FACTORS THAT DETERMINE SATISFACTION OF CUSTOMERS OF EQUITY BANK KENYA LIMITED IN NAIROBI

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DECLARATION

I declare that this research project is my original work and has not been presented for a degree in any other university.

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The research project has been submitted for examination with my approval as the University Supervisor

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DEDICATION

I dedicate this project to my greatest inspiration in life, my Son Jayden. I love you so much.

TABLE OF CONTENT

ABBREVIATIONS

CBK Central Bank of Kenya

NSE Nairobi Stock Exchange

KBA Kenya Bankers Association

EBS Equity Building Society

KES Kenya Shillings

ATM Automated Teller Machine

LIST OF TABLES

ABSTRACT

The purpose of this study was to identifythe factors that determine satisfaction of customers of Equity Bank Kenya limited in Nairobi. This research study sought to answer the following question; what are the factors that determine customer satisfaction of Equity Bank Kenya Ltd in Nairobi. The study had one objective: to identify the factors that determine customer satisfaction at equity bank Kenya limited in Nairobi. The study used descriptive research designand primary data was collected using a structured questionnaire. The population of the study constituted all the customers of Equity Bank Kenya limited in Nairobi central business district. A sample of 60 customers was selected from the Equity Bank branches in Nairobi Central Business District. The study used both qualitative and quantitative approaches in data collection. Statistical Package of Social Sciences was then used to generate frequency tables, charts and figures. The study was based on the premise that determinant factors (perceived quality of services, customer expectations, image of the bank, trustworthiness of the organization and customer service relationship) influence customer satisfaction of Equity Bank customers. The study found out that 68.6% of customer'ssatisfaction at equity bank customers can be explained by perceived quality of services, customer expectations, image of the Bank, and trustworthiness of the bank and customer service relationship. These factors have statistically positive effect on customer satisfaction and hence there is need for the banking management to work towards improving them. The study recommended that there is need for further studies to determine the other factors that account for the remaining 31.4% of customer satisfaction at Equity Bank Kenya Limited in Nairobi.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The Business Environment is characterized by intense changes arising from the various elements of the PEST frame work of factors; the technological social, economic, and social factors. These factors have a great bearing on the operations of the business firms' success, profitability, and even their extinction. These changes and trends have exerted pressure on these organizations to remain competitive in terms of their service quality and delivery (Zeithmal &Bitner, 2000). Service quality is closely related to customer satisfaction and the success of the business organization. In these unfolding scenes of the business environment organizations have to reposition themselves towards the future with emphasis on customer focus (Cakirer 2006). Customer satisfaction is the cornerstone of every service organization in pursuit of its vision and mission (Jones Sasser, 1995).

Re- examining the customer through research is a key parameter in effective services quality and delivery in the current organizations. It's a critical measure of performance for firms,(Anderson et al 1994). Services uniqueness in characteristics necessitates use of frequent satisfaction surveys, if they have to remain better placed in the industry and maintain competitiveness. The Equity Bank's Ltd is a member of banking industry in Kenya. The industry is characterized by intense competition among partners and other microfinance institutions. Innovative service delivery remains a key ingredient of success. Firms are devising new and unique methods of understanding retaining, and building inner long term customer relationship with profitable customers (Kotler 2006, Gronroos 1994). One of the key areas of customer centered marketing

1

paradigm is ensuring that existing customers are satisfied; this has resulted in organization developing strategies to satisfy customers and achieve customers delight.

1.1.1   Customer Satisfaction

Customer satisfaction is the customer's perception that a vendor has met his/her expectations fully efficiently and promptly (Sugandhi, 2008). Customer satisfaction is the summary of opinion of the customer has about the vendor, it starts from pre-marketing to after installation service and complaint management the customer comes in contact with various encounters, departments, and develops an opinion which guides evaluative criteria (Sugandhi, 2008).   The importance of effective complaint management system, service recovery, customer delight cannot be understated. According to (Sugandhi, 2008) customer satisfaction measurement can provide feedback, on business related information; customer supplier related information competitor related information and performance related information.

The methods of measuring satisfaction include benchmarking.Customer satisfaction makes the customers loyal to one service provider. Previous researchers have found that satisfaction of the customers can help the brands to build long and profitable relationships with their customers (Eshghi, Haughton & Topi, 2007). Though it is costly to generate satisfied and loyal customers but that would prove profitable in a long run for a firm (Anderson, Forneil & Mazvancheryl, 2004). Therefore a firm should concentrate on the improvement of service quality and charge appropriate fair price in order to satisfy their customers who would ultimately help the firm to retain its customers (Gustafsson, Johnson &Roos, 2005).

It is a common phenomenon that the services a brand offers and the price it charges actually determine the level of satisfaction among its customers, than any other measure (Turel et

al,2006). Customer's involvement is also important as when buyer consider the product important and invests time to seek information then it ultimately enhances the satisfaction level (Russell-Bennett, McCoil-Kennedy& Coote, 2007). This satisfaction may influence the concerned company by repurchase, purchase of more products, positive word of mouth and willingness of customer to pay more for the particular brand. Any business is likely to lose market share, customers and investors if it fails to satisfy customers as effectively and efficiently as its competitors is doing (Anderson, Forneil & Mazvancheryl, 2004).

Customer satisfaction is the most important factor that affects customer loyalty (Hoq et al., 2010). It is an important theoretical as well as practical issue for most marketers and consumer researchers (Jamal et al, 2003) if customer is satisfied he/she buys the product again and again. It is one of the very important factors-that affect customers. Satisfaction is an element which fulfills the need of the customer associated with that product, for example Lux soap is positioned as beauty care product thus can only satisfy the customer if it enhances fairness of the skin of a user. Unsatisfied customers tend to convey their negative impression to other consumers. Consequently customer dissatisfaction leads to decrease in loyalty (Newman, 2001). This implies that customer satisfaction and customer loyalty are highly related (Hoq et al, 2010).

1.1.2 The Banking Industry in Kenya

The Companies Act (2011), the Banking Act (2000), the Central Bank of Kenya Act (2011) and the various prudential guidelines issued by the Central Bank of Kenya (CBK), govern the Banking industry in Kenya. The banking sector was liberalized in 1995 and exchange controls lifted.CBK is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. It publishes information on

Kenya's commercial banks and non-banking financial institutions, interest rates and other publications and guidelines. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting its members (Kenya Bankers Association Annual Report, 2008).

There are forty-three (43) bank and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Thirty-three (33) of the banks most of which are small to medium sized are locally owned and the other ten (10) are foreign owned. The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Six of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KB A), which serves as a lobby for the banks' interests and addresses issues affecting member institutions. The commercial banks and non-banking financial institutions offer corporate and retail banking services but a small number, mainly comprising the larger banks, offer other services including investment banking (Kenya Bankers Association Annual Report, 2011).

Agency banking in Kenya is the new concept in banking involves taking banking to the unbanked and under banked at a cheaper rate. The agency activities include Cash withdrawal and deposits, Repayments of loans, Bills payment, Salary payments, Funds transfer, Balance enquiry, Document collection for debit and credit cards, loan applications and account opening forms, Cheque book requests and collection, Collection of bank correspondence and mail and Mobile banking services.

1.1.3 The Equity Bank ltd

Equity Bank started its operations in 1984 as Equity Building Society (EBS). Later, Equity transformed into a microfinance institution and eventually into a commercial bank. Its establishment was motivated by the desire to create a financial service provider which would meet the needs of the majority of the Kenyan population. The initial focus was to offer mortgage services but in the mid 1990's EBS changed its business focus to micro finance services (Equity Bank, 2007). Equity bank converted from a building society to a fully-fledged commercial bank on 31 December 2004.Since then, the bank has grown at a high rate and expanded its business volume. In August 2006, Equity Bank limited listed on the "Nairobi Stock Exchange (NSE).

Equity Bank is a financial services provider whose headquarters are in Nairobi, Kenya. It is one of the commercial banks licensed by the Central Bank of Kenya, the national banking regulator. As of October 2010, Equity Bank had the largest customer base in Kenya, with over 5.7 million accounts (57% of all bank accounts in Kenya in 2010). According to the bank's audited financial report for the year ended 31 December 2010, the shareholder's equity in the bank was valued at approximately USS336.7 million (KES: 28.3 billion).

Equity Bank Limited therefore took the opportunity extended by CBK and eventually made a mission drift from mortgages provision to microfinance in 1994. For over 16 years, Equity Bank survived the difficulties of a manual system until June 2000 when it launched a computerized management information system. This change contributed to an increase in productivity and an expansion of the portfolio. To support the expansive growth the bank has invested heavily.

1.2 Research Problem

Constant environmental damage has adversely affected the firms operations, the products, the customers, alike. In order to keep track of the changing scenario the organization has to undertake some change initiatives driven by the forces of change, changing customer needs and expectations. Business must reposition themselves for the competitive rivals who continue to dominate the business scene and reduce customer loyalty as well as increasing customer defections to the competition (Drucker, 2004). To sustain customer satisfaction and increase customer base a business has to respond positively to the change process, grasp the fundamental crisis factors, use them as opportunities to serve and understand the customer, implementation of plans need be effective and relevant (John & Scholer ,2003).

Equity Bank has initiated drastic changes as a means of opening up room for improvement and competitiveness. The banks "paperless" approach to transaction, the long opening hours flexible loan products have made it to be visible and competitive in the market place. The banks unique products and services continue to attract new and potential customers; all these have contributed to increases in customer satisfaction and loyalty. Previous research undertakings have been taken in the field of customer satisfaction and loyalty. Muturi et al (2012) conducted a survey on factors affecting customer loyalty and satisfaction in the mobile industry, a case study of Safaricom (K), they found that price, service quality and well trained manpower service providers contributed immensely to the success string. Nyaosi (2012) conducted a survey on the application of relationship marketing in the beer industry in Kenya.

Her findings were notable the practice empowered customer and dealer loyalty; it also study also revealed that satisfied customers acted as good ambassadors for the firms products. Karanja

Tanui (2007) conducted a survey of customer loyalty programmes applied to petrol stations in Nairobi. He found out that the main factors that contributed to loyalty were attractiveness and brand personality and perceived quality; Kamau, Edward, Mungai (2008) studied the factors that determine customer loyalty the case of Mombasa Port. The findings were that customer satisfactions perceived quality and brand loyalty were key factors. All these studies focused on different organizations both services oriented among others, none of the study seems to have done the some research on the banking industry. This research will answer the following research questions; what are the factors that determine customer satisfaction of Equity Bank Kenya Limited?

1.3 Research Objective

The objective of this study was to identify the factors that determine customer satisfaction in Equity Bank Kenya Limited.

1.4 Value of the Study

The study will benefit the Banks and the industry at large. By understanding the factors contributing to the successful retention and customer loyalty the business can venture into the related business activities, with prior knowledge of the course of events. The study will benefit the Equity bank by determining the main areas that they should focus on to ensure maximum customer satisfaction.

To the academia the study will boost the knowledge base and enhance further research operation in the future in relation to customer satisfaction which still has a lot to review and understand as a consumer behavior field. Customer satisfaction especially in the banking industry needs to be researched on and this study will offer a base for further development of the field.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter outlines the literature review. It covers the theoretical framework, customer satisfaction and retail banking and the factors that affect customer satisfaction.

2.2 Theoretical Foundation of the study

This study focused on the Gaps Model which is an important tool in understanding the impact of quality services in realizing total customer satisfaction in the service industry.

2.2.1 The Gaps Model

Parasuraman et al, 1988 conducted an exploratory study after they noticed that service quality is a function of expectation-performance gap. They conducted studies in different industries to develop and refine the SERVQUAL model, also commonly known as the Gaps model. Their scale involved expectations-perceptions gaps scores along the five dimensions namely reliability, responsiveness, assurance, empathy and tangibles as illustrated in Figure 1 .These model conceptualizes service quality on the basis of the customer expectation differences with respect to the five dimensions and their perceptions of the quality of service delivery. When a difference exists it is characterized as a gap (Metters et al, 2006)

Reliability	-consistency of dependability and performance -measure of the firm to perform their services right the first time -keeps promises to their customers
Responsiveness	-willingness of company employees to provide required services -promptness in service delivery
Assurance	-competency,courtesy,politeness -employees knowledge
Empathy	-approachable employees -effort of employees to understand customer need
Tangibility	-physical evidence of service such as appearance of service providers, service facility

Figure 1. SERVQUAL Dimensions (Parasuraman et al, 1988)

Parasuraman et al (1988) further identified four potential gaps within the service industry that may lead to a fifth gap-the difference between customer'sexpectations and their perceptions on actual service delivery. Gap 1 was identified as the consumer expectation- management perceptions gap. The firm may not be able to understand what consumers may refer to high quality of a service. This may be as a result of lack of proper marketing research, inadequateupward communication among others. Gap 2 is the management perception- service

quality specification gap which may results from market conditions, management indifference and as a result may affect quality perceptions of the consumer. Gap 3 is the service quality specifications –service delivery gap. Even with the right guidelines for performing services well, high quality service delivery may not be certainty. Gap 4 is the service delivery –external communication gap. A promise that cannot be delivered raises customer's initial expectations but lowers their perceptions of the service quality if the promises are not met.

Gap 5 is the expected service-perceived service gap. Consumer'sjudgment of a service depends on how they perceive the actual service delivery in context of their expectations. The SERVQUAL model can be used to identify which facets of the organization is good or bad compared to the customer expectations'. It is an important tool in monitoring service quality and comparing a firm's performance to their competitors and measuring customer satisfaction. The model identifies the gas where expectation of service quality and perception of actual service delivery may occur (Palmer & Cole, 1995)

2.2.2 Expectancy Disconfirmation Paradigm

After realizing shortcomings on earlier consumer satisfaction theories, Oliver1980 developed the expectancy disconfirmation theory. This theory postulates that consumers judge a product service based on their expectation about a product or service. Consumers judge a service after they have consumed it. When the consumer feels a service meets their expectation then confirmation occurs. When the service or product does not meet their expectation then disconfirmations will occur. The theory holds that a customer will be satisfied or dissatisfied based on their differences in the consumer expectations and perceptions of performance. When a service exceeds the customers initial expectations, then a positive disconfirmation occurs, which

leads to customer satisfaction. When the service delivery does not meet the customer satisfaction then negative disconfirmation on their expectations versus perceptions occurs, leading to dissatisfaction.

Howard andSheth(1967) defined satisfaction as a function of the aspirations and performance experience perceptions. Porter (1961) applied this theory in his empirical studies in job satisfaction. This theory has also been used by other different researchers in different industries including in restaurant services (Bearden & Teel, 1983) and stock markets services (Tse & Wilton, 1989) among others.

2.2.3 Kano Model

This model was developed Kano and his colleagues in 1996. The model classifies attributes as perceived by the customer and how they impact on the consumer's satisfaction. This model is based 3 attributes namely the expected attributes, performance attributes and delight attributes. The performance attributes are the customers' expectations that they express. The expected attributes are those that need no mentioning while the attribute of delight are those that are beyond what the customer expects. The Kano model assumption is that consumer satisfaction is not proportional to functional product or service. This means that high quality does not necessarily lead to total satisfaction for all product or service requirements.

2.3 Customer Satisfaction and Retail Banking

Customer satisfaction, a business term, is a measure of how products and services supplied by a company meet or surpass customer expectation. It is seen as a key performance indicator within business and is part of the four of a Balanced Scorecard. In a competitive marketplace where businesses compete for customers, customer satisfaction is seen as a key differentiator and increasingly has become a key element of business strategy Lawrence &McDaniel (2005).Customer satisfaction is defined as an "evaluation of the perceived discrepancy between prior expectations and the actual performance of the product" (Tse and Wilton, 1988, Oliver 1999). Satisfaction of customers with products and services of a company is considered as most important factor leading toward competitiveness and success (Thurau & Klee, 1997).

Customer satisfaction is actually how customer evaluates the ongoing performance (Gustafsson, Johnson & Roos. 2005). According to Kim, Park and Jeong (2004) customer satisfaction is customer's reaction to the state of satisfaction, and customer's judgment of satisfaction level. Customer satisfaction is very important in today's business world (Deng et al, 2009) .The ability of a service provider to create high degree of satisfaction is crucial for product differentiation and developing strong relationship with customers.

Customer satisfaction makes the customers loyal to one service provider. Previous researchers have found that satisfaction of the customers can help the brands to build long and profitable relationships with their customers (Eshghi, Haughton &Topi, 2007). It is costly to generate satisfied and loyal customers but that would prove profitable in the long run for a firm (Anderson, Forneil & Mazvancheryl, 2004). Therefore a firm should concentrate on the improvement of service quality and charge appropriate fair price in order to satisfy their

customers who would ultimately help the firm to retain its customers (Gustafson, Johnson &Roos, 2005).

Customer satisfaction is key in the service industry. Customer satisfaction is driven by different elements in the banking sector including the bank features and personnel attributes of the bank employees (Rust& Zahorik, 1993). Krishna et al (1999) conducted studies that found that the customer perceptions of the product and quality of those products were a driver of total customer satisfaction. They further recommended service delivery as having an impact on the level of customer satisfaction. Parasuraman et.al (1994) study showed that customer satisfaction with service delivery and the price as key to overall customer satisfaction evaluation. They further pointed out the importance of service features, the staff and the information conveyed.

Service quality and handling of customers complains affects overall customer satisfaction (Levesque & McDougall, 1996). Bank features like the ambience, bank interest rates, and perception of employee's skills are factors that drive customer satisfaction. Customer satisfaction is key driver of customer retention in the banking industry (Reicheld& Sasser, 1990). Bolemer and Kasper (1995) study showed that image, service quality perceptions and satisfaction as key determinants of customer loyalty in the banking industry.

2.4 Factors that Determine Customer Satisfaction

Rust et al (1994) summarized the different stages involved in developing service quality, from quality to gaining desired profits. They highlight that service performance will lead to a satisfied customers. A satisfied customer is likely to develop loyalty and hence retained by the organization, which in turn will lead to greater market share, and profits. The cost of quality is less where the company manages to keep their operations smooth and free from failures, because

failure both internally and externally will result in customer acquiring costs. Rust et al (1994) summarized that it will cost the firm strikes more to try to acquire a new customer than retaining one, that good customer relationship will increase the lifetime value of a customer and that the loyal and retained customs are easy and more efficient to service. Apart from service quality perceptions there are other factors that determine customer satisfaction including the image of the firm, the organization trustworthiness, price fairness practices and customer service relations as identified by different scholars.

2.4.1 Perceived Quality of Services

Services, as noted earlier are not easy to evaluate and therefore consumers use extrinsic ways to evaluate service quality. Consumers perceive the quality of services depending on different days, different consumers or even the employee giving the service. Marketers should try to standardize their services in order for consumers to perceive them to be consistent in terms of quality. Service standardization can also lead to losing customers with the current customer preferring customized services, hence the need for managers to carefully assess the customers carefully before making such decisions. It is important to maintain consistency at all times to promote service image (Schiftman & Kanuk, 2010). Zeithmal and Bitner (2003) points out the need for creating the service encounter as memorable as possible. Customers tend to keep first time encounters very memorably, and this could affect their repeat purchases and satisfaction of the service.

Individual encounters are important to the customers since they help them form an imagery of the quality of services and overall company image. Zeithmal and Bitner (2003) identified three services encounters namely remote encounters, phone encounters occur even without employee contact like when a consumer visits an ATM system of a bank. The consumer in this case will

judge the quality by the tangible aspect, which is the machine, so if it fails, they might create a negative picture of the banking operation. A consumer may also judge or perceive operations through the phone encounters, for example from the banking call centers. These judgments may be based on the employee mood on the phone, their services and products knowledge and how they handle the customer. Face – to – face encounters is complex to understand, and perceptions maybe based on both verbal and non –verbal communications and behaviors. An organization can offer design strategies to influence customer perceptions (Zeithmal & Bitner, 2003). They can measure and manage customer satisfaction and service quality, or strategize to gain satisfaction of customers at every encounter or finally, try to bring out the service to increase perceptions.

2.4.2 Customer Expectations

Robert and Graham (2008) stated that expectation may be influenced by different factors. These factors include, first, the price of the service. Consumers are concerned about the value they get from purchasing a service and prices should match the quality of services delivered to enhance satisfaction. Availability of possible alternatives in the market will also influence consumers' expectations. Thirdly, marketing and related factors like branding and advertising will create expectations on the customers. The fourth factor is word of mouth, which is beyond the company's control, but can be enhanced through good quality service delivery.

Customers' previous experiences shape their expectations and acts as moderators on the information from an organization or other sources. Consumers do not necessarily link experiences to the same organization but also experiences from other organization and situations. Finally the customers' mood and their attitude and their confidence about the company giving a service influence expectations. Expectations are crucial measures of consumers' perception and

overall satisfaction and managers need to know how to influence and enhance them to create good perceptions of their organizations and services offered.

2.4.3 Image of the Firm

Image of brand or supplier is one of the most complex factors. It affects loyalty at least in two ways. Firstly, customer may use his preferences to present his own image. That may occur both in conscious and subconscious level. According to the Belk's theory of extended self, people define themselves by the possessions they have, manage or create has shown how consumers prefer brands with personality traits that are congruent with the personality traits that constitute their (malleable) self schemas (Aaker, 1999)

They did get positive support to hypothesis that the attractiveness of the brand personality indirectly affects brand loyalty (Kim et al,2001).Tidwell and Morgan (1993) have showed that people use products to enhance self-image. . With image comes reputation. Herbig and Milewicz (1993) have defined reputation as an estimation of the consistency over time of an attribute of an entity.

2.4.4 Trustworthiness of the Organization

According to social identity theory, people tend to classify themselves into different social categories. That leads to evaluation of objectives and values in various groups and organizations in comparison with the customer's own values and objectives. They prefer partners who share similar objectives and values. (Ashforth et al, 2001). According to Fournier (1998) states that consumer-brand relationships are more a matter of perceived goal compatibility. Brands cohere into systems that consumers create not only to aid living but also to give meanings to their lives:

Oliver (1999) argues that for fully bonded loyalty the consumable must be part of the consumer's self-identity and his or her social-identity.

2.4.5 Customer Service Relations

Customer service is a system of activities that comprises customer support systems, complaint processing, speed of complaint processing, ease of reporting complaint and friendliness when reporting complaint (Kim, Park &Jeong, 2004). Customer services are the opportunities for telecom service providers that are added to mobile network other than voice services in which contents are either self produced by service provider or provided through strategic compliance with service provider (Kuo, Wu & Deng, 2009). From a social point of view, services should be available to the customers on reasonable terms.

 As far as economic factor is concerned, services should satisfy the needs of the customer (Turel &Serenko, 2006).Satisfaction of customer is determined by his evaluation of service provided by a brand (Gustafsson, Johnson&Roos, 2005). The-study of Ann, Han and Lee (2006) shows that when the customers, do not get their complaints considered properly, they start looking for other brands. Ithappens because either the customer service centers do not handle the complaints or the customers are not able to address them properly. Sometimes service providers take considerably longer time to respond to customers and this affects customer overall perception of a service delivery.

2.4.6 Price Fairness Practices

According to Kotler and Armstrong (2010) price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service while Stanton, Michael and Bruce (1994) defined price as the amount of money or goods needed to acquire some combination of another goods and its companying services. But the marketing literature showed researchers' inclination towards price fairness in relation with customer satisfaction (Hermann et al, 2007). Price fairness refers to consumers' assessments of whether a seller's price is reasonable, acceptable or justifiable (Xia et al, 2007). Price fairness is a very important issue that leads toward satisfaction. Charging fair price helps to develop customer satisfaction and loyalty.

Research has shown that customer's decision to accept particular price has a direct bearing at satisfaction level and loyalty and indirectly (Martin-Consuegra, Molina & Esteban, 2007). In another study of Hermann et al, (2007), it was concluded that customer satisfaction is directly influenced by price perceptions while indirectly through the perception of price fairness. The price fairness itself and the way it is fixed and offered have a great impact on satisfaction.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapterdetails the various approaches that facilitated the execution of the study to satisfy the research objective. This includes the research design the researcher adopted, the population, sampling, and data collection method and data analysis.

3.2 Research Design

The study used descriptive research design. A descriptive study enabledthe researcher to answer questions concerning the study objective in the current status.Mugenda and Mugenda (1999) supports that descriptive study seeks to obtain information that describes phenomenon. This design enabled the researcher to determine and also report on how things were done. The design was appropriate to the study as it will involve fact findings and enquiries in the several dimensions of service quality that determine overall customer satisfaction. The study used structured questionnaires to administer questions to the respondents

3.3 Population of the Study

The population of the study will be all customers of Equity Bank. The respondents will be Equity bank customers within the banking halls. This is important in getting accurate response since they are familiar with the banks products and services.

3.4 Sampling

The survey method will be used in the study. The researchers will survey all the equity banks in the Nairobi central business district and a random sample of 60 customers will be selected from all the branches in the Central business district in Nairobi. In determination of the sample size, geographical location of the bank will be considered in order to have an even distribution of the customer responses.

3.5 Data Collection

Primary data will be collected using a structured questionnaire. Respondents will be Equity Bank customers in the bank branches within Nairobi's CBD. The study will use both qualitative and quantitative methods of data collection. Secondary data will also be used to research the trends in the market place, complaint or assessor schemes customer care issues will be valuable sources.

3.6 Data Analysis

Data analysis constitutes inspection, transformation and modelling of the data to get useful information, suggestions and meaningful conclusions that would assist in making decisions. Descriptive statistics will be used to analyze data by way of Mean, Mode and Standard Deviation. Statistical Package for Social Sciences Program (SPSS) will then be used to generate frequency tables, charts andother useful figures.

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.1. Introduction

This chapter presents the research response level, data coding and cleaning as well as the study results in contingency tables and a descriptive analysis of all the study variables. The chapter also presents regression analysis showing the relationship of the study variables at 5 percent significance level and a discussion of the study results. The study had targeted 60 Equity bank customers to get response from and managed to collect data from all of them. This represents a response rate of 100 percent of the target population. The data was then coded and cleaned through extensive checks for consistency. The secondary data especially the published literature was used for validating the respondent's responses on the questionnaire. Data was analyzed using a set of descriptive and inferential statistics in statistical package for social sciences (SPSS).

4.2 Background Information

To be able to determine the age of the respondents, they were required to state their age and the results are presented in the Table 4.1

Table 4.1 Ages of the Respondents

	Frequency	Percent	Cumulative Percent
Less than 20 years	2	0.87	0.87
20-30	6	8.40	9.27
30-40	20	35.07	44.34
40-50	26	43.27	87.61
Over 50 years	6	12.39	100
Total	60	100	

Source: Primary Data

Study findings revealed that 0.87 percent of the study respondents were less than 20 years old, 8.40 percent were between 20-30 years, 35.07 percent were between 30 and 40 years, 43.27 percent were between 40 and 50 years while 12.39 were over 50 years.

4.3 Perceived Quality of Service

In order to be able to determine the perceived quality of service, respondents were required to state their feeling that customer satisfaction at Equity bank is as a result of the following:general appearance of the banking hall, appearance of staff, speed of teller machines/services, check in experience and the location of the Bank and their responses recorded in Table 4.2 below.

Table 4:2 Perceived Quality of Service

	Frequency	Percent
Strongly disagree	2	0.87
Disagree	6	8.40
Fairly agree	20	35.07
Agree	26	43.27
Strongly agree	6	12.39
Total	60	100

Source: Primary Data

Study findings revealed that 0.87 percent of the study respondents strongly disagreed, 8.40 percent disagreed, 35.07 percent fairly agreed, 43.27 percent agreed while 12.39 strongly agreed with most aspects of perceived quality of service in their respective banks.

4.4 Customer Expectation

The respondents were asked to indicate the extent to which they disagree or agree with various aspects of customer expectation at Equity bank such as the:accuracy and consistency of services, responsiveness of staff in fulfilling your request and providing services as promised and their responses presented in the Table 4.3.

Table 4.3 Customer Expectation

	Frequency	Percent
Agree	24	40.6
Fairly agree	30	50.0
Disagree	6	9.4
Total	60	100.0

Source: Primary Data

This study revealed that majority of the respondents generally agreed with most aspects of customer expectations. Only 9.4 percent disagreed while over 90 percent either fairly agreed or agreed this.

4.5 Image of the Bank

The respondents were asked to indicate the extent to which they disagree or agree with various aspects of the bank image at equity bankand their responses recorded in Table 4.4.

Table 4.4 Image of the Bank

	Frequency	Percent
Agree	43	71.9
Fairly agree	15	25.0
Disagree	2	3.1
Total	60	100.0

Source: Primary Data

According to study findings in Table 4.4 reveals that a majority of the respondents (over 90 percent) generally agreed with most of the aspects of image of the bank and only 3.1 percent disagreed.

4.6 Trustworthiness of the Organization

The respondents were asked to indicate the extent to which they disagree or agree with various aspects of trustworthiness of the organization at Equity bank. The five-point Likert scale with Strongly Disagree (1), Disagree (2), Fairly Agree (3), Agree (4) and Strongly Agree (5) was used. The results are presented in the Table 4.5.

Table 4.5 Trustworthiness of the Organization

	Frequency	Percent
Strongly agree	4	6.3
Agree	52	87.5
Fairly agree	4	6.3
Total	60	100.0

Source: Primary Data

The study findings revealed that majority 6.3 percent of the respondents strongly agreed with most aspects of leadership style, 87.5 percent agreed while 6.3 percent fairly agreed.

4.7 Customer Service Relationship

The respondents were asked to indicate the extent to which they agree or disagree with various aspects ofcustomer service relationship at Equity bank. The five-point Likert scale with Strongly Disagree (1), Disagree (2), Fairly Agree (3), Agree (4) and Strongly Agree (5) was used. The results are presented in the Table 4.6.

Table 4.6 Customer Service Relationship

	Frequency	Percent
Strongly disagree	2	0.87
Disagree	6	8.40
Fairly agree	20	35.07
Agree	26	43.27
Strongly agree	6	12.39
Total	60	100

Source: Primary Data

Study findings revealed that 0.87 percent of the study respondents strongly disagreed, 8.40 percent disagreed, 35.07 percent fairly agreed, 43.27 percent agreed while 12.39 strongly agreed with most aspects of customer service relationship at Equity bank.

4.8 Determinants of Customer Satisfaction at Equity Bank

To be able to assess the factors that determine customer satisfaction at Equity Bank, the researcher regressed the aggregate mean score of customer satisfaction against the aggregate mean score of the determinant factors (perceived quality of services, customer expectations, image of the Bank, trustworthiness of the organization and customer service relationship). In order to be able to get aggregate mean score, every question answered by the respondent had scores attached to it and it scored some marks depending on the answer given by the respondents. These scores were summed up and divided by the number of respondents who answered the question in order to get the mean score of each question and the same process was repeated for all questions for the measures of both the determinant factors (independent variable) and customer satisfaction (dependent variable). In order to determine the effect determinant

factors on customer satisfaction, the aggregate mean score ofcustomer satisfaction against the

aggregate mean score of the factors and the results recorded in Table 4.7, 4.8 and 4.9

Table 4.7 Goodness of fit Analysis of Customer satisfaction at Equity Bank

Sample size	R (Beta)	R Square	Adjusted R Square	Std. Error of the Estimate
60	0.526	0.686	0.394	0.013

Source: Primary Data

According to the goodness of fit summary model (Table 4.7) shows that the observed change in

customer satisfaction at Equity bank can be attributed to determinant factors with 68.6 percent of

the customer satisfaction being explained by these factors (RSquared $= 0.686$).There was a

positive and strong relationship between the determinant factors and customer satisfaction ($\beta =$

0.526). This goes hand in hand withEshghi; Haughton & Topi (2007) who found out that

satisfaction of the customers can help the brands to build long and profitable relationships with

their customers. Though it is costly to generate satisfied and loyal customers but that would

prove profitable in a long run for a firm. Therefore a firm should concentrate on the

improvement of service quality and charge appropriate fair price in order to satisfy their

customers who would ultimately help the firm to retain its customers

On the other hand, table 4.8 below presents the overall significance results of the relationship

between the customer satisfaction and the determinant factors.

Table 4.8: Overall significance ANOVA (F-test) of Customer satisfaction at Equity Bank

	Sum of Squares	Degrees of Freedom	Mean Square	F	Significance (p-value)
Regression	1.081	4	1.018	34.628	0.006
Residual	2.230	56	0.112		
Total	3.311	60			

Source: Primary Data

From Table 4.9, the regression results reveal that on overall significance between the determinant factors and customer satisfaction had statistically significance relationship because it had a p-value less than 0.05 which was the significant level (p-value = 0.006). At the individual level, perceived quality of services had positively influenced the customer satisfaction (R = 0.632 and p-value = 0.008) Table 4.7. Customer expectations also positively affected customer satisfaction of Equity bank (R = 0.442, p-value = 0.001). Image of the Bank on the other hand had a positive effect on the bank's customer satisfaction (R = 0.165, p-value = 0.000), trustworthiness of the organization also had a positive impact on customer satisfaction (R = 0.436, p-value = 0.000) and customer service relationship (R = 0.354 p-value= 0.002).

Table 4.9: Individual Significance (T-test) of Customer satisfaction at Equity Bank

	Unstandardized Coefficients		Standardized Coefficients	Significance
	B	Std. Error	Beta (R)	(p-value)
(Constant)	1.632	1.299		0.004
Perceived Quality of Services	0.265	0.779	0.632	0.008
Customer Expectations	0.652	1.312	0.442	0.001
Image of the Bank	0.750	0.633	0.165	0.000
Trustworthiness of the Organization	0.373	0.424	0.436	0.000
Customer service relationship	0.684	0.924	0.354	0.002

Source: Primary Data

The regression results shows that service delivery largely depends on the determinant factors with 68.6 percent of the customer satisfaction being accounted for by these factors (R squared = 0.686).The relationship between determinant factors and customer satisfaction followed a simple regression model of the nature:

$CS = 1.632 + 0.526PQ + 0.526CE + 0.526IB + 0.526TO + 0.526CR + \varepsilon$

Where;

CS = Customer satisfaction

1.632 is a constant intercept term (α = 1.632).

0.526 is the beta (β = 0.526) or the slope coefficient.

PQ = Perceived Quality of Services

CE = Customer Expectations

IB = Image of the Bank

TO = Trustworthiness of the Organization

CR = Customer service relationship

ε is the slandered error term.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary discussions of the findings, conclusions and gives recommendations made from the findings of the study. The chapter also highlights suggestions for further research.

5.2 Summary

This study on the factors that determine customer satisfaction at Equity Bank Kenya Limitedhad one objective. The discussions in the following sections highlight the key findings of the study based on this objective.

The objective of this study was to identify the factors that determine customer satisfaction in Equity Bank Kenya Limited. The study found out that sixty eight point six percent of customer satisfaction at Equity bank can be explained by: perceived quality of services, customer expectations, image of the Bank, trustworthiness of the organization and customer service relationship. This means that these determinant factors helps increase customer satisfaction at Equity bank by sixty eight point six percent. This concurs with Anderson, Forneil & Mazvancheryl (2004) that firms should concentrate on the improvement of service quality and charge appropriate fair price in order to satisfy their customers who would ultimately help the firm to retain its customers.

5.3 Conclusion

The study was based on the premise that determinant factors (perceived quality of services, customer expectations, image of the Bank, trustworthiness of the organization and customer service relationship.) influence customer satisfaction at Equity bank. The study results supported this premise in that determinant factors were found to significantly and positively affect customer satisfaction with sixty eight point six percent of the customer satisfaction being explained by these determinant factors (perceived quality of services, customer expectations, image of the Bank, trustworthiness of the organization and customer service relationship).

5.4 Recommendations

Based on the findings and conclusions of the study, the following recommendation was made;

The determinant factors (perceived quality of services, customer expectations, image of the Bank, trustworthiness of the organization and customer service relationship) have been found to have a statistically positive effect on customer satisfaction at Equity bank hence there is need for the Equity bank to improve on these determinant factors (perceived quality of services, customer expectations, image of the Bank, trustworthiness of the organization and customer service relationship).

5.5 Suggestions for further research

The study found out that sixty eight point six percent of customer satisfaction at Equity bank can be explained by: perceived quality of services, customer expectations, image of the Bank, trustworthiness of the organization and customer service relationship. There is therefore need to do further research to be able to determine other factors that account for the remaining Thirty one point four seven percent (31.4%) of customer satisfaction at Equity bank.

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APPENDIX 1: QUESTIONNAIRE

Please provide answer to the following question by ticking (√) on the most suitable alternative, or by giving response in the space provided.

SECTION I: BACKGROUND INFORMATION

1. Gender   Male ☐   Female ☐

                   Citizen ☐   Non-citizen ☐

2. Age   Below 20years   20-30 years   31-40 years   41-50years   55+ years
                ☐   ☐   ☐   ☐   ☐

3. How long have you been a customer in this bank (optional) …………………………………

4. Purpose for visiting this branch (optional) ……………………………………………………

SECTION B: CUSTOMER REQUIREMENT ON SERVICE QUALITY

Your requirement on quality banking services

Please rate the following dimensions of banking service by ticking (√) in the appropriate box

   5 = Excellent

   4 = Good

   3 = Average

   2 = Poor

1 = Very poor

Service Quality Dimensions	Excellent				Very Poor

5. Tangible | **5** | **4** | **3** | **2** | **1** |

General appearance of the banking Hall ☐ ☐ ☐ ☐ ☐

Appearance of staff ☐ ☐ ☐ ☐ ☐

Speed of teller machines/services ☐ ☐ ☐ ☐ ☐

Check in experience ☐ ☐ ☐ ☐ ☐

Location of the Bank ☐ ☐ ☐ ☐ ☐

6. Reliability (customer expectation) | **5** | **4** | **3** | **2** | **1** |

☐ ☐ ☐ ☐ ☐

Accuracy and consistency of services

☐ ☐ ☐ ☐ ☐

Responsiveness of staff in fulfilling your request

☐ ☐ ☐ ☐ ☐

Providing services as promised

7. Responsiveness | **5** | **4** | **3** | **2** | **1** |

☐ ☐ ☐ ☐ ☐

Showing willingness to help

☐ ☐ ☐ ☐ ☐

Speed and efficiency of services

Offering prompt services ☐ ☐ ☐ ☐ ☐

8. Empathy   **5**   **4**   **3**   **2**   **1**

Being attentive to your needs ☐ ☐ ☐ ☐ ☐

Are the bank service guaranteed. ☐ ☐ ☐ ☐ ☐

Being caring ☐ ☐ ☐ ☐ ☐

Understanding your needs ☐ ☐ ☐ ☐ ☐

9. Assurance   **5**   **4**   **3**   **2**   **1**

Staff knowledge of services? ☐ ☐ ☐ ☐ ☐

Staff attitude towards you ☐ ☐ ☐ ☐ ☐

Inform you of irregularities, in advance? ☐ ☐ ☐ ☐ ☐

Staff confident in service delivery ☐ ☐ ☐ ☐ ☐

Politeness to you ☐ ☐ ☐ ☐ ☐

SECTION C: GENERAL OBSERVATIONS

10. Which comment best describes the efficiency of service at the bank

38

Very efficient   Efficient FairInefficient   Very efficient

☐   ☐   ☐   ☐   ☐

11. From your experience at equity Bank, would you recommend it to another person?

YES   NO ☐   ☐

12. If the answer to the above is (YES), to what extend does the quality of service influence your

loyalty to Equity Bank

Very Great Extend   great extend   moderate extend   little extend   not at all

☐   ☐   ☐   ☐   ☐

LIST OF COMMERCIAL BANKS IN KENYA AS PER KBA RECORDS

1. ABC Bank (Kenya)

1. Bank of Africa

2. Bank of Baroda.

3. Bank of India

4. Barclays Bank

5. CFC Stanbic Bank

6. Chase Bank (Kenya)

7. Citibank.

8. Commercial Bank of Africa

9. Consolidated Bank of Kenya

10. Cooperative Bank of Kenya

11. Credit Bank

12. Development Bank of Kenya

13. Diamond Trust Bank

14. Dubai Bank Kenya.

15. Eco bank

16. Equatorial Commercial Bank

17. Equity Bank

18. Family Bank

19. Fidelity Commercial Bank Limited

20. Fina Bank

21. First Community Bank

22. Giro Commercial Bank

23. Guardian Bank

24. Gulf African Bank

25. HabibBank

26. Habib Bank AG Zurich

27. I&MBank .

28. Imperial Bank Kenya

29. Jamii Bora Bank

30. Kenya Commercial Bank

31.K-RepBank

32. Middle East Bank Kenya

33. National Bank of Kenya

34. NIC Bank

35. Oriental Commercial Bank

36. Paramount Universal Bank

37. Prime Bank (Kenya)

38. Standard Chartered Kenya

39. Trans National Bank Kenya

40. United Bank for Africa

41. Victoria Commercial Bank

42. FirstRand Bank

43. Bank of China