CUSTOMER PERCEIVED QUALITY OF SERVICE IN THE BANKING SECTOR

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other University

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SIGNED ....**DATE** **20/11/2007**

I confirm that I am the supervisor of this student and that I have read this final draft and I believe it to be the student's own original work

SUPERVISOR: **DR. RAYMOND MUSYOKA**

SIGNED **DATE** **20/11/2007**

DEDICATION

In memory of my mum Janet

A hope beyond the shadow of a dream ....

To my family members, friends, working colleagues, lecturers and all staff in the University of Nairobi, School of Business Studies

My MBA dream could not have been accomplished without encouragement from my special friends and family who constantly encouraged me to move on even when at times the going was very rough

To my dad and my late mum Janet who would have been proud to witness my graduation once more

To Sylvia, Perpetual, Lincoln, Collins and their family for their understanding for my unavailability during family sessions

To you all I say a big thank you for being there for me, and it would be impossible to acknowledge all of you individually

ACKNOWLEDGEMENT

I acknowledge scholars and the academic family for providing an enabling environment in which I have managed to carry out a scholarly study with the intend of enriching what has been studied as well as giving a chance to other scholars to carry out further studies

To the management of the various banks who allowed the survey to be carried out in their premises and the customers who set aside time from their busy schedules to respond to the questionnaire

My special thanks to Dr Raymond Musyoka, my supervisor whose expertise and guidance was very instrumental in the successful completion of this project

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ABSTRACT

Banks play a significant role in the development of the country The services provided by banks are numerous and are of great value to the society This study sought to find out the customer perceived quality of services, in the banking industry The objectives of the study were to establish customer's perceptions regarding quality of service in the banking industry and to determine overall customer satisfaction levels in the banking industry

This study used primary and secondary data to carry out its survey Primary data was collected using questionnaire method which was administered to the respondents in the banking halls of selected banks Random sampling method was used in the study to identify the respondents who would respond to the questionnaires A total number of 131 respondents were involved in the study Data was presented in form of frequency distribution tables and charts

The results of the study showed that majority of the respondents were satisfied with the services offered by banks However, there were certain services such as accessibility to customized financial products / services and staff friendliness and existence of desired service culture which the respondents were fairly satisfied with

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CHAPTER ONE: INTRODUCTION

1.1 Background

Kenya's banking sector has been said to be evolving quite fast and adapting to the challenges in its environment which include a poor and declining economy, cyclical interest rates, high incidence of non performing loans, changes in the regulatory environment and a fluid and volatile political environment The issues and challenges, facing the corporate sector have never been as turbulent and unpredictable as they are today, following the globalization, intensive competition, emerging multilateral trading order, hence the need for sustainable development

Looking at the banking today one can see the desperate attempts by each of the players to differentiate themselves and as soon as their strategy is copied, they change it and implement a new one in the hope that they will look different in the market place and become the bank of choice for majority of Kenyans But what actually happens is that competitors replicate the strategy immediately and it ceases to provide any competitive edge As the banking industry faces stiff competition, the need to identify and develop a sustainable competitive advantage becomes even more critical The banks could develop sustainable competitive advantage through offering its customers superior and innovative customer service Although customer service is not a physical product, it can be taken apart, examined, tested, and re-engineered to go faster, cost-less, or perform new tricks It is multi-dimensional, it comprises of different facets from attitude to infrastructure, all of which must be addressed in the quest for excellence

1.1.1 Concept of Perception

Perception is a cognitive process that lets a person make sense of stimuli from the environment These stimuli affect all senses sight, touch, taste, smell and hearing The stimuli can come from other people, events, physical objects or ideas A person's perception process is a mechanism that helps her adapt to a changing environment (Dember, 1960) Attitudes have played a key role in social psychology because of the presumed connection between people's perception of their world and their behavior in it An attitude is "a learned predisposition to respond in a consistently favourable or unfavourable manner with respect to a given object" (Fishbein and Ajzan, 1975)

Perception is influenced by internal and external factors leading people / employees to see some perceived objects or persons, events differently External factors are characteristic of perceived objects or persons, which may include size, intensity, contrast, repetition, motion, novelty, status and appearance Internal factors in perception are characteristics of the perceiver The perceivers have a tendency to use themselves as a basis for perceiving others, events, objects Internal factors that can influence perception are needs and motives, past experiences, self-contest and personality (Nzuve, 1999)

1.1.2 The Banking Industry in Kenya

The banking system in Kenya is regulated by the Central Bank of Kenya (CBK) Act Cap 491 and the Banking Act Cap 488 These Acts are intended primarily to facilitate the development and maintenance of a sound monetary policy (GOK 1989) It comprises of 45 financial institutions with 42 commercial banks, and 3 non bank financial institutions

The competition for survival and growth within the industry is extremely intense- this poses a major challenge owing to the poor performance of the economy in the recent past, decline in the inflow of investments and shrinkage of profits (Gumato, 2003) The banking industry in Kenya has been dogged by a lot of controversies in the past The general public has accused the industry of exploitation Banks have been accused of making immoral profits by charging exorbitant fees and charges (in an economy under recession) As such, corporate social responsibility has become part and parcel of strategy among industry players (Njagi, 2003)

Industry players have taken up and embraced the millennium development goals (the eradication of poverty, disease, and illiteracy) Generally the Kenya banking industry is more stable than it has ever been with 17 percent core capital / deposit, with improved solvency of 8 percent as required by CBK and liquidity margin far beyond 20 percent which is the total required reserve with most banks having 40 percent or more in the reserves The future of the industry looks promising with financial and legal sector restructuring (CBK, 2005)

The banks mainly compete on products and pricing Though the banks compete on all fronts like use of new technology, new products, and pricing there exists differences in the levels of customer service provided in each of the banks and one can easily differentiate them from the levels of customer service delivered It is therefore apparent that customer service as a competitive strategy is hard to copy and can give an organization a competitive edge in the industry. Banks have used product segmentation to have a competitive advantage in which a product whose attributes differs significantly from rivals' products Successful differentiation is based on a study of buyers' needs and behaviour in order to learn what they consider important and valuable The desired features are then incorporated into the product to encourage buyer preference for the product

Banks on the other hand have introduced different service products through customer segmentation for their customers thus trying to make them feel more superior than other clients thus maintain their close relationship which culminate into commanding a premium price for service, realize more sales and customer growth due to more buyers choosing the service and gain greater buyer loyalty to the service as more buyers become attached to the differentiating features

"Out serve" according to standard chartered bank is a commitment to build customer loyalty in all its market by delivering on its brand promise of being the right partner by consistently out serving competition and exceeding customer expectations It's not enough anymore to merely satisfy the customer Customers must be "delighted" surprised by having their needs not just met but exceeded The initiative was undertaken to win customer loyalty by reengineering customer service through two essential components of service experience namely processes and personal attributes and to achieve this standard chartered used the voice of customers

Stellar service according to Kenya commercial bank entails the following exceed a customer's expectations, do something that makes a customer feel special, create a positive, memorable experience for customer By delivering stellar service you build customer loyalty and the associated feeling of trust and confidence Those feelings, in turn inspire customer actions with clear benefits Customer engagement levels include accurate and prompt services, convenience and availability of service outlets, the right partner, listen, responsive and empathy and professional advice Know me, care for me and focus on me The initiative aims at achieving a turn around of the right customer centric service culture in the network

Customer segmentation stems from the heterogeneity of market supply and demand functions On the supply side products differ from a number of reasons e g composition of raw material and on the demand side customers differ from their needs and value Customer segmentation is the subdivision of the customers that aims to achieve the homogeneity of customers hence achieving customer satisfaction Its purpose is to differentiate customers by their values and their needs to offer personalized attention hence longer customer loyalty Customer segmentation is one of the key concepts used by banks today with the one reason of improving their service delivery and managing their customer relationship hence winning sustainable business relationships

There are four basic steps used in segmenting customers namely Identify and know your customers, differentiate your customers, interact with your customers and customize your behavior towards that customer group Customers are therefore grouped from the top end and some banks have achieved 2 to 3 customer segments as listed below. Standard Chartered Bank has Priority Banking- for the high net worth class, Excel banking for the middle class and Standard Banking – for the mass market Barclays Bank has Premier Banking for the top end customers and Prestige Banking for the middle class customers

Kenya Commercial Bank has Advantage Banking for their top and middle end customers and Cooperative Bank has Exclusive Banking for the top end Customers

Customer relationship is the new outfit banks are wearing today to woe their customers to enjoying longer business relationships with them It depicts internalized, personalized and increased interaction with the customers It also aims to tailor specific products to meet the specific customer needs e g investment products Customer relationship is a customized behavior of a service product tailored for a specific group with the aim of winning customer loyalty It is the end product of customer segmentation Customer Relationship Managers are designated to the specific customer segment whose role is to acquire, grow and deepen the business relationship by offering great service experiences to their customers Customer relationship management ultimately builds a sustainable business relationship gradually achieving a competitive advantage

1.2 Statement of the Problem

The banking industry, is currently facing increasing competition and tremendous challenges due to industry globalization, privatization of government-owned banks, adversely changing econ- political patterns and narrowing profit margins, thus prompting the industry players to take competition to a higher level i e competing on the basis of corporate values But even on this high level the banks have retracted their course and are saying that "it's not a new product or lower price but excellent customer service that will achieve a competitive advantage in such volatile market" Owing to these challenges banks have had to re–engineer their processes via restructuring, engaging in cost reduction initiatives, and adoption of customer oriented marketing philosophy, employee empowerment, and community involvement

Nyamai (1989) carried out a research on the structure and growth of the banking industry in Kenya Aosa (1992) evaluated the process of strategy formulation and implementation in large private manufacturing companies Ndegwa (1996) looked at the commercial banks and financial institutions from a marketing point of view by assessing the quality of service Shimba (1998) did some research work on aspects of strategic planning in the financial sector Warucu (2001) evaluated competitive strategies employed by commercial banks that participate in clearinghouse Koigi (2002) researched on implementation of a strategic alliance an experience of Kenya Post Office Savings bank and Citibank Chesang (2002) touched on the implications of merger restructuring and financial performance of commercial banks in Kenya Kiptugen (2003) identified strategic responses by Kenya Commercial Bank to a changing competitive environment This study differs from the aforementioned in that, it focuses on the use of customer service by the banks to gain sustainable competitive advantage on companies operating within the banking industry, From the foregoing, the study will therefore address the establishment of customer's perceptions regarding quality of service in the banking industry and determine overall customer satisfaction levels in the banking industry

1.3 Objectives of the study

1 To determine customer's perceptions regarding quality of service in the banking industry
2 To determine overall customer satisfaction levels in the banking industry.

1.4 Importance and Justification of the Study

a) Banks

The banks are interested in creating a sustainable competitive advantage through superior customer service to their customers Banks will be able to understand the impact of superior customer service and invest more on building long term customer relationship

b) Customer Service Management

Management is responsible for the day to day running of the company The strategic policy issues may affect the action of managing either positively or negatively The management of the service industries in existence in Kenya will use this information when making strategic decision towards the customers in their companies

c) Scholars

The study is important as a catalyst to explore the area further This is particularly so because the study is suitable for further research It would also facilitate the conduct of other studies that requires the results of their study on their information Students and academicians who wish to carry out further research in creating sustainable competitive advantage in organizations using customers perception of quality of service will greatly benefit from this study

CHAPTER TWO: LITERATURE REVIEW

2.1 Services Marketing

A service is an activity, which has some elements of intangibility associated with it, which involves some interaction with customers or with property in their possession, and does not result in a transfer of ownership A change in condition may occur and production of the service may or may not be closely associated with a physical product. Payne (1993) He also identifies four characteristics of a service as being intangibility, heterogeneity, and inseparability and perishability

Looy et al (1998) a service is an activity or series of activities of a more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/ or physical resources or goods and/ or systems of the service provider, which are provided as solutions to customer problems Thus they are all those economic activities that are intangible and imply an interaction to be realized between service provider and consumer

Ibid (1997) also notes that services by their very nature are physically intangible, they cannot be touched, tasted, smelt or seen This contrasts with the physical substance or tangibility of goods. In addition to their physical intangibility, services can also be difficult for the mind to grasp and thus can be mentally intangible Kotler (2003) defines a service as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything Its production may or may not be tied to a physical product Services have four major characteristics that greatly affect their design of marketing programmes: intangibility, inseparability, perishability, and variability The implication therefore is that the intangibility of services makes products difficult, and sometimes impossible, to evaluate before and sometimes even after purchase How can a customer try out a Banking service before it is purchased if it cannot be seen, heard, felt, smelt or tasted?

Zeithaml (1981) has developed a framework to clarify this issue She distinguishes between three categories of qualities related to offerings Search qualities are attributes, which a consumer can determine prior to purchase Thus, search qualities include attributes such as color, price, feel and smell You can smell perfume or what clothes to buy based on these qualities Experience qualities are attributes such as taste and wear ability, which can only be discerned after purchase or during consumption Hairdressing services clearly fall into this category You cannot evaluate the quality of a haircut before the hair has been cut However, once your hair has been cut, you can decide whether you like it or not

The intangibility of services means that experience and credence qualities will tend to dominate, whereas search qualities dominate in the choice of tangible products The domination of credence has serious implications, especially in terms of the marketing of services Since customers cannot evaluate the service before consuming it, it is important to provide clues as to what can be expected during the service delivery, Leissen and Prosser, (2003)

Many organizations such as retail banks aim to reach both transaction type and relationship type customers in their services marketing delivery (Gilmore, 2003) Organization adopting both approaches need to be careful not to overemphasis on one segment and ignore the other as an imbalance in marketing activity may result in overall failure

Service delivery in practice is also one of the contemporary service marketing issues facing today's service delivery managers This is because of the intangible and people intensive nature of service delivery It requires careful attention to details in service delivery so as to manage customer expectations and the realization that there are many different interactive service points in service delivery taking into account, the complete customers experience in terms of their pre, during and post service experience This can help managers plan and implement all aspect of service delivery in a co-coordinated and balanced way

Gilmore (2003) managing or developing sustainable customer relationships has also become important to service managers in terms of managing the environment and making sure that the future and present generations will be able to enjoy Gilmore (2003) this is more relevant to some sectors for example heritage and tourism industry

2.2 Customer Service

Customers are individuals who buy goods and services for themselves or their households For example a customer can buy a car to drive, ground beef to include in chili for a party, or a policyholder The strength of the customer service function has a strong influence on long-term market success Factors to consider include Experience of the Customer Service manager in the areas of similar offerings and customers, quality control, technical support, product documentation, sales and marketing Kotler (2003) in this mode of providing service, two basic models exist (a) direct service from one location or (b) service from many locations (branch offices or franchising) In reality, neither method approaches the ideal situation of the service provider actually contacting each individual customer as the need for service arises With few exceptions where the service has to be provided on the premises of a customer (e g plumbing and other household services), direct delivery of service by the service provider is becoming rare (Oumlil and Rao, 2003).

The success of marketing a service is tied closely to the selection, training, motivation and management of people There are many examples of service failing or succeeding as a consequence of the ineffective or effective management of people The importance of customer service managers within the marketing of services has led to great interest in internal marketing This recognizes the importance of attracting, motivating, training and retaining quality employees by developing jobs to satisfy individual needs Internal marketing aims to encourage effective behavior by staff that will attract customers to the firm Exceptional service is increasingly the key factor in customer's decision to conduct business or deepens an existing relationship with the "out serve" which drives standard chartered bank business performance (Hart, 2006)

2.2.1 Customer Satisfaction

Satisfaction is defined as the customer's fulfillment response," a judgment that a product or service provides a pleasurable level of consumption related fulfillment, including under or over fulfillment The key to achieving customer satisfaction is linking buyer's needs with the organization's product or service planning process Success in creating high quality products and services depends most importantly on finding out which dimensions of product and service quality drive customer satisfaction Gilbert (2004) customer satisfaction is not the easiest outcome to measure, the manager and the sales agents of the marketing department can continuously improve methods for receiving feedback from customers The customer service personnel can be trained to observe and report feedback from customers Customer feedback is an opportunity for the banks industry to communicate with its customers Ossel (2003) the distinction between customer satisfaction and service quality is a very important one The level of customer satisfaction is result of a customer's comparison of expected service quality with perceived service quality

Customer satisfaction engenders customer loyalty in the form of repeat business from positive word of mouth referrals which standard chartered bank consider that every customer complaint resolved satisfactorily increases customer loyalty by 50%. It should be noted however, that the relationship between satisfaction and loyalty is not necessarily linear Customer responses to service improvements are nonlinear When customer's satisfaction falls below a different threshold, customer's loyalty declines equally rapidly Between thresholds, loyalty is relatively flat Furthermore there is a lag between satisfaction or dissatisfaction and subsequent behavior (Oumlil and Rao, 2003)

2.2.2 Customer Value Relationship

The banks therefore need to carefully consider issues in customer value relationship and development of the sales force objectives Gilbert (2004) marketers of services view the buyers as clients, rather than customers The buyer sees the seller as someone the buyer can lean on for advice and help This relationship is especially likely when the provider of the service is professional, such as doctor, lawyer or financial adviser etc

The client relationship tends to be personalized and ongoing As a result, the success of a service organization such as banks depends in part on its employee's ability to develop client's relationship as well as provide the basic services such as diagnosing an illness or recognizing a good investment More simply put, services marketers depend on their ability to attract grow and retain customers for life Relationship marketing focuses on such concerns as preparing to correct mistakes, building trust and demonstrating commitment to the customer

Organizations that keep track of their customers' purchases know that relationship marketing makes good economic sense thus "out serve" of standard chartered bank consider customer complains, waiting time in branches, gaps in system and MIS, consistent delivery, outdated technology and complaints resolution as a factor that they can use to enhance customer relation Effective management requires an appreciation and understanding of buyer behaviour and central role and importance of the customer in the success of an enterprise

2.3 Service Quality

Kotler (2003) the quality of a service may directly impact on consumer satisfaction However, quality is expensive and customers maybe willing to trade off quality for value for money For example, in Kenya most popular brands and market leaders are of lower quality than premium or higher quality brands Sportsman is the market leader and not

Embassy, which is higher quality In the case of mobile phone service providers, the better option (Safaricom) does not have the better network, in relation to Celtel network, which is known for clarity (Sitati, 2005)

According to (Kotler, 1999), it has also been shown that service companies that provide high service quality share the following common practices a strategic concept, a history of top-management commitment to high quality standards, systems for monitoring service performance, systems for satisfying customers' complaints, and an emphasis on employee and customer satisfaction These values or practices can be measured by determining if staffs have a clear sense of their target customers and the customer needs they are trying to satisfy The modern service companies such as banks have to develop a strategy for satisfying customer needs where management looks not only at financial performance on a monthly basis but also at customer footfall, and it is here that superior management practices separate losers and winners in the corporate competitiveness race The standard chartered bank has undertaken "outserve" initiative that emphasizes the need to exceed customer expectations inorder to make their banking experience a memorable one, expectations in terms of timeliness, accuracy and quality (Nitin, 2003)

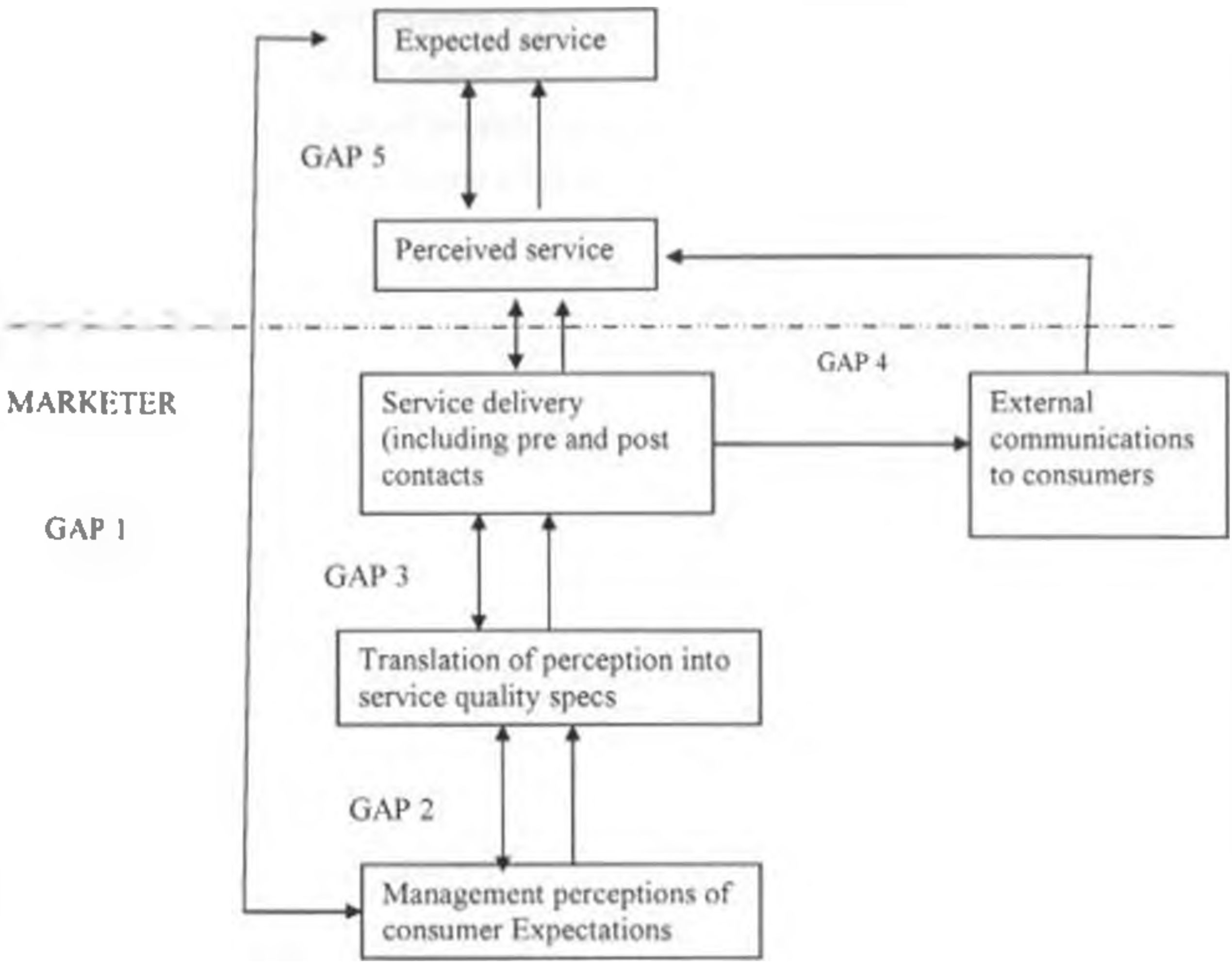
Customers consistently use a limited set of perceptual dimensions to predict and evaluate the process and the outcomes of a service Parasuraman et al (1985) discovered ten service quality dimensions, which were apparent regardless of the type of the service, the ten dimensions proposed by Parasuraman will be used because there is a general agreement on the completeness and relevance of the ten original service quality dimensions

The ten service quality dimensions are Reliability consistency of performance and dependability, e g performance of the service at the designated time Responsiveness Willingness or readiness of employee to provide the service e g giving prompt service. Competence Possession of the required skills and knowledge to perform the service involving contact personnel, the operational support personnel and the service organization Access Approachability and ease of contact e g the service is easily accessible Communication Keeping customers informed in language they understand and listening to them Credibility Trustworthiness, believability and honesty and having the customers best interest at heart Courtesy Politeness, respect, friendliness of contact people and consideration Security Freedom from danger, risks and doubt, and involves physical and financial security and confidentiality. Understanding/knowing the customer Making the effort to understand the customers needs e g providing individual attention Tangibles The physical evidence of the service e g physical facilities

2.4 Model for Service Quality

(Parasurman et al 1985) to evaluate the quality of service, consumers will compare the service they received with the service they expected If service quality were to be calculated mathematically, the formula would be P-E with P being the consumers perceived level of service received and E being the consumer expectations prior to the service encounter (Parasurman et al 1985) The model below identified the service gaps that can arise

Figure 1: A Model of Service



Source "A conceptual model of service for quality service and its implications for future" A Parasuraman, Valarie A Zeithmal, and Leonard L Berry, Journal of marketing, vol 49 (Fall 1985), p 44

(Parasurman et al 1985) gap1 Not knowing what the customers expect, is the difference between what consumers expected and what management perceived customers expected The reverse of this can also be expected where management can provide a service that they think customers expect when customers did not expect it Though the management may have a broad understanding of customers' perception of superior quality, they may not know about certain service features that are critical in meeting customers' desires Secondly they may not know the levels of performance customers expect This gap arises due to various reasons, which include lack of market research orientation within the organization, inadequate use of research findings, infrequent management interaction with customers and inadequate upward communication

Gap2 The wrong service quality specifications; the second gap is the difference between management's perception of consumer expectations and the translation of those perceptions into service quality specifications Though management may understand that customers want, they may fail to translate these expectations into the correct service specifications This gap occurs due to inadequate commitment to service quality and perception of infeasibility i e managers do not believe that customer's expectations can actually be met

Gap3 The service-performance gap. the third service quality gap is the difference between the services quality specifications and delivery of those specifications to the customer Though the organizations may have policies in place and standards for service levels, the frontline staff may not be following them This occurs when employees are not willing to perform to the level of services desired by management Employees may be unwilling to deliver the specified service levels due to various reasons which include role ambiguity, role conflict, employee-job fit, fit between technology and job group, supervisory control systems, perceived control, and lack of teamwork

Gap4. When promises do not match delivery, the forth gap is the difference between the service delivered to customers and the external communications about the service This gap is created as a result of advertising, personal selling or public relations messages that over represent or over promise the service levels. Another cause of indictors of gap 4 is inadequate horizontal communication within and across departments (Parasurman et al 1985) may have a broad understanding of customers' perception of superior quality, they may not know about certain service features that are critical in meeting customers' desires Secondly they may not know the levels of performance customers expect. This gap arises due to various reasons, which include lack of market research orientation within the organization, inadequate use of research findings, infrequent management interaction with customers and inadequate upward communication

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2.5 Firm's Value Proposition

Value proposition is the net value of both a product/service and the processes of finding, ordering and receiving it Berry et al (2002) note that attributes of a service that are believed to affect consumers include its value and importance and whether it can be obtained elsewhere or-at another time Haspeslagy et al (2001) argues that there is huge pressure on companies to deliver superior value to their stakeholders regardless of their corporate or cultural heritage because of increased competition, globalization of capital markets and an increasingly active and powerful class of institutional investors that is demanding unequalled performed

Porter (1998) notes that firm's should create value for its buyers exceeding the cost of creating it For companies to thrive in the business environment, they must produce and deliver a constantly evolving and superior value proposition to shareholders and other key stakeholders A firm creates value for a buyer that justifies a premium price through two mechanisms By lowering buyer cost and/or by raising buyer performance (Porter, 1980) Pearce & Robinson (2003) contend that customer value derives from three basic sources activities that differentiate the product, activities that lower cost, and activities that meet the customer's needs quickly

Bennett (1999) argued that customers want the product and services they purchase to be of reasonable quality They demand fair prices, prompt delivery, and good after-sales service Satisfaction is therefore a person's feelings of please or disappointment resulting from a product's perceived performance in relation to his or her expectations (Zeithaml & Bitner, 1996) One of the important types of external communications in services is the Price Price is perceived value, which must be understood by service providers so that the price is in line with offerings and customer expectations (Zeithaml & Bitner, 1996) Price can have a negative effect on perceived value and the respondents' willingness to buy (Dodds et al, 1991)

Consumers use convenience as the ground for making purchase decisions Intrinsic to consumers' perceptions of service convenience is the time and effort required to buy or use a service Time and effort are non-monetary costs consumers must bear to receive the service Time and effort are opportunity costs that prevent consumers from participating in other activities (Berry et al, 2002)

2.6 Measures of Service Quality

The conceptualization and measurement of service quality have been well described and researched by Parasuraman, Zeithaml and Berry (1985) They provide an explanation of the concept of service quality and identify the various "gaps" that affect service quality as perceived by consumers Among them, the difference between customers' expectations of service and their perceptions of the service is defined as the "perceived service quality" They developed service quality as a scale for measuring customer perceptions of service This scale has been subject to criticism and refinement and there is a continuing debate about the measurement of service quality and the determinants, which should be used (Mathews, 1995)

Due to the unique nature of services service quality is not easy to measure Several researchers are in agreement that service quality consists of the comparison between expectations and performance Zeithaml (1990) states that service quality are the consumers' judgment about an entity's overall excellence or superiority It is a form of attitude and results from the comparison of expectations to perceptions of performance received Gronroos (1982) model analysis the service quality on the basis of expectations and the perception of the service received In addition Christopher et al (1991) confirms that perceived performance is more important than the reality of performance Consequently, as Tom Peters and Austin (1985) stated, the real is what is perceived Perceived reality is what counts Since services are characterized by experience and credence qualities, consumers use various cues and trough their experiences develop attitudes towards the services offered by an organization Service quality dimensions are mainly based on the attitudes of the consumers. Therefore to measure perceived service quality, attitude measures are applicable Some of the measures of attitudes are the

Guttmann Scalogram analysis developed by sociologist Louis Guttmann in 1950, the Thurstone Scale designed by Thurston and Clare in 1929, the Osgood's Semantic Differential Scale developed by Osgood et al in 1957 and the Likert scale developed by Likert in 1935

According to Chava (2003), in measuring service quality then the Likert Scale would be appropriate The Likert scale involves determining the scale items and administering them to a random number of respondents A total score of each respondent for each item is then computed and the discriminative power of the items determined The scale items are then selected and reliability tested Mary Ann Daily nation (2006) the standard chartered result indicates that by November 2005 average monthly utilization was up by 88%, utilization per customer had increased by 44% compared to December 2004

2.7 Competitive Advantage

The essence of formulating a competitive strategy is relating a company to its environment (Porter, 1998) Porter (1980) also argues that competitive advantage is the ability of the firm to outperform rivals on the primary performance goal Notably, the essence of business is to create competitive advantage in a number of ways e g low-cost production or market differentiation

Ansoff and McDonnell (1990) argue that strategy is a set of decision-making rules for guidance of organizational behavior Grant (1998) notes that the primary purpose of strategy is to guide management decisions towards superior performance through establishing competitive advantage

2. 7.1 Strategy

Strategy is the direction and scope of an organization over the long term, which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations (Johnson and Scholes 2002 Ansoff and McDonell 1990)

Hitt et al (1997) define a strategy as an integrated and coordinated set of commitments and action, designed to exploit core competences and gain a competitive advantage By strategy, therefore, managers mean their large-scale, future oriented plans for interacting with the competitive environment to optimize achievement of organization objectives (Pearce and Robinson 2002) A competitive strategy consists of all the moves and approaches a firm has taken and is taking to attract buyers, with stand competitive pressures and improve its market position (Strickland et al 1993) Strategy sets out the mission of the company A mission is a general expression of the overall purpose of the organization, which, ideally, is in line with the values and expectations of major stakeholders and concerned with the scope and boundaries of the organization (Johnson and Scholes)

According to Newman et al 1989), strategy reflects the choice of the key services that the organization will perform and the primary basis for distinctiveness in creating and delivering such services Competitive Advantage is attained through either cost leadership or differentiation To gain competitive advantage over its rivals, a firm must either provide comparable value to the customer, but perform activities more efficiently and effectively than its competitors (lower cost), or perform activities in a unique way that creates greater buyer value and commands a premium price (differentiation)(Porter, 1996) The common function in either of the strategies therefore is "Value Creation"

Customer satisfaction leads to repeat business Kotler (1999) contends that a satisfaction is a function of performance and expectations If the performance falls short of expectations, the customer is dissatisfied If performance matches the expectations, the customer is satisfied If performance exceeds expectations, the customer is highly satisfied or delighted Value therefore reflects the growing customer concern of getting more value for their money, time, and effort invested It becomes paramount then for companies to maintain a closer touch with their customers while adjusting their offerings to feature value

2.8 Customer Perception

Individuals are different in terms of how they view the world around them, how they interpret and react to different stimuli and situations, and how they assign meaning to different phenomena Hence, perception is formed as a result of how these individuals, in general, view the world around them and form a coherent picture of it Different scholars have come up with different views of perception Kotler (2003) defines perception as the process by which an individual selects, organizes and interprets information inputs to create a meaningful picture of the world Perception depends not only on the physical stimuli, but also on the stimuli's reaction to the surrounding field and on the conditions within the individual Perception is also defined as the process by which information is acquired through the five (5) senses (Wade and Tavis, 1990 as cited by Pickton and Broderick, 2001) According to Belch and Belch (1990), perception is the process by which the individual receives, selects, organizes and interprets information in order to create a meaningful picture of the world On the other hand, Kibera (1996) views perception as the process by which people select, organize, interpret and assign meaning to external phenomena or stimuli Thus, it is the process by which people make sense of the world around them

From the above definitions, we can view *Perception* as the process by which an individual receives, selects, organizes, interprets and assigns meaning to external phenomenon or stimuli in order to create a meaningful picture of the world The sheer number of stimuli that a person would be exposed to on any given day requires that screening take place Belch and Belch (1990) refer to this process as *selective perception* and it occurs in a number of stages as illustrated in Figure One below

Figure 2: The Selective Perception Process

Source Belch G E and Belch, M A , (1990) *Introduction to Advertising and Promotion Management.* Richard Irwin Inc Pg 105

Selective exposure may occur as consumers choose whether or not to make themselves available to information Selective attention occurs when the consumer chooses to focus attention to certain stimuli while excluding others Consumers may engage in selective comprehension in which they interpret information based on their own attitudes, beliefs and experiences People will forget much of what they learn but with selective retention, they will tend to retain information that supports their attitudes and beliefs Because of selective exposure, distortion and retention, marketers have to work hard to get their message through This fact explains why marketers will use extreme innovative and versatile promotion tools and activities such as celebrity endorsement to ensure that their offers are perceived by consumers, and perceived positively at that

Based on the understanding of the Selective Perception process, a successful advertisement must accomplish four (4) tasks Exposure – it must physically reach the target population, Attention - the customer must put it into consideration, Interpretation – it must be properly understood, and Memory – it must be stored in recall in a manner that will allow retrieval under normal circumstances In light of this, Hawkins, Best and Coney (1989) identify the following broad categories of Measures of Perception Measures of Exposure, Measures of Attention and the Measures of Interpretation

2.8.1 Factors Influencing Perception

Perception is the process through which people select, organize and interpret or attach meaning to events happening in the environment How employees perceive, organize and interpret information depend very much on the characteristics of the stimuli, characteristics of the situation and some of our own personality characteristics Different people may perceive the same environment differently, based on what particular aspects of the situation they choose to selectively absorb, how they organize this information and the manner in which they interpret it to grasp the situation Misperceptions occur due to perceptual errors and distortions, and managers are bound to take poor or improper decisions (Pattanayak and Mishra, 1999)

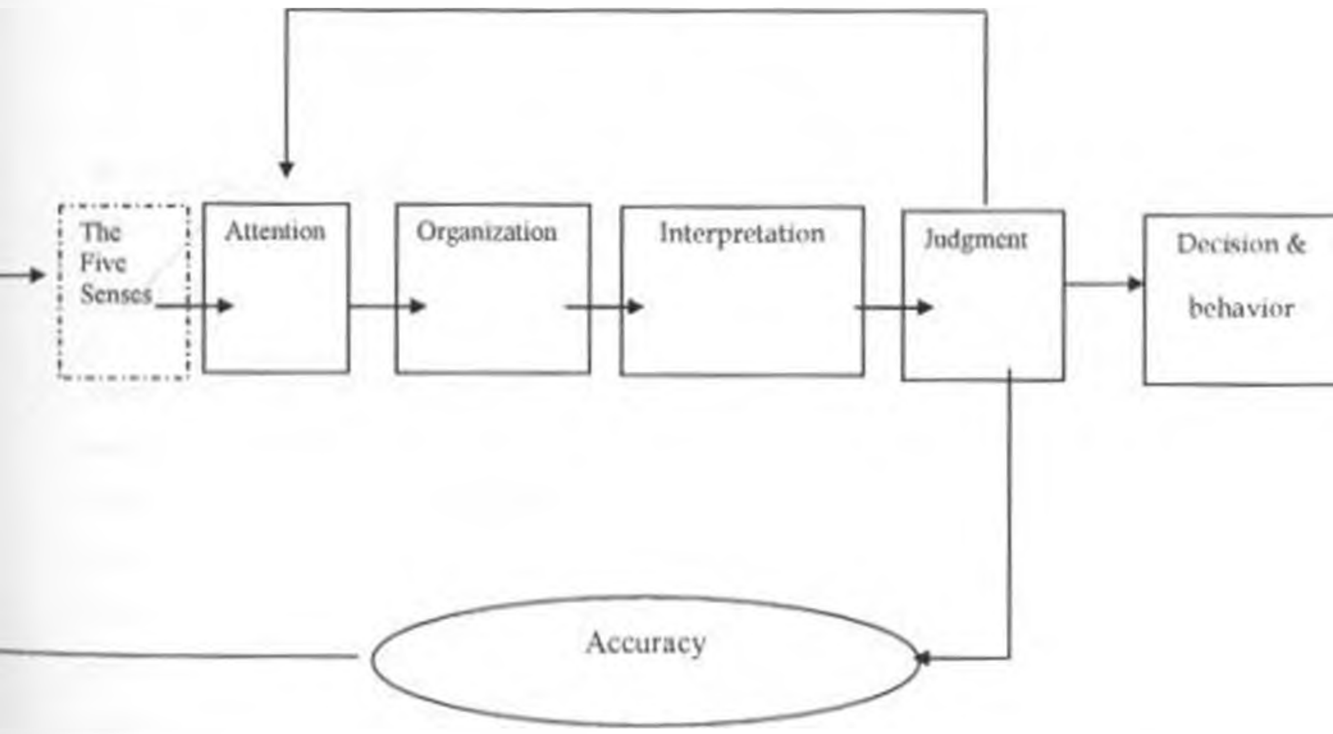
People differ in their perception to similar situations and explanations given for such divergence frequently refer to some underlying processes, which result in individual differences They differ in terms of physical characteristics such as size, weight, age and sex as well as in background characteristics such as training and education, and personality traits such as extroversion or aggressiveness (Mitchell, 1978) Perception is therefore the starting point for all behavior (Costley and Todd, 1983) Perception is defined as those factors that shape and produce what we actually experience

There are numerous general factors, which are related to what one perceives The Internal factors includes response disposition, which implies that people tend to perceive familiar stimuli more quickly than unfamiliar ones One's feeling toward the objects in question, in general, it appears that we select things about which we hold positive feelings The more frequently one is exposed to something, the greater the likelihood that it will be positively evaluated Response salience, salience refers to the contemporary aspects of the situation, which may influence our experience Particular instructions, current needs or actions that immediately precede a situation may influence our perception

The External factors on the other hand include intensity of the stimuli, which explains why we tend to notice bright lights, pungent smell, odor smell and loud noises Motion, explains that moving objects tend to be more readily perceived than stationary objects Size of objects, large obtrusive objects tends to be perceived more easily than small ones That is, we tend to pay attention to larger things and, somehow, bigness has a goodness quality to it physical environment, research has shown that living in certain types of setting, for example, urban areas versus plains or forest influence our perceptions (Segall et al, 1966)

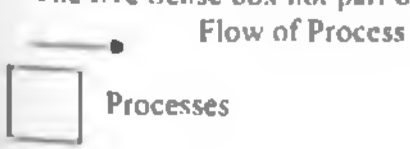
2.8.2 Key Elements of the Perception Process

Figure 3: A Four-Stage Model of the Perception and Judgment Process.



Key

The five Sense box not part of the five processes



Adapted from Wagner and Hollenbeck (1995) Management of organizational Behavior, Annotated Instructors Edition, 2nd Edition, Prentice Hall Pg 135

As the figure shows a stimulus in the environment must be subjectively processed by the observer A judgment is eventually reported and, as the dotted lines indicate, perceptual accuracy occurs when there is a close match between the subjective judgment and the stimulus Decisions and behaviors based on accurate perceptions are likely to be effective in dealing with stimulus Behavior and decisions that are inaccurate, however, usually lead to poor decisions and inappropriate behaviors

Before information can influence decisions and behaviors, it moves through four distinct stages of perceptual process shown in the figure attention, organization, interpretation and judgment Attention stage - the individual decides what will be processed and what will be ignored Subliminal perception - information that is processed by the perceiver without his or her awareness Organization stage - many discrete bits of information are checked into higher-level, abstract concept Interpretation stage- meaning is attached to the relation among abstract concepts Judgment- recalled information is weighted and aggregated to come up with a single overall judgment (Wagner and Hollenbeck , 1995)

There are four key elements in the perception process selection, motives, organization and interpretation Ron Adler and Neal Towne present a variety of factors that affect the way people interpreted messages as follows Past experience, assumptions about human behavior, expectations, knowledge, and personal mood In addition to the four key factors that affect perception, other factors have also helped make us all unique individuals who perceive things differently Among these factors are heredity, environment, friendships and peers and physiology (Timm, 1982)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was carried out through descriptive survey method Mugenda and Mugenda, (1999) notes that a descriptive research attempts to collect data from members of a population that helps the researcher to get the descriptive existing phenomena by asking individuals about their perceptions Churchill (1991) also agrees that this is an appropriate form of study, especially when the objective of the research is to gain insights into ideas, which is applicable in this area

3.2 Population

The population of the study comprised of all the forty-two retail banks licensed by the Central Bank of Kenya as at 31st December 2006

3.3 Sample

The sample size was 12 banks, 5 from small-scale banks, 4 from medium scale banks and 3 from large-scale banks in accordance to the central bank of Kenya size categorization This is a proportionate of 25% from each category

Table 1: Sample Size

Company size	Population	Percentage	Sample size
Large	10	25%	3
Medium	15	25%	4
Small	17	25%	5
Totals	**42**	**75%**	**12**

The target number of customers was a sample size of 15 customers from each of the 12 banks, thus the total respondents expected was a total of 180 A customer according to this study was the normal account holder who visits the banks to deposit or with draw small amounts

3.4 Data Collection

A questionnaire was be used to administer the survey and two research assistants were involved in the collection of the data from the customers The customer was to complete the questionnaires as they waited to be served while in the banking hall Data collection was done during the peak season, at end of the month, to capture a well gender balanced enough number of respondents

A structural questionnaire was used since it was easier to administer, analyze and economical in terms of time and money Mugenda and Mugenda (1999) notes that a questionnaire is one of the best tools of collecting primary data

The questionnaire was divided into two parts Part one captured information about general characteristics of the customer Part two addressed the customer perception regarding quality of services in the banking industry and customer satisfaction level in the banking industry

3.5 Data Analysis

The data collected was analyzed using descriptive statistics This involved the use of frequency tables, percentages, rank ordering, and means scores Frequency tables were used for arraying data obtained to facilitate working out percentages in order to address the sole objective of the study Percentages revealed the proportions of different attributes being studied for relative comparison Rank ordering helped the researcher to rank different attributes/variables in the order of their representation to equally address the objective of the study The descriptive statistics were the best method to establish the attributes of customer satisfaction levels and quality of service

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents analysis and findings of the research Findings in this chapter have tried to fulfill the objectives of this study A total of 131 respondents were involved in the survey out of the target population of 180 respondents thus constituting a 73% response rate

4.2 Gender

This section sought to find out the gender of the respondents The results are as shown in the table below

Table 2: Gender of the respondents

Gender	Frequency	Percent
Female	74	56 5
Male	57	43 5
Total	131	100 0

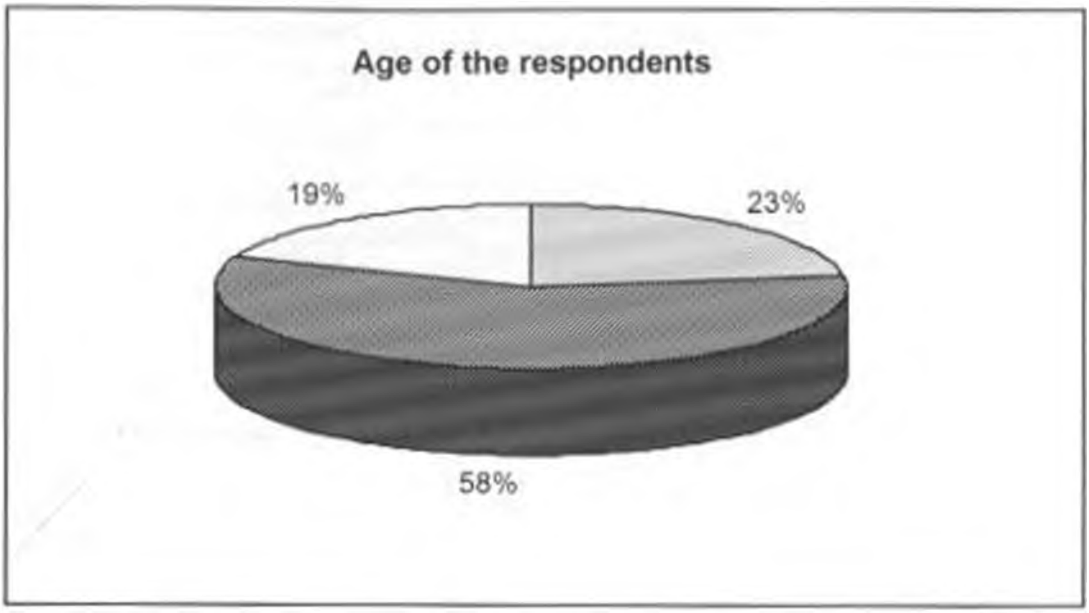
Source Author (2007)

It can be seen that 56 5% of the respondents were female while 43 5% were male

4.3 Age

In this category, the researcher sought to find out the age of the respondents The result is shown in the figure below

Figure 4: Age of Respondents



23-30 Years

31-40 Years

41-50 Years

It can be seen from the above figure that majority of the respondents constituting 58% of the respondents were aged 31-40 years, 23% were aged between 23 to 30 years while only 19% of the respondents were aged between 41 to 50 years

4.4 Number of bank accounts

This section sought to find out the number of bank accounts that the respondents had

Table 3: Number of bank accounts

Number	Frequency	Percent
One	54	43 2
Two	22	17 6
More than two	49	39 2
Total	125	100 0

The number of banks accounts the respondents had was distributed between one, two and more than two accounts There were 43.2% of the respondents that had one bank account, 39 2% had more than two accounts and only 17 6% had two bank accounts

4.5 Active bank Account

This section was to find out from the respondents the length of time they had had their active bank account

Table 4: Length of Time with an Active Account

Time	Frequency	Percent
1 Year	13	9 9
2-5 Years	76	58 0
5-10 Years	36	27 5
Over 10 Years	6	4 6
Total	131	100 0

It can be seen from the above table, that 58% of the respondent had had their active bank account for 2 to 5 years, while 27 5% had had it active for 5 to 10 years, 9 9% had it active for only 1 year while 4 6% had it active for over 10 years

4.6 Occupation

This part sought to find out the occupation of the respondent The results are as shown in the table below

Table 5: Occupation

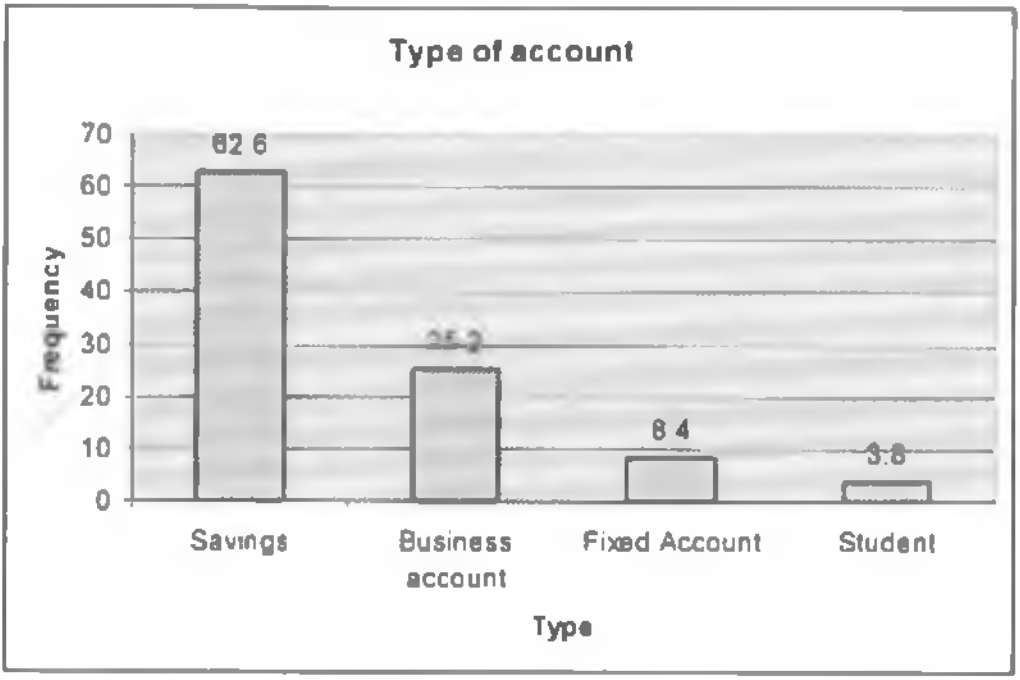
Occupation	Frequency	Percent
Student	10	7 6
Technical person	19	14 5
Farmer	21	16 0
Professional	73	55 7
Self Employed	8	6.1
Total	131	100 0

From the above table it can be seen that the occupations of the respondents were varied from student to farmer Majority of them were professionals comprising of 55 7% of the total population, 16% were farmers, 14 5% were technical people, 7 6% were students and only 6 1% were self employed

4.7: Type of Account

In this category, the main focus was to investigate the type of a bank account the respondent had

Figure 5: Type of Account



Key

62.6% Savings Account - 82 Customers

25.2% Business Account - 33 "

8.4% Fixed Account - 11 "

3.8% Student Account - 5 "

Most of the respondents had a savings account, comprising of 62 6% of the total population, 25 2% had a business account, 84% had a fixed account while only 3 8% had a student account

4.8: Education Level

The respondents were requested to indicate what level of education they have achieved

Table 6: Level of education

Level	Frequency	Percent
Secondary	3	2 3
College	96	73 3
University	32	24 4
Total	131	100 0

Majority of the respondents had achieved their college education comprising of 73 3%, 24 4% of the respondents had achieved university education and only 2 3% had only secondary education

4.9 Banking Attributes

This section sought to find out the extent of performance of the bank along the following attributes

Table 7: Banking Attributes

Variables	Excellent		Good		Fair		Poor		Very poor	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Product meeting customer needs	12	9 2	11	8 4	97	74.0	11	8 4	0	0
Promptness of staff	20	15	75	58	20	15	8	6	8	6
Professionalism of staff	0	0	64	48 9	46	35 1	14	10.7	7	5 3
Convenience of location	53	40.8	56	43 1	21	16 2	0	0	0	0
Friendliness of staff	8	6 1	14	10 7	87	66 4	22	16 8	0	0
Provision customer information	0	0	22	16 8	55	42 0	43	32.8	11	8.4
Honesty of bank staff	7	5 3	90	68 7	18	13 7	9	6 9	7	5 3
Security of your money	93	71 0	14	10.7	24	18.3	0	0	0	0
Security in the banking hall	30	22 9	75	57 3	20	15 3	11	8 4	0	0
Confidentiality of information	13	9.9	88	67 2	30	22 9	0	0	0	0
Staff knowledge of customers	0	0	26	19 8	37	28 2	65	49 6	3	2 3
Banking hall cleanliness and decor	36	27 5	60	45 8	35	26 7	0	0	0	0
Problem Resolution	36	27 5	67	51 1	28	21 4	0	0	0	0

The above table shows that majority of the respondents thought that the banking products meeting the required needs was fair as seen by 74% of the respondents, 58% of the respondents said that the promptness of the staff was good, while 48 9% said that the professionalism of staff was good, while 35 1% thought the professionalism was fair With regard to convenience of location, 40 8% of the respondents said it was excellent while 43 1% reported it to be good

Regarding the friendliness of staff, 66 4% of the respondents said it was fair When the respondents were asked about the provision of understandable customer information, 42% said that it was fair while 32 8% said that it was poor Majority of the respondents comprising of 68 7% said that the honesty of the customer service staff was good while 71% said that the security of their money was excellent

Most of the respondents thought that the security at the banking hall was good, while the confidentiality of information was also good The banks' staff knowledge of customers was rated poor by majority of the respondents. On the other hand banking hall cleanliness was rated as good by 45 8% of the respondents while problem resolution was also rated good by 51 21% of the respondents

4.10 Satisfaction with Banking Attributes

The respondents were asked to state their satisfaction with the following attributes and the results are as shown in the tables below

Table 8: Satisfaction with Banking Attributes

Variables	Very satisfied		Satisfied		Neutral		Dissatisfied		Very dissatisfied	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Suitability of the product	36	27 5	86	65 6	8	6 1	2	1 5	0	0
Friendly & helpful staff	23	17 6	63	48 1	30	22 9	15	11 4	0	0
Staff knowledge of customers	12	9 2	45	34 5	49	37 4	25	19 08	0	0
Accessibility of the bank manager	29	22 1	68	51.9	25	19 1	9	6 9	0	0
The customer service staff promptness	26	19 8	79	60 3	26	19 8	0	0	0	0
Staff professionalism	46	35 1	63	48 1	22	16 8	0	0	0	0
Customer oriented culture	68	51 9	34	26 0	29	22 1	0	0	0	0
Interest charges on loans	0	0	13	9.9	26	19 8	85	64 9	7	5.3
Interest rates on deposit account	0	0	15	11 5	36	27 5	63	48 1	17	13.0

It can be seen in the above table that majority of the respondents were satisfied with the suitability of the product as indicated by 65 6% of the respondents, 48 1% of the total population rated were satisfied with the bank's staff being friendly and helpful while 37 4% were neutral to the staff's knowledge of customers On the other 51 9% of the respondents wee were satisfied with the accessibility of the bank manager

Majority of the respondents comprising of 6 3% were satisfied with the staff's prompiness The respondents showed that they were very satisfied with the customer oriented culture in the banks' premises as indicated by 48 1% of the total population With regard to the interest charges on loans majority of the respondents comprising of 64 9% were dissatisfied, and 48 1% were dissatisfied with interest rates on deposit accounts

Table 9: Satisfaction with banking service

Variables	Very satisfied		Satisfied		Neutral		Dissatisfied		Very dissatisfied	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Bank charges	12	9 2	51	38 9	7	5.3	61	46 6	0	0
Flexibility of payment for loans/credit cards	5	3 8	64	48 9	26	19 8	36	27 5	0	0
Charges on the credit cards	15	11 5	45	34 4	61	46 6	10	7 6	0	0
Visits by bank staff	0	0	29	22 1	63	48 1	39	29 8	0	0
ATM s reliability	25	19 1	65	49 6	7	5 3	34	26 0	0	0
Convenience of banks location	30	22 9	75	57 3	11	8 4	20	15 3	0	0
Long queues in the banking hall	13	9 9	0	0	30	22 9	88	67 2	0	0
Delivery mailing of bank statements	0	0	26	19 8	65	49 6	37	28 2	3	2 3
Extended working hours	0	0	60	45 8	35	26 7	36	27 5	0	0
Banking hall cleanliness	36	27 5	86	65 6	8	6 1	2	1.5	0	0

It can be seen from the above table that majority of the respondents comprising of 46 6% were dissatisfied with the bank charges, while 48 9% of these respondents were satisfied with the flexibility of payment of loans A significant number of respondents comprising of 46 6% of the total population were neutral on the charges on the credit cards and 48 1% were also neutral on the visits from bank staff

Of the total population 49 6% were satisfied with the ATM's reliability while 57 3% were satisfied with the convenience of banks location The long queues at the banking halls was dissatisfaction to majority of the respondents comprising of 67 2% of the total population, while 49 6% were neutral about the delivery of bank statements On the other hand most of the respondents comprising of 45 8% of the total respondents were satisfied with extended working hours while 65 6% were satisfied with the banks' cleanliness

Table 10: Satisfaction with Banking Products

Variables	Very satisfied		Satisfied		Neutral		Dissatisfied		Very dissatisfied	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Customer security at the premises	23	17 6	63	48 1	30	22 9	15	11 4	0	0
Honesty of bank staff	12	9 2	49	37 4	45	34 5	25	19 0	0	0
Security of money	77	58 8	54	41 2	0	0	0	0	0	0
Stability of institution	90	68 7	30	22 9	11	8 4	0	0	0	0
Accessibility of financial information	12	9 2	14	10 7	97	74 0	8	6 1	0	0
Education in financial planning	22	16 8	78	59 5	31	23 7	0	0	0	0
Participation in banking events	0	0	42	32 1	73	55 7	16	12 2	0	0
Listening and appreciation of customer feedback	109	86.5	17	13 5	0	0	0	0	0	0
Institution that cares and contributes to welfare of the society	10	7 6	100	76 3	21	16 0	0	0	0	0

Table 11 shows that 48 1% of the respondents were satisfied with their security at the banking premises while 37 4% were satisfied with the honesty of the banks' staff It can also be seen from the above table that majority of the respondents were satisfied with the security of their money, while 58 8% were very satisfied. 41 2% were satisfied with the security provided With regard to the stability of the organization 68 7% of the respondents were very satisfied with the stability of the bank while 74% were neutral about the accessibility of financial information from the bank

Majority of the respondents, comprising of 59 5% were satisfied with education in financial planning they were provided with Majority of the respondents comprising of 86 5% were very satisfied in the way the bank listened and appreciated them while on the other hand 55 7% of the respondents were neutral in participation in banks events Majority of the respondents comprising of 76 3% were satisfied in the corporate social responsibility of the bank

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter provides a summary of the findings, conclusion and recommendations into the customer perceived quality of service in the banking industry

5.2 Summary

The findings indicate that majority of the respondents indicated had one bank account although a considerable number too had more than two bank accounts For a period of between 2 to 5 years is the time majority of these bank accounts had been active This shows that the respondents had been familiar with banking activities for a while and therefore a reason for the authenticity of the response gathered from the survey The respondents were from diverse occupations with different types of accounts and of different educational level This enabled the research to be more comprehensive drawing views from a cross-sectional of the banking population

The respondents were asked to rate the provision of certain banking attributes These ranged from issues regarding customer service to the banks' staff Most of the respondents were satisfied with the customer-oriented culture in the bank Majority of the respondents thought that the promptness of the staff was good but on the other hand banking products were not quite meeting the specific needs of customers Also with regard to the company staff, majority of the respondents thought that the professionalism of staff was good Most of the respondents also reported that the location of the bank was excellent, hence enabling them to do their banking with ease In addition the banks' staff were rated as good in terms of friendliness and honesty Though staff's knowledge of customers was rated as poor, majority of the respondent said that they were satisfied with this. Lastly the respondent said that the security of their money was excellent

The respondents were also required to state the satisfaction of various services offered by the bank The majority of the respondents were satisfied with the security of their money while another majority were very satisfied with the stability of the bank With regard to accessibility of financial information to the bank majority of the respondents were neutral about it This shows quite clearly that the banks need to provide such information to their customers to ensure that they benefit from such financial information This will also help customers know the variety of services the bank offers apart from the traditional withdrawal and deposit services Majority of the respondents were satisfied with education in financial planning they were provided with This gives the impression that the banks advice went along way in helping their customers This is also augments with the fact that most of the respondents stated that they were very satisfied with the way the bank listened and appreciated their contribution On the other side banks need to ensure that their activities attract more of their customers since majority of the respondents said they were neutral about them

5.3 Conclusion

The provision of quality service is critical for the success of any given company The perception of the provision of such a service is also important This is because the customers' perception of quality of service may be different from that of the company hence creating a service decline In this regard this study sought to find out the perception of quality of services offered by commercial banks

The analysis showed that the banking products meeting customers needs was rated fair by a majority of the respondents This means that the banks are not really offering the services that the consumers need This means there is a breakdown of communication between what the consumer needs and what the banks are providing The same applies to provision of understandable customer information The information the banks are not really what the respondents need With this the customers may not put such information to maximum use and therefore unable to utilize banking services The friendliness of the staff was rated fair by majority of the respondents This could mean that the customers may not feel at ease when talking to the staff since they are rush on them and hence customers may not tell them exactly the services they require While the staff may not be to blame since they survive a huge number of customers, this could mean that customers can shift to areas where they feel they are more welcome and the staff are more friendly

Most customers are not accessible to financial information This could mean that such persons are not in a position to utilize all the services the bank offers to them On the contrast banks are reported to be doing very well in assisting customers in financial planning as well as listening and appreciating the contribution of their customers

5.4 Recommendations

Banks being commercial organizations need to satisfy the customer in order to achieve long-term relationship with their customers hence translating to even higher profits This is especially important if the industry is very competitive and banks are trying to outdo each other in getting a large number of customers In this case those who have services that meet the customers' needs and leave the customer satisfied will be the winners at the end of the day The staff need to be friendly to customers especially those whose educational level is low and need to be explained how they can utilize

Banks also need to look at their customer needs and develop products that are suited to customer needs For example banks should see how they can partner with people like farmers and small scale entrepreneurs Banks should also extend their products to the majority of the population that is not accessible to banking services This might mean offering them loans and accepting their meagre deposits In this situation banks must carefully analyse such persons so as not give out loans which in the end would end up being non performing ones With its present customers banks need to carefully consider their needs so as not to lose them to competitors This may include analyzing what competitors are offering and monitoring how such may incorporated into the organization may not feel at ease when talking to the staff since they are rush on them and hence customers may not tell them exactly the services they require While the staff may not be to blame since they survive a huge number of customers, this could mean that customers can shift to areas where they feel they are more welcome and the staff are more friendly

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5.5 Limitations of the Study

Care must be taken to generalize the results of this study as there were some limitations First this study included only a portion of the customers who have bank accounts but a majority of them were not included In addition those who were involved were individuals and other stakeholders such as corporate customers' perception of banking services were not involved in the study

5.6 Further Study

The current research is limited due to the number of respondents involved in the survey. The future research may consider how they can incorporate corporate organizations on the perception of quality of services offered by commercial organizations Future researchers may also choose consider a larger number of respondents across the different business units within the bank to ensure a more representative sample size

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APPENDIX I: LETTER OF INTRODUCTION

Letter of Introduction

Dear Respondent,

<u>**RE: DATA COLLECTION**</u>

This questionnaire is designed to gather information on "**CUSTOMER PERCEIVED QUALITY OF SERVICE IN THE BANKING SECTOR**" The study is being carried out for a management project paper as a partial fulfillment of the degree of School of Business University of Nairobi

The information in the questionnaire will be treated with confidentiality and in no instance will your name be mentioned in this research Also, the information will not be used for any other purpose other than for this research

Your assistance in facilitating the same will be highly appreciated

Thank you in advance.

Yours sincerely,

IRENE K MBOBUA — Student

Dr RAYMOND MUSYOKA — Supervisor

APPENDIX II: QUESTIONNAIRE

PART ONE: BACK GROUND INFORMATION

1 Please indicate your gender by ticking in the brackets

- ( ) Female ( ) Male

2 In what age group is you age (Please tick inside the relevant brackets)

- ( ) 23 – 30 years old ( ) 31-40years old ( ) 41-50years old

3 How many bank accounts do you have (Please ticket inside the relevant brackets)

- ( ) One ( ) Two ( ) More than two

4 How long have you had your most active bank account?

- 1 year [ ] 2 -5 years [ ] 5-10 years [] over 10 year [ ]

5 What is your occupation?

- Student [ ] Professional [ ]
- Technical person [ ] self employed [ ]
- Farmer [ ]
- Others please specify ……………………………………

6 What type of account do you have?

- Savings account [ ] Fixed account [ ]
- Foreign account [ ] Student [ ]
- Business account [ ]

7 Please indicate your education level below

- Primary [ ]
- Secondary [ ]
- College [ ]
- University [ ]
- Other (specify) ……………………

PART TWO

Customer perception regarding quality of services in the banking industry

8 Please indicate on the scale below by ticking (√) the extent to which your bank has performed along the following attributes Scale Excellent = 5, Good =4, Fair = 3, Poor= 2, Very poor = 1

	5	4	3	2	1
1 Product offering that meets your needs	[ ]	[ ]	[ ]	[ ]	[ ]
2 Promptness of customer service staff	[ ]	[ ]	[ ]	[ ]	[ ]
3 Staff knowledge on banks products and services	[ ]	[ ]	[ ]	[ ]	[ ]
4 The convenience of bank s location(s)	[ ]	[ ]	[ ]	[ ]	[ ]
5 Friendliness of customer service staff	[ ]	[ ]	[ ]	[ ]	[ ]
6 Honesty of bank staff	[ ]	[ ]	[ ]	[ ]	[ ]
7 Security of your money	[ ]	[ ]	[ ]	[ ]	[ ]
8 Customer security in the banking hall	[ ]	[ ]	[ ]	[ ]	[ ]
9 Confidentiality of customer information	[ ]	[ ]	[ ]	[ ]	[ ]
10. Staff knowledge of their customers	[ ]	[ ]	[ ]	[ ]	[ ]
11 Banking hall cleanliness and decor	[ ]	[ ]	[ ]	[ ]	[ ]
12 Problem Resolution	[ ]	[ ]	[ ]	[ ]	[ ]

Customer Satisfaction Level in the Banking Industry

On the overall how would you rate your satisfaction on the attribute listed below by your bank?

Very Satisfied = 5, Satisfied =4, Neither Satisfied nor Dissatisfied= 3, Dissatisfied = 2, Very Dissatisfied = 1

	5	4	3	2	1
1 Suitability of the product	[ ]	[ ]	[ ]	[ ]	[ ]
2 Understanding & meeting customer needs	[ ]	[ ]	[ ]	[ ]	[
Friendly & helpful staff	[ ]	[ ]	[ ]	[ ]	[ ]

4. Staff knowledge of customers	[ ]	[ ]	[ ]	[ ]	[ ]
5 Accessibility of the bank manager	[ ]	[ ]	[ ]	[ ]	[ ]
6 The customer service staff promptness	[ ]	[ ]	[ ]	[ ]	[ ]
7 Staff professionalism	[ ]	[ ]	[ ]	[ ]	[ ]
8 Customer oriented culture	[ ]	[ ]	[ ]	[ ]	[ ]
9 Interest charges on loans	[ ]	[ ]	[ ]	[ ]	[ ]
Interest rates on deposit account	[ ]	[ ]	[ ]	[ ]	[ ]
12 Bank charges	[ ]	[ ]	[ ]	[ ]	[ ]
13 Flexibility of payment for loans/credit cards	[ ]	[ ]	[ ]	[ ]	[ ]
14 Charges on the credit cards	[ ]	[ ]	[ ]	[ ]	[ ]
15 Visits from your bank staff	[ ]	[ ]	[ ]	[ ]	[ ]
16 ATM's reliability	[ ]	[ ]	[ ]	[ ]	[ ]
17 Convenience of banks location	[ ]	[ ]	[ ]	[ ]	[ ]
18 Long queues in the banking hall	[ ]	[ ]	[ ]	[ ]	[ ]
19 Delivery / mailing of bank statements	[ ]	[ ]	[ ]	[ ]	[ ]
20 Extended working hours	[ ]	[ ]	[ ]	[ ]	[ ]
21. Banking hall cleanliness and decor	[ ]	[ ]	[ ]	[ ]	[ ]
22 Customer security at the premises	[ ]	[ ]	[ ]	[ ]	[ ]
23. Honesty of bank staff	[ ]	[ ]	[ ]	[ ]	[ ]
24 Security of money	[ ]	[ ]	[ ]	[ ]	[ ]
25 Stability of the institution	[ ]	[ ]	[ ]	[ ]	[ ]
26 Accessibility of financial information	[ ]	[ ]	[ ]	[ ]	[ ]
27 Education in financial planning	[ ]	[ ]	[ ]	[ ]	[ ]
28 Participation in banks events e g focus groups	[ ]	[ ]	[ ]	[ ]	[ ]
29 Listening & Appreciation of customer feedback	[ ]	[ ]	[ ]	[ ]	[ ]
30.Institution that values social responsibility	[ ]	[ ]	[ ]	[ ]	[ ]