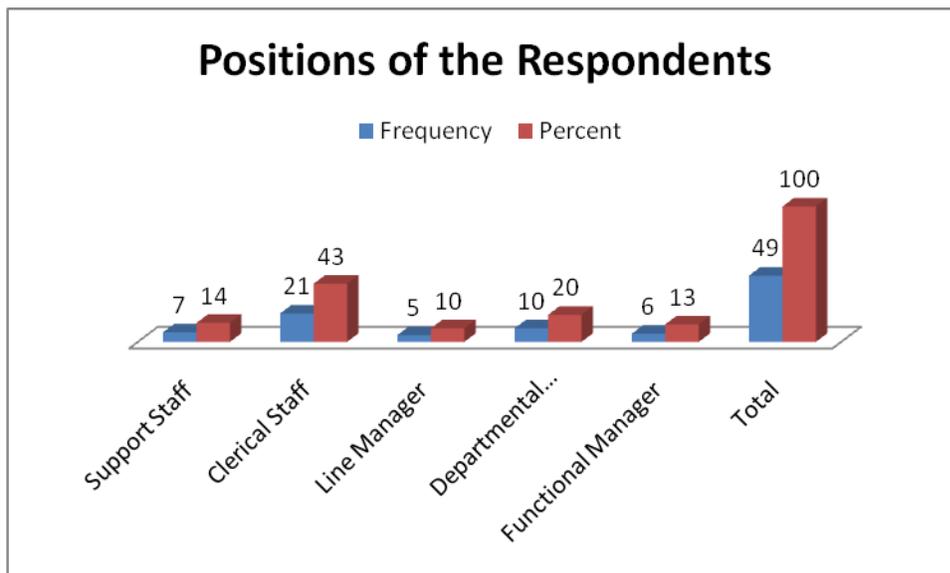


Figure 3: Positions of the Respondents.

The findings indicated that 28 (57%) of the respondents were in non-managerial positions while 21 (43%) of the respondents were in managerial positions. This demonstrates that there was a good mix of respondents from all levels and that the responses generated were reflective of the real situation as perceived by the bank employees.

#### 4.2.5 Number of Branches

The higher the number of branch network, the more sophisticated the process of managing internal quality due to centralized command used by commercial banks. The researcher sought to establish the number of branches operated by the commercial banks in Kenya.

**Table 4.3**

*Number of Branches*

<b>Branches</b>	<b>Frequency</b>	<b>Percent</b>
1 – 10	15	31
11 – 50	22	45
51 – 100	3	6
101 – 150	6	12
151 and above	3	6
<b>Total</b>	<b>49</b>	<b>100</b>

*Source: Research (2013)*

The findings indicated that 37 (76%) of the commercial banks operated less than 50 branches while 12 (24%) of the sampled commercial banks operated over 50 branches in Kenya. Banks are expected to meet the time and place utility for their customers. The above results indicate a

fair distribution given that the country has 47 counties. This may imply that the banks have invested a lot in the management of internal quality to beat their competition.

### 4.2.6 Country of Origin

Commercial banks which have their operations extending beyond the country’s boundaries are expected to have more sophisticated ways of managing their internal service quality as a result of sharing best practices from other markets which have been in operation longer than their Kenyan subsidiary. The researcher sought to establish the country of origin of the sampled commercial banks.

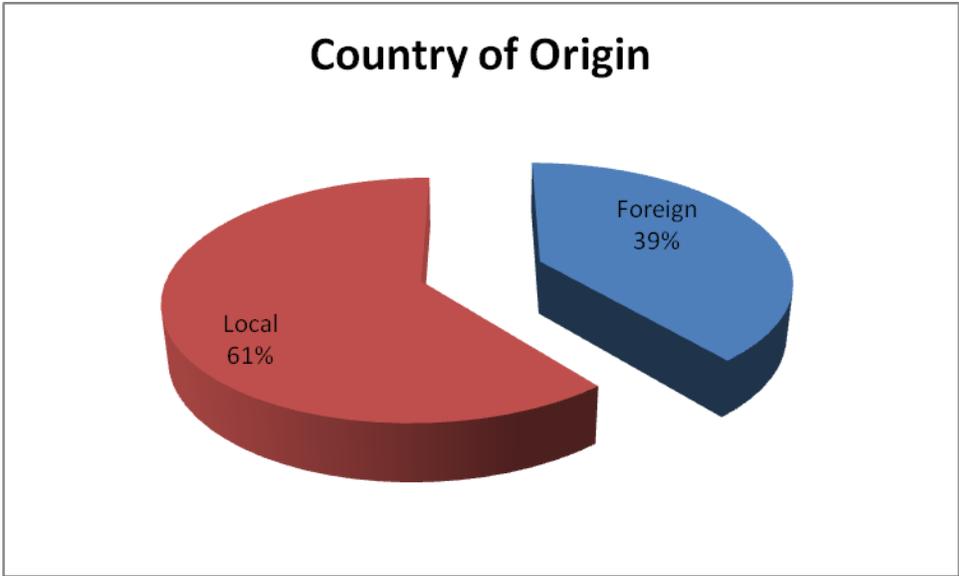


Figure 4: Country of Origin.

The findings indicated that 30 (61%) were local commercial banks while 19 (39%) were subsidiaries of multinational commercial banks. Since most of these banks are locally incorporated, it is easier for them to implement strategies that can help improve their operational

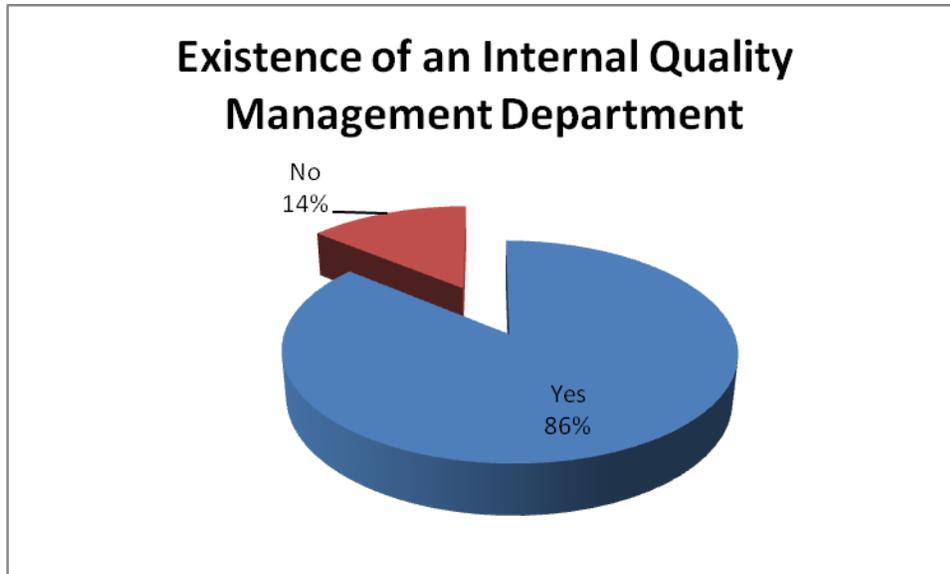
performance without having to consult the parent company or abide by group policies as is the case with foreign owned banks. However, as concerns the sharing of best practices, a big percentage of the banks in Kenya are at a disadvantage.

### **4.3 Descriptive Statistics**

The researcher sought to investigate if the commercial banks had an internal quality management department and the extent to which the internal measures of quality like reliability, assurance, tangibles, empathy and responsiveness were applied by the commercial banks. The researcher also investigated the level of service quality at the commercial banks and the effects of the measures of service quality on the operational performance of the commercial banks. Finally, the researcher sought to establish the extent to which various measures of internal service quality influenced the operational performance of the commercial banks.

#### **4.3.1 Existence of an Internal Quality Management Department**

The existence of a quality management system is dependent upon the number of years the bank has been in operation. The researcher sought to find out if the the commercial banks operated an internal quality management department.



*Figure 5: Existence of an Internal Quality Management Department.*

The findings indicated that 42 (86%) of the commercial banks operated an internal quality management department while 17 (14%) did not operate an internal quality management department. Since we have already established that most of the banks in Kenya have been in operation for up to 15 years, it follows that they should be having an established internal quality management system. These findings serve to confirm that assertion.

#### **4.3.2 Application of Measures of Service Quality on Internal Customers**

Too often, the focus of most organizations has been on the external customers from where they derive their direct profits but there is need to incorporate internal customers, since having satisfied employees is a key contributor to a company's success. Satisfied employees are excited to come to work, are more willing to go the extra mile to please customers and are great brand advocates. The researcher sought to find out the extent to which the commercial banks applied

the 5 major measures of service quality on their internal customers. The measures of internal quality that were investigated included Reliability, Assurance, Tangibles, Empathy and Responsiveness. The researcher sought the views of the respondents using a likert scale where 1 meant very little extent, 2 meant little extent, 3 meant moderate extent, 4 meant great extent and 5 meant very great extent.

**Table 4.4:**

*Extent of Application of Measures of Service Quality on Internal Customers*

<b>Measure</b>	<b>Mean</b>	<b>Standard Deviation</b>
Reliability	4.14	0.82
Assurance	4.16	0.80
Tangibles	4.08	0.91
Empathy	4.12	0.97
Responsiveness	4.37	0.70

The findings indicate that the respondents felt that all the five measures of service quality were applicable to their banks to a great extent with responsiveness topping the list at (M=4.37, SD=0.70) followed by assurance (M=4.16, SD=0.80) then reliability measure (M=4.14, SD=0.82), empathy at (M=4.12, SD=0.97) and lastly tangibles (M=4.08, SD=0.91).

### **4.3.3 Statements on Service Quality**

Views expressed by employees on specific statements on service quality can be a reflection of the level of commitment and investment of the respective organizations in managing internal service quality in pursuit of operational excellence. The researcher sought to find out the extent

to which the respondents agreed with standard statements on service quality. The researcher sought the views of the respondents using a likert scale where 1 meant strongly disagree, 2 meant disagree, 3 meant not sure, 4 meant agree and 5 meant strongly agree.

**Table 4.5:**

*Views on the Standard Statements on Service Quality*

<b>Statement on Service Quality</b>	<b>Mean</b>	<b>Standard Deviation</b>
The Bank has invested in measuring service quality	3.76	1.03
The bank has invested in improvement of employee skills	4.08	0.89
The bank emphasizes on employees' work life balance	3.71	1.17
The bank has an elaborate policy on its internal service quality	4.08	1.13

The findings indicated that the respondents held a wide range of views concerning each of the statements on service quality. The respondents were generally not sure whether their banks had invested in measuring service quality (M=3.76, SD=1.03) or on whether the bank emphasizes on their work life balance (M=3.71, SD=1.17). They however agreed with the statement concerning their banks improvement of employee skills (M=4.08, SD=0.89) as well as with the existence of an elaborate policy on internal service quality (M=4.08, SD=1.13).

#### 4.3.4 Effects of Measures of Tangibility on Operational Performance

The minimum tangibles that enable an organization to offer the required level of service quality include up-to-date equipment, comfortable and attractive working environment, professional dressing and etiquette among the employees and use of materials, tools and equipment that appeal to the customer in appearance, quality and applicability to the nature of service being offered. The researcher sought to find out the extent to which the measures of tangibility influenced the operational performance of the commercial banks. The researcher sought the views of the respondents using a likert scale where 1 meant very low, 2 meant low, 3 meant moderate, 4 meant high and 5 meant very high.

**Table 4.6:**

*Effects of Measures of Tangibility on Operational Performance*

<b>Measure of Tangibility</b>	<b>Mean</b>	<b>Standard Deviation</b>
Up to date Equipment and Instrument Facilities	3.96	0.91
Physical Appeal of Facilities	3.92	0.93
Neatness and Professionalism of Employees	4.18	0.86
Applicability of Tools and Equipment to the type of Service offered	4.08	0.91

The respondents held various views but on average they tended to hold that up to date equipment and instrument facilities (M=3.96, SD=0.91) as well as physical appeal of facilities (M=3.92, SD=0.93) had a moderate influence on operational performance of commercial banks whereas

neatness and professionalism of employees (M=4.18, SD=0.86) along with the applicability of tools and equipment to the type of service offered (M=4.08, SD=0.91) had a high influence on operational performance of commercial banks.

#### 4.3.5 Effects of Measures of Reliability on Operational Performance

Organizations should always ensure that they provide services at the promised time and have dependable employees who do the right thing first time to avoid wasting time on repeat performances. The researcher sought to find out the extent to which the measures of reliability influenced the operational performance of the commercial banks. The researcher sought the views of the respondents using a likert scale where 1 meant very low, 2 meant low, 3 meant moderate, 4 meant high and 5 meant very high.

**Table 4.7:**

*Effects of Measures of Reliability on Operational Performance*

<b>Measure of Reliability</b>	<b>Mean</b>	<b>Standard Deviation</b>
The bank is dependable	4.08	0.86
If the bank promises to do something by a certain time, they do it	4.18	0.81
The bank provides its services at the time they promise to do so	4.02	0.77
The bank keeps its records accurately	4.23	0.69

The respondents felt that the bank's dependability had a high influence on the operational performance (M=4.08, SD=0.86). If the bank promises to do something by a certain time and they do so (M=4.18, SD=0.81) and when it provides its services at the time they promise to do so (M=4.02, SD=0.77) its operations performance is influenced to a high extent and lastly, the bank's ability to keep its records accurately was also perceived to have a high influence on the operations performance of the commercial bank (M=4.23, SD=0.69).

#### **4.3.6 Effects of Measures of Responsiveness on Operational Performance**

The capacity of employees to accommodate special requests and needs of clients is a measure of the ability of employees to respond to customer requests. This measure can assist management teams to measure the seasonal variations in the volume of customer requests and be the basis of engaging headcounts to boost the capacity of customer service teams. The researcher sought to find out the extent to which the measures of responsiveness influenced the operational performance of the commercial banks. The researcher sought the views of the respondents using a likert scale where 1 meant very low, 2 meant low, 3 meant moderate, 4 meant high and 5 meant very high.

**Table 4.8:**

*Effects of Measures of Responsiveness on Operational Performance*

<b>Measure of Responsiveness</b>	<b>Mean</b>	<b>Standard Deviation</b>
Promptness of Service to Internal Customers	4.10	0.82
Willingness of Employees to Help Internal Customers	4.02	0.72
Replying to all Queries from Internal Customers	4.08	0.81
Offering Special care to Special Internal Customers	3.88	0.89

The findings indicated that the respondents on average held the view that promptness of service to internal customers (M=4.10, SD=0.82), willingness of employees to help internal customers (M=4.02, SD=0.72) and replying to all queries from internal customers (M=4.08, SD=0.81) had a high influence on operational performance of commercial banks. The respondents also felt that offering special care to special internal customers had but a moderate influence on operational performance of commercial banks (M=3.88, SD=0.89).

#### **4.3.7 Effects of Measures of Assurance on Operational Performance**

The appropriate know-how of fellow employees assures the internal customers by making them feel safe in all the transactions they execute within the organization. The researcher sought to find out the extent to which the measures of assurance influenced the operational performance of

the commercial banks. The researcher sought the views of the respondents using a likert scale where 1 meant very low, 2 meant low, 3 meant moderate, 4 meant high and 5 meant very high.

**Table 4.9:**

*Effects of Measures of Assurance on Operational Performance*

<b>Measure of Assurance</b>	<b>Mean</b>	<b>Standard Deviation</b>
Sympathy and Reassurance to Internal Customers who have issues	3.84	0.92
Safety to all transactions done by internal customers	4.27	0.84
Trustworthiness of Fellow Employees	4.20	0.87
Politeness of Fellow Employees	3.98	0.85

The findings indicated that the respondents on average held the view that sympathy and reassurance to internal customers who have issues (M=3.84, SD=0.92) and politeness of fellow employees (M=3.98, SD=0.85) had a moderate influence on operational performance of commercial banks while safety to all transactions done by internal customers (M=4.27, SD=0.84) and trustworthiness of fellow employees (M=4.20, SD=0.87) had a high influence on the operational performance of commercial banks.

**4.3.8 Effects of Measures of Empathy on Operational Performance**

Employees are expected to offer personalized service to each client in order to make the client feel that their interests are being addressed comprehensively. This nature of personalized

service enables the employees to understand the true nature of their customer’s needs, queries and complaints. The researcher sought to find out the extent to which the measures of empathy influenced the operational performance of the commercial banks. The researcher sought the views of the respondents using a likert scale where 1 meant very low, 2 meant low, 3 meant moderate, 4 meant high and 5 meant very high.

**Table 4.10:**

*Effects of Measures of Empathy on Operational Performance*

<b>Measure of Empathy</b>	<b>Mean</b>	<b>Standard Deviation</b>
Adequate support to employees to ensure they do their jobs well	3.98	0.88
Employees giving individual attention to their internal customers	3.82	0.95
Operating Hours being Convenient to all Employees	3.86	1.00
Employees trying to know the needs of their internal customers	3.78	0.82

The findings indicated that the respondents held a wide range of views ranging from very low to very high influence of measures of empathy on the operational performance of the commercial banks. Firstly, they tended to hold that adequate support to employees to ensure they do their job well had a moderate influence on operational performance of commercial banks (M=3.98, SD=0.88). The respondents also held the view that the tendency of employees giving individual attention to their internal customers had a moderate influence on the operational performance of

commercial banks ( $M=3.82$ ,  $SD=0.95$ ). Thirdly, the respondents held that convenient operating hours for employees also had a moderate influence on operational performance ( $M=3.86$ ,  $SD=1.00$ ) and lastly the respondents held the view that the tendency of employees trying to know the needs of their internal customers had a moderate influence on the operational performance of commercial banks ( $M=3.78$ ,  $SD=0.82$ ).

#### 4.3.9 Operational Performance Indicators

These include the goals or targets that measure how well the banks are doing to achieve their overall operational performance objectives while focusing on the quality of internal service. The researcher sought to establish the indicators of operational performance for the commercial banks. The indicators that were investigated included the average queuing time in the banking hall, the turn-around time for new account opening, the average turn-around time for loan processing and the average number of frauds reported annually by the commercial banks.

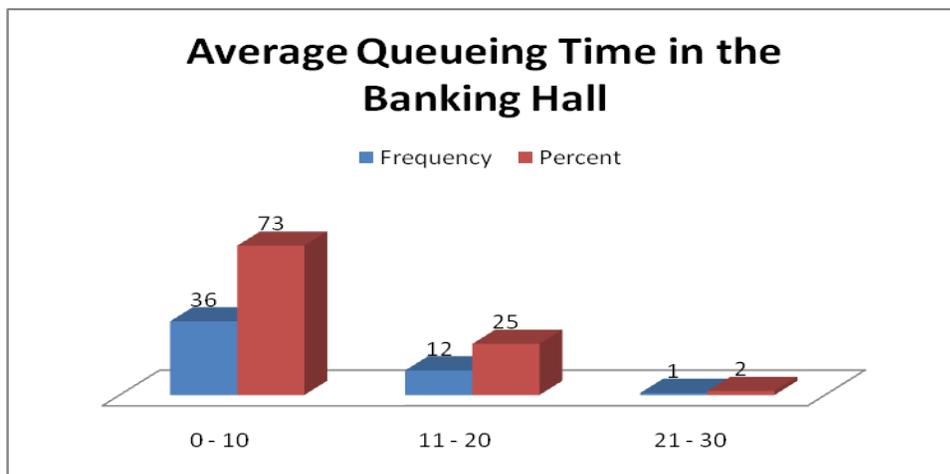


Figure 6: Average Queuing Time (Minutes) in the Banking Hall.

The findings indicated that 36 (73%) of the commercial banks had an average queuing time of 0 -10 minutes while the other 13 (27%) commercial banks had an average queuing time of between 11 and 30 minutes. This shows a high level of operational efficiency of these banks considering the fact that that 76% of the banks had less than 50 branches.

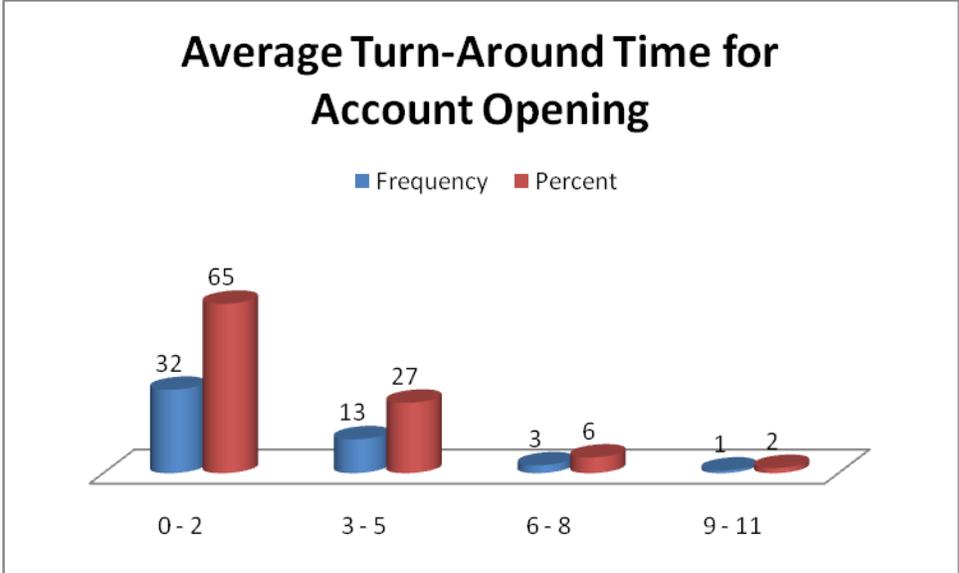
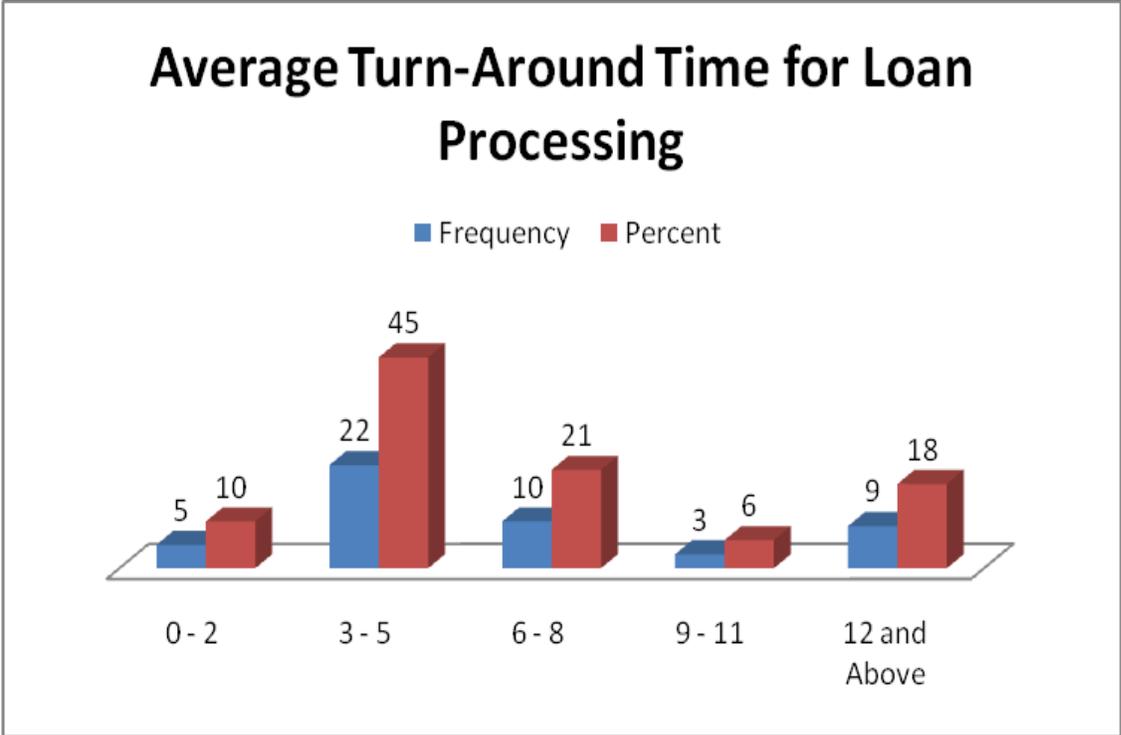


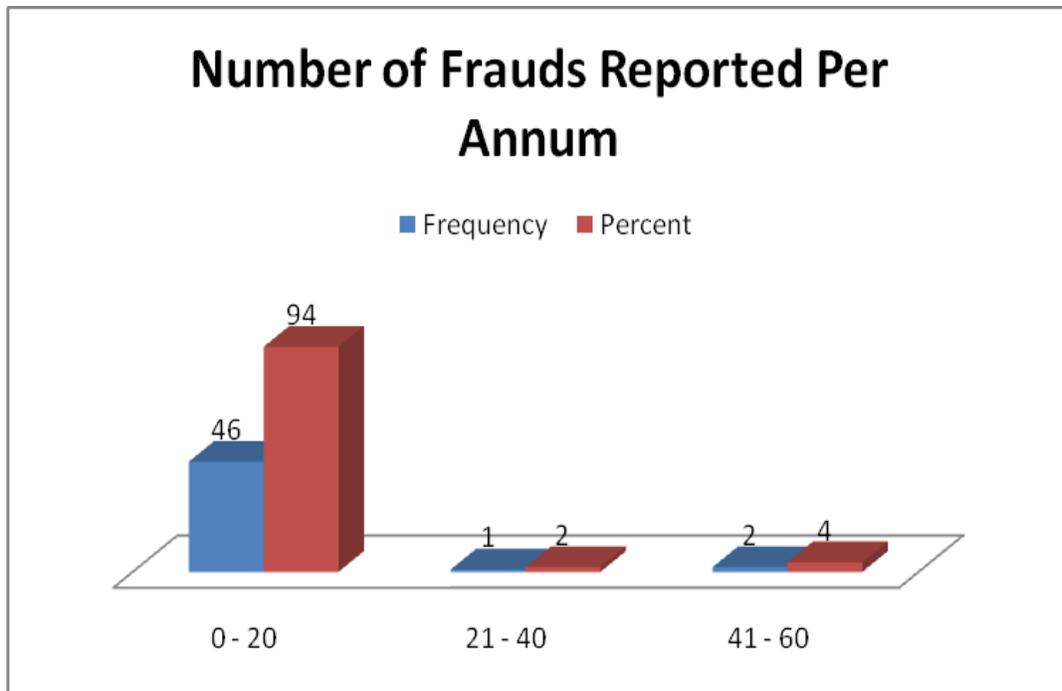
Figure 7: Average Turn-Around Time (Days) for New Account Opening.

The findings indicated that 32 (65%) of the commercial banks had an average turn-around time of 0 -2 days while the other 17 (35%) commercial banks had an average turn-around time of between 3 and 11 days. This is also a clear demonstration of superior operational performance as well as internal service quality since account opening involves several departments and could take several days if the concerned departments don't work together.



*Figure 8: Average Turn-Around Time (Days) for Loan Processing.*

The findings indicated that 27 (55%) of the commercial banks had an average turn-around time of 0-5 days while the other 13 (27%) commercial banks had an average turn-around time of between 6 and 11 days. Lastly, 9 (18%) commercial banks had an average turn-around time of more than 12 days.



*Figure 9: Average Number of Frauds Reported per Annum.*

The findings indicated that 46 (94%) of the commercial banks had an average of 0 – 20 frauds reported per annum. Only 1 (2%) commercial bank reported between 21 and 40 frauds per annum while 2 (4%) commercial banks reported between 41 and 60 frauds per annum.

#### **4.4 Inferential Analysis**

Inferential analysis was done using regression analysis technique to establish the relationship between the average number of frauds reported per annum (indicator of operational performance) and the level of operational performance of the commercial banks ( measured by the average influence of Reliability, Assurance, Tangibles, Empathy and Responsiveness on the operational performance of commercial banks).

**Table 4.11**

*Model Summary*

<b>Model Summary</b>				
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	0.727412957	0.529129610	0.533702523	0.045729130
Predictors: (Constant): Measures of Internal Service Quality				

The findings indicate that the measures of service quality (Reliability, Assurance, Tangibles, Empathy and Responsiveness) explained only 53.4% of the level of operational performance of commercial banks in Kenya. Therefore, this signifies that there are other factors that were not studied in this research that explain the 46.6% of the operational performance of commercial banks in Kenya.

**Table 4.12***ANOVA Model*

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	155.6103958	5	37.02223006	65.56300466	.001607906
	Residual	118.0079921	190	.623996052		
	Total	343.1636025	196			

From the ANOVA Model the analysis of variance; at 0.01 level of confidence; the ' $F$ ' statistic (65.56) suggested that the model was fit and valid with the existing set of 5 independent variables, 1 intervening variable and 1 independent variable. Therefore, the findings indicate that the model was fit and significant in explaining the relationship between the measures of internal service quality and the operational performance of commercial banks in Kenya.

**Table 4.13***Coefficients of Determination*

Coefficients of Determination	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
<b>(Constant)</b>	5.08	0.75		4.74	0.00
Influence of Measures of Reliability	0.29	0.28	0.27	1.02	0.09
Influence of Measures of Assurance	0.25	0.26	0.23	0.95	0.05
Influence of Measures of Tangibles	0.23	0.25	0.25	0.93	0.04
Influence of Measures of Empathy	0.03	0.01	0.02	1.72	0.03
Influence of Measures of Responsiveness	0.27	0.24	0.24	0.68	0.05

**Dependent Variable: Operational Performance of Commercial Banks in Kenya**

In order to determine the relationship between the measures of internal service quality and the level of operational performance of commercial banks in Kenya; the researcher conducted a multiple regression analysis. As per the SPSS generated table above, The regression model;  $Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + \epsilon$ ; was generated as follows:

$$Y = 5.08 + 0.27X_1 + 0.23X_2 + 0.25X_3 + 0.02X_4 + 0.24X_5 + 0.75$$

Where Y is the indicator of operational performance of commercial banks in Kenya, X<sub>1</sub> influence of measures of reliability on the operational performance of the bank, X<sub>2</sub> is the influence of measures of assurance on the operational performance of the bank, X<sub>3</sub> influence of the measures of tangibles on the operational performance of the bank, X<sub>4</sub> is influence of measures of empathy on the operational performance of the bank and X<sub>5</sub> is influence of the measures of responsiveness on the operational performance of the bank.

Therefore, the findings indicated that all the measures of internal service quality had a positive influence on the operational performance of the commercial bank with measures of reliability having the highest influence, followed by measures of tangibles, then measures of responsiveness followed by measures of assurance while measures of empathy had the least influence.

#### **4.5 Discussion of Results**

The results were discussed in relation to empirical studies and linkage of the findings to the established theories in the field of Operations Management.

##### **4.5.1 Relationship to Empirical Studies**

The findings of this study are related to the many other earlier findings of scholars. Siwa (2010) established that the main operational challenges facing the commercial banks include rampant frauds, inadequate data on customer complaints, expectations and suggestions and lack of infrastructural capacity to enable employees to deliver the expected levels of service quality. Indeed, the findings of this study indicated that the level of frauds, response to internal customer

queries and appropriate tools and equipment to carry out the daily tasks were of great influence in the operational performance of commercial banks.

Muthoni (2011) in her study established that the available data indicated high levels of service quality but the external indicators of service quality like customer perception and satisfaction levels were not proportionate to the scores on operational efficiency. In this study, the data on average queuing time, turn-around time for account opening, turn-around time for loan processing and the number of frauds reported annually were also used to show the operations performance levels of commercial banks. The findings confirmed that the operational performance of commercial banks was high in so far as account opening, loan processing and minimized time for queuing in the banking hall were concerned. However, the level of frauds was not proportionate to other indicators of operational performance.

Ndung'u (2011)'s findings indicated that the ICT infrastructure induced innovations were positively correlated with the operational performance of commercial banks. In this study, the findings indicated that up to date tools and equipment had a high influence on the operational performance of commercial banks therefore confirming that ICT and related innovations were drivers of improved operational performance.

#### **4.5.2 Linkage of the Findings to Theory**

Most scholars have established theories on the relationship between service quality and operational performance. Kang et al., (2002) holds that the correctness and accuracy of the information provided by coworkers would signify the level of reliability of the organizations' services and that service quality entails the act of employees dealing with customers in a caring fashion and the organization ensuring that its services are offered during hours and days that are convenient to the customer. They also recommend various measures to ensure that empathy is incorporated in the service offerings of organizations. These include ensuring that the business operates within convenient business hours, employees handle customer queries in a linear fashion to foster the level of attention to detail, concern and understanding of the customer's needs and complaints. Indeed, the findings of this study confirmed the theoretical foundation by establishing that accuracy of information, caring for clients and convenient working hours had a high influence on the operational performance of commercial banks.

Johnston and Clark (2001) hold that the courtesy level of employees is a source of assurance to the customers. They also contend that the minimum tangibles that can enable an organization to offer the required level of service quality include presence of modern equipment and tools, visually appealing facilities, neatness and professional appearance among the employees and visually appealing materials associated with the service under consideration. Indeed, the findings of this study confirmed that modern equipment and tools, visually appealing facilities, neatness

and professional appearance among the employees and visually appealing materials had a high influence on the operational performance of commercial banks.

Chowdhary and Chowdhary (2005) hold that responsiveness that delivers expected standards of operational performance should entail delivery of prompt services to the customers, high levels of willingness to help customers and readiness to respond to customer queries and complaints. The findings of this study established that promptness in handling customer issues, willingness to help internal customers in their complaints and queries had a great influence on the operational performance of commercial banks. However, the aspects touching on the comfort of the employee like convenient working hours and adequate support from the employer had a higher influence on the operational performance of the commercial banks. This implied that the levels of internal service quality depended more on the employees' attitudes and motivation levels than the established processes and procedures.

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

### **5.1 Introduction**

The chapter contains the summary of findings, the conclusions, the recommendations for practice and policy, the limitation of the study and the recommendations for further study.

### **5.2 Summary of the Findings**

The findings indicated that an internal quality management department was existent in 42 of the commercial banks and non-existent in 17 of the commercial banks. The findings further indicated that in all the sampled commercial banks all the measures of internal quality were applied. On average, reliability measure was applied to a great extent; the assurance measure was also applied to a great extent. The tangibles measure was applied to a great extent while the empathy measure was also applied to a great extent. Lastly, the responsiveness measure was also applied to a great extent.

The views of the respondents on various statements of service quality fetched varied responses. On whether the bank had invested in measuring service quality, the respondents tended to agree with the statement. On if the bank had invested in improvement of employee skills, the respondents agreed with the statement. On if the bank emphasized on employees' work life balance, the respondents tended to agree with the statement. Finally, on if the bank had an elaborate policy on its internal service quality, the respondents agreed with the statement.

The respondents held a wide range of views on the influence of measures of tangibility on the operational performance of commercial banks. The respondents held that up to date equipment and instrument facilities had a moderate influence on operational performance of commercial banks. They also held the view that physical appeal of facilities had a moderate influence on the operational performance of commercial banks. Thirdly, the respondents held that neatness and professionalism of employees had a high influence on operational performance and lastly the respondents also held the view that the applicability of tools and equipment to the type of service offered had a high influence on the operational performance of commercial banks.

The respondents held a wide range of views on the influence of measures of reliability on the operational performance of commercial banks. They felt that the bank's dependability, ability to keep promises made to customers, timely provision of services and accurate record keeping all had a high influence on the operational performance of the commercial banks.

The respondent's views on the influence of measures of responsiveness on the operational performance of commercial banks were varied. The respondents held that promptness of service to internal customers had a high influence on operational performance of commercial banks. They also held the view that willingness of employees to help internal customers had a high influence on the operational performance of commercial banks. Thirdly, the respondents held that replying to all queries from internal customers had a high influence on operational performance and lastly that offering special care to special internal customers also had a moderate influence on the operational performance of commercial banks.

The respondents held a wide range of views on the influence of measures of assurance on the operational performance of commercial banks. Firstly, the respondents held that sympathy and reassurance to internal customers who have issues had a moderate influence on operational performance of commercial banks. They also held the view that safety to all transactions done by internal customers had a high influence on the operational performance of commercial banks. Thirdly, the respondents held that trustworthiness of fellow employees had a high influence on operational performance and lastly the respondents held the view that politeness of fellow employees had a moderate influence on the operational performance of commercial banks.

The respondents held that adequate support to employees to ensure they do their job well had a moderate influence on operational performance of commercial banks. The respondents also held that the tendency of employees giving individual attention to their internal customers had a moderate influence on the operational performance of commercial banks. Thirdly, the respondents held that convenient operating hours for employees had a moderate influence on operational performance and lastly that the tendency of employees trying knowing the needs of their internal customers had a moderate influence on the operational performance of commercial banks.

The findings indicated that all the measures of internal service quality had a positive influence on the operational performance of the commercial banks with measures of reliability having the highest influence, followed by measures of tangibles, measures of responsiveness, measures of assurance and measures of empathy respectively.

### **5.3 Conclusions**

The researcher concluded that an internal service quality management department is inevitable if commercial banks are to manage their service quality effectively. The researcher also concludes that all the five established measures of service quality namely reliability, assurance, tangibles, empathy and responsiveness need to be included in the internal management of service quality of organizations. This was informed by the fact that all the measures were found to have a great influence on operational performance.

The researcher also concludes that all organizations seeking to improve their operational performance need to adhere to established service quality standards like investing in measurement of service quality, improvement of employee skills, enhanced work life balance of employees and an elaborate policy on the internal service quality standards.

The researcher concludes that up to date equipment and instrument facilities, physical appeal of facilities, neatness and professionalism of employees, and applicability of tools and equipment to the type of service offered are the key measures of tangibility that should be utilized by organizations in order to improve their operational performance standards.

The researcher concludes that promptness of service to internal customers, willingness of employees to help internal customers, replying to all queries from internal customers and offering special care to special internal customers are the measures of responsiveness that should be adopted by organizations seeking to improve their operational performance standards.

The researcher concludes that sympathy and reassurance to internal customers who have issues, safety to all transactions done by internal customers, trustworthiness of fellow employees and

politeness of fellow employees are the measures of assurance that should be utilized by organizations in order to improve their operational performance standards.

The researcher concludes that the tendency of employees giving individual attention to their internal customers, having convenient operating hours for employees and the tendency of employees trying to know the needs of their internal customers are the main measures of responsiveness that should be cultivated by organizations seeking to improve their operational performance levels.

The researcher concludes that organizations seeking to attain appropriate levels of organizational performance should give the first priority to measures of reliability, followed by measures of tangibles, measures of responsiveness, measures of assurance and measures of empathy respectively.

#### **5.4 Recommendations**

In practice, the researcher recommends that an internal service quality management department be established in every organization to manage their service quality effectively. The researcher also recommends that practitioners should develop models for managing internal service quality which should incorporate the five key measures of service quality namely reliability, assurance, tangibles, empathy and responsiveness. The five measures should not be excluded whenever an organization seeks to measure its internal service quality standards.

The researcher recommends that policy makers like the KBA and CBK should ensure that every commercial bank embraces the minimum measurements of service quality like improvement of

employee skills, enhanced work life balance of employees and an elaborate policy on the internal service quality standards.

### **5.5 Limitations of the Study**

The study having adopted a descriptive survey design only allowed for in-depth study of the selected commercial banks and cannot be comprehensively inferred to other commercial banks in the industry. The study was further limited by the fact that the respondents did not provide information on some indicators of operational performance like return on investment, number of customer complaints, employee attrition rates and gross margin from operations. This limited the indicators of operational performance to the queuing time in the banking hall, turn-around time in loan processing and account opening and the number of frauds reported on an annual basis.

### **5.6 Suggestions for Further Study**

The researcher recommends that scholars in the field of operations management should seek to create a model that shall guide practitioners on the proper mix of the measures of reliability, responsiveness, assurance and empathy in their internal service quality management procedures and processes. This will ensure effectiveness in the measurement of internal service quality and therefore enhance the levels of operational performance in organizations.

## REFERENCES

- Central Bank of Kenya (2013). *Commercial Banks in Kenya*. Online at [www.centralbankofkenya.go.ke](http://www.centralbankofkenya.go.ke)
- Chowdhary, N. and Chowdhary, M. (2005). *A Textbook of Marketing of Services – The Indian Experience*, Macmillan Indian Ltd, New Delhi.
- Hanna, M.D. and Newman, W.R. (2001), *Integrated Operations Management*, Prentice Hall, Upper Saddle River, NJ.
- Hill, T. (2000), *Operations Management – Strategic Context and Managerial Analysis*, Macmillan, London.
- Johnston, R. and Clark, G. (2001), *Service Operations Management*, Prentice Hall, Harlow.
- Kang, G. et al (2002). Measurement of Internal Service Quality: Application of the SERVQUAL battery to internal service quality. *Managing Service Quality*. Vol. 12, No. 5 pg 278-291
- Maylor, H. (2003), *Project Management*, 3rd ed., Financial Times Prentice Hall, Harlow.
- Muthoni, J. M. (2011). *Measuring bank operational efficiency using data envelopment analysis: A case of Kenya Commercial Bank Ltd*. Unpublished MBA Project. University of Nairobi.
- Ndung'u S. M. (2011). *A survey on the impact of Information Communication Technology induced innovation on operational performance of commercial banks in Kenya*. Unpublished MBA Project. University of Nairobi.
- Ngyema R. K. (2011). *The relationship between service quality and financial performance of commercial banks in Kenya*. Unpublished MBA Project. University of Nairobi.
- Nordberg, D. (2008). *Corporate governance principles and issues*. London: Sage Publications.
- Nyeck, et al. (2002). 10 years of service quality measurement: reviewing the use of the SERVQUAL instrument. *Journal of Business Research*, Vol.58, Issue 11, pp. 1562–1572.

- Olsen, L.L. and Johnson, M.D. (2003), "Service equity, satisfaction, and loyalty: from transaction-specific to cumulative evaluations", *Journal of Service Research*, Vol. 5 No. 3, pp. 184-95.
- Pearce, J.A. and Robinson, R.B. (2005). *Strategic Management: Strategy, Formulation, Implementation and Control*. 6<sup>th</sup> Edition. Boston: McGraw-Hill.
- Porter, M. E. (2010). *Techniques for Analyzing Industries and Competitors*.  
New York: Free press.
- Russell, R.S. and Taylor, B.W. III (2003), *Operations Management*, 4th ed., Prentice Hall, Upper Saddle River, NJ.
- Samir, G. et al (2006). Measurement of Corporate Performance through Balanced score card: an overview. *Vidyasagar University Journal of Commerce*, Vol. 11, pp 64-67
- Sang, P. (2011). *Operational strategies and competitions advantages in the commercial banking sector in kenya*. Unpublished MBA Project. University of Nairobi.
- Shaw, P. (2002), *Changing Conversations in Organisations: A Complexity Approach to Change*, Routledge, London.
- Siwa J. O. (2010). *An investigation on the operational challenges facing commercial banks*. Unpublished MBA Project. University of Nairobi.
- Slack, N., Chambers, S. and Johnston, R. (2004), *Operations Management*, 4th ed., Prentice Hall, Harlow.
- Zeithaml, et al. (1990), Delivering Quality Service; Balancing Customer Perceptions and Expectations. *Journal of Business Research*, Vol.58, Issue 11, pp. 1562–1572.
- Burns N, Grove K (2003). *Understanding nursing research* (3rd ed.). Philadelphia: W.B.\ Saunders Company.

## APPENDIX I: QUESTIONNAIRE

### Instructions

Dear Sir/Madam,

You are kindly requested to answer all questions in this research questionnaire. The information that you will provide shall be treated with a high level of confidentiality and strictly used for the purpose of this research study. This study aims at determining the internal factors affecting service quality among commercial banks in Kenya and also establishing the relationship between service quality and operations performance among commercial banks in Kenya.

### Section A: General Information

1. When was your commercial bank established?
  - Before 1940
  - Between 1940 – 1960
  - Between 1961 – 1980
  - Between 1981 – 2000
  - Between 2001- to the present
2. For how long have you worked with the commercial bank?
  - Less than 1 Year
  - Between 1 – 5 Years
  - Between 6 – 10 Years
  - Between 11 – 15 Years
  - Over 15 Years
3. What is your position in the commercial bank?
  - Support Staff
  - Clerical Staff
  - Line Manager
  - Departmental Manager
  - Functional Manager

4. What is the company's country of origin ?
- Local
- Foreign
5. How many branches does your company have in Kenya?
- 1 – 10
- 11 – 50
- 51 – 100
- 101- 150
- 151 and above

**Section B: Internal Measures of Service Quality**

6. Do you have an internal quality management department in your commercial bank?
- Yes  No
7. To what extent does your commercial bank apply the following measures of service quality on its internal customers?

Use a 5-point scale: **1. Very Little 2. Little 3. Moderate 4. Great 5. Very Great**

<b>Internal Measures of Service Quality</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Reliability					
Assurance					
Tangibles					
Empathy					
Responsiveness					

8. To what extent do you agree with the following statements concerning service quality:  
 Use a 5-point scale: **1. Strongly Disagree** **2. Disagree** **3. Not Sure** **4. Agree** **5. Strongly Agree**

<b>Statement on Service Quality</b>	1	2	3	4	5
The Bank has invested in measuring internal service quality					
The bank has invested in improvement of employee skills					
The bank emphasizes on employees' work life balance					
The bank has an elaborate policy on its internal service quality					

9. Rate the extent to which the following measures of Tangibility influence the operational performance of your commercial bank.

Use a 5-point scale: **1. Very Low** **2. Low** **3. Moderate** **4. High** **5. Very High**

<b>Measures of Tangibility</b>	1	2	3	4	5
Up to date equipment and instrument facilities					
Physical appeal of facilities					
Neatness and professionalism of employees					
Applicability of tools and equipment to the type of service offered					

10. Rate the extent to which the following measures of reliability influence the operational performance of your commercial bank.

Use a 5-point scale: **1. Very Low 2. Low 3. Moderate 4. High 5. Very High**

<b>Measures of Reliability</b>	1	2	3	4	5
The bank is dependable					
If the bank promises to do something by a certain time, they do it					
The bank provides its services at the time they promise to do so					
The bank keeps its records accurately					

11. Rate the extent to which the following measures of Responsiveness influence the operational performance of your commercial bank.

Use a 5-point scale: **1. Very Low 2. Low 3. Moderate 4. High 5. Very High**

<b>Measures of Responsiveness</b>	1	2	3	4	5
Promptness of Service to internal Customers					
Willingness of Employees to help Internal Customers					
Replying to all queries from Internal customers					
Offering special care to special Internal customers					

12. Rate the extent to which the following measures of Assurance influence the operational performance of your commercial bank.

Use a 5-point scale: **1. Very Low 2. Low 3. Moderate 4. High 5. Very High**

<b>Measures of Assurance</b>	1	2	3	4	5
Sympathy and Reassurance to Internal Customers who have problems					
Safety of all transactions done by internal customers					
Trustworthiness of Fellow Employees					
Politeness of Fellow Employees					

13. Rate the extent to which the following measures of Empathy influence the operational performance of your commercial bank.

Use a 5-point scale: **1. Very Low 2. Low 3. Moderate 4. High 5. Very High**

<b>Measures of Empathy</b>	1	2	3	4	5
The bank provides adequate support to Employees to ensure they do their jobs well					
Employees give individual attention to their internal customers					
Operating Hours Convenient to all Employees					
Employees try to know the needs of their internal customers					

**Section C: Operational Performance**

14. What is the average queuing time ( in minutes) in the banking hall of your commercial bank?

- 0 – 10 ( )
- 11 – 20 ( )
- 21 – 30 ( )
- 31 – 40 ( )
- 41 and above ( )

15. What is the average turn around time for new account opening ( in days) at your commercial bank?

- 0 – 2 ( )
- 3 – 5 ( )
- 6 – 8 ( )
- 9 – 11 ( )
- 12 and above ( )

16. What is the average turn around time for loan processing ( in days) at your commercial bank?

- 0 – 2 ( )
- 3 – 5 ( )
- 6 – 8 ( )
- 9 – 11 ( )
- 12 and above ( )

17. What is the average number of frauds reported annually at your commercial bank?

0 – 20 ( )

21 – 40 ( )

41 – 60 ( )

61 – 80 ( )

81 and above ( )

18. State the respective annual quantities related to the following measures of operational productivity in your commercial bank:

<b>Measures of Operational Performance</b>	2007	2008	2009	2010	2011	2012
Return on Investment (ROI)						
Number of Customer Complaints						
Employee Attrition per annum						
Gross Margin						

**END.**

**THANKS FOR RESPONDING.**

**APPENDIX II: LIST OF COMMERCIAL BANKS & THEIR MARKET SHARE IN  
GROSS ASSETS**

<b>Rank</b>	<b>BANK</b>	<b>% Gross Assets</b>
	<b>6 LARGE BANKS&gt;5%</b>	
<b>1</b>	<b>Kenya Commercial Bank Ltd</b>	<b>14.2%</b>
<b>2</b>	<b>Equity Bank Ltd</b>	<b>8.6%</b>
<b>3</b>	<b>Co-operative Bank of Kenya Ltd</b>	<b>8.5%</b>
<b>4</b>	<b>Barclays Bank of Kenya Ltd</b>	<b>8.4%</b>
<b>5</b>	<b>Standard Chartered Bank Kenya Ltd</b>	<b>7.9%</b>
<b>6</b>	<b>CFC Stanbic Bank Kenya Ltd</b>	<b>6.7%</b>
	<b>14 MEDIUM BANKS (1-5)%</b>	
<b>7</b>	<b>Commercial Bank of Africa Ltd</b>	<b>4.1%</b>
<b>8</b>	<b>I &amp; M Bank Ltd</b>	<b>3.8%</b>
<b>9</b>	<b>Diamond Trust Bank Kenya Ltd</b>	<b>3.7%</b>
<b>10</b>	<b>NIC Bank Ltd</b>	<b>3.6%</b>
<b>11</b>	<b>Citibank.N.A. Kenya</b>	<b>3.5%</b>
<b>12</b>	<b>National Bank of Kenya Ltd</b>	<b>3.5%</b>
<b>13</b>	<b>Chase Bank Ltd</b>	<b>1.9%</b>

<b>14</b>	<b>Bank of Africa Kenya Ltd</b>	<b>1.8%</b>
<b>15</b>	<b>Bank of Baroda Kenya Ltd</b>	<b>1.8%</b>
<b>16</b>	<b>Prime Bank Ltd</b>	<b>1.7%</b>
<b>17</b>	<b>Ecobank Kenya Ltd</b>	<b>1.4%</b>
<b>18</b>	<b>Family Bank Ltd</b>	<b>1.3%</b>
<b>19</b>	<b>Imperial Bank Ltd</b>	<b>1.3%</b>
<b>20</b>	<b>Bank of India Ltd</b>	<b>1.1%</b>
	<b>23 SMALL BANKS &lt;1%</b>	
<b>21</b>	<b>Consolidated Bank of Kenya</b>	<b>0.8%</b>
<b>22</b>	<b>Fina Bank Ltd</b>	<b>0.7%</b>
<b>23</b>	<b>Gulf African Bank Ltd</b>	<b>0.6%</b>
<b>24</b>	<b>African Banking Corporation Ltd</b>	<b>0.6%</b>
<b>25</b>	<b>Equatorial Commercial Bank Ltd</b>	<b>0.6%</b>
<b>26</b>	<b>Giro Commercial Bank Ltd</b>	<b>0.6%</b>
<b>27</b>	<b>Development Bank of Kenya Ltd</b>	<b>0.6%</b>
<b>28</b>	<b>Fidelity Commercial Bank Ltd</b>	<b>0.5%</b>
<b>29</b>	<b>K-Rep Bank Ltd</b>	<b>0.5%</b>
<b>30</b>	<b>Guardian Bank Ltd</b>	<b>0.5%</b>
<b>31</b>	<b>First Community Bank Ltd</b>	<b>0.4%</b>

<b>32</b>	<b>Habib Bank A.G. Zurich</b>	<b>0.4%</b>
<b>33</b>	<b>Transnational Bank Ltd</b>	<b>0.4%</b>
<b>34</b>	<b>Victoria Commercial Bank Ltd</b>	<b>0.4%</b>
<b>35</b>	<b>Charterhouse Bank Ltd</b>	<b>0.3%</b>
<b>36</b>	<b>Habib Bank Ltd</b>	<b>0.3%</b>
<b>37</b>	<b>Credit Bank Ltd</b>	<b>0.3%</b>
<b>38</b>	<b>Paramount Universal Bank</b>	<b>0.3%</b>
<b>39</b>	<b>Oriental Commercial Bank</b>	<b>0.2%</b>
<b>40</b>	<b>Middle East Bank Kenya Ltd</b>	<b>0.2%</b>
<b>41</b>	<b>UBA Kenya Ltd</b>	<b>0.1%</b>
<b>42</b>	<b>Dubai Bank Ltd</b>	<b>0.1%</b>
<b>43</b>	<b>Jamii Bora Bank Ltd</b>	<b>0.1%</b>

Source: CBK (2013)