FACTORS INFLUENCING CUSTOMER SATISFACTION IN THE BANKING INDUSTRY IN KENYA: A CASE STUDY OF INVESTMENTS AND MORTGAGES (I&M) BANK LTD

BY

EVA NYAWIRA GATARI

UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

SUMMER 2016
FACTORS INFLUENCING CUSTOMER SATISFACTION IN THE BANKING INDUSTRY IN KENYA: A CASE OF STUDY OF INVESTMENTS AND MORTGAGES (I&M) BANK LTD

BY

EVA NYAWIRA GATARI

A Research Project Proposal submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Executive Master in Organizational Development (EMOD)

UNITED STATES INTERNATIONAL UNIVERSITY- AFRICA

SUMMER 2016
DECLARATION

I, the undersigned, hereby declare that this research proposal is my original work and that it has not been presented to any other University, college or institution for higher learning or otherwise other than the United States International University.

Eva Nyawira Gatari (ID No: 648331)  
Date

This project has been presented for examination with my approval as the appointed supervisor.

Dr. George K’Aol  
Date

Signed ……………………………………… Date ………………………

Dean, Chandaria School of Business
COPYRIGHT

All rights reserved; no part of this work may be reproduced, stored in a retrieval system
or transmitted in any form or by any means, electronic, mechanical, photocopying,
recording or otherwise without the express written authorization from the writer.

© Eva Nyawira Gatari, 2016
ABSTRACT

The purpose of this study will be to determine factors that influence customer satisfaction in the banking sector. Research questions for this study are as follows: To what extent does service delivery influence customer satisfaction? To what extent information technology influences customer satisfaction? To what extent the banks organizational culture influences customer satisfaction? The research design to be adopted for the study is the descriptive survey research design. The population of the study is 147,978 I&M Bank customers. Stratified sampling and simple random sampling techniques will be adopted for the study. The study will have a sample size of 384 respondents. Research question one will examine the extent to which service delivery influence customer satisfaction; Research question two will examine extent to which information technology influences customer satisfaction; while third research question will examine extent to which banks organizational culture influences customer satisfaction. Data analysis will be conducted using Statistical Package for Social Services (SPSS) for descriptive statistics inferential statistics. The findings of the study will be presented using Tables and Figures. The findings for research question one will be presented first, followed by findings for research question two, and then findings for research question three. Finally the study discussion, conclusion and recommendations will be presented last.
ACKNOWLEDGEMENT

I would like to acknowledge my supervisor Dr. Peter Kirir for guidance in developing this research project proposal. Equally I would also like to acknowledge my family and friends for believing in me and encouraging me along the way.
DEDICATION

This research project is dedicated to my family and friends who supported and encouraged me along the way. Thank you.
# TABLE OF CONTENTS

DECLARATION .......................................................................................................................... ii
COPYRIGHT ............................................................................................................................. iii
ABSTRACT ............................................................................................................................... iv
ACKNOWLEDGEMENT ............................................................................................................. v
DEDICATION .............................................................................................................................. vi
TABLE OF CONTENTS ........................................................................................................... vii

CHAPTER ONE ...................................................................................................................... 1
1.0 INTRODUCTION .................................................................................................................. 1
1.1 Background of the Study ...................................................................................................... 1
1.2 Statement of the Problem .................................................................................................... 5
1.3 Purpose of the Study .......................................................................................................... 5
1.4 Research Questions ............................................................................................................ 6
1.5 Significance of the Study .................................................................................................... 6
1.6 Scope of the Study ............................................................................................................. 7
1.7 Definition of Terms ............................................................................................................ 7
1.8 Chapter Summary ............................................................................................................. 8

CHAPTER TWO ..................................................................................................................... 9
2.0 LITERATURE REVIEW ...................................................................................................... 9
2.1 Introduction ....................................................................................................................... 9
2.2 Influence of Service Delivery on Customer Satisfaction .................................................. 9
2.3 Extent to Which Information Technology Influences Customer Satisfaction ................. 14
2.4 Extent to Which Banks Culture on Customer Satisfaction ............................................... 19
2.5 Chapter Summary ............................................................................................................ 23

CHAPTER THREE ................................................................................................................. 24
3.0 RESEARCH METHODOLOGY ......................................................................................... 24
3.1 Introduction ....................................................................................................................... 24
3.2 Research Design ............................................................................................................... 24
3.3 Population and Sampling Design .................................................................................. 25
3.4 Data Collection Methods ............................................................................................... 27
3.5 Research Procedures ..................................................................................................... 27
3.6 Data Analysis Methods ................................................................................................. 28
3.7 Chapter Summary ...........................................................................................................28
REFERENCES...................................................................................................................29
APPENDICES....................................................................................................................35
APPENDIX I: COVER LETTER ..........................................................................................35
APPENDIX II: RESEARCH QUESTIONNAIRE .................................................................36
APPENDIX III: RESEARCH BUDGET ...............................................................................41
APPENDIX IV: IMPLEMENTATION SCHEDULE ..............................................................42
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Globalization of the world economy has increased pressure on business competitiveness and sustainability. Organizations have to keep reinvent their business processes, procedures, policies, and their market niche, as a way of staying relevant and sustainable (Anand & Selvaraj, 2013). To remain sustainable, organizations have to be profitable, and equally, have to gain sizeable control of their market in terms of the products and services they are offering on the market. As such, the threat of new entrants particularly with multinationals have organizations are continuously forcing organizations into strategic reinventions as a way of dealing with the global pressure to offer products and services at the global market standards (Arbore & Busacca, 2009). Many organizations are therefore pointing to customer satisfaction as a way of developing and differentiating their services from their competitors, and also as a tool for developing competitive advantage (Narteh & Kuada, 2014).

Equally, other organizations use customer satisfaction to examine whether their products and services are competitive at the market place, whether they surpass customer expectations, and whether they are average or below average (Osarenkhoe & Komunda, 2013). According to Anand and Selvaraj (2013), the more an organization surpasses customer expectations, the more organization gains customer loyalty, which in turn translates into increased profitability, market share, and even command of respect within their sector. In the banking industry, customer satisfaction is paramount, since one might not get an opportunity to redo the service, if the experience is flagged by a customer as unsatisfactory (Munari, Ielasi, & Bajetta, 2013). Narteh and Kuada, (2014) argue that banks can only offer satisfactory customer service, if standards, policies, policies, and processes for service quality exists in in the organization. This is because service quality plays a major role in achieving customer satisfaction.

According to Munari et al., (2013) the banking industry regards customer satisfaction as the one of most critical criteria for assessing the relationship the bank has with the market. As such, customer satisfaction is regarded as an important driver in banks
performance strategies. Hoq and Amin (2010) defines customer satisfaction as the general evaluation based on business actions carried out by organization in relation to customer expectations that has been accumulated over a period of times as a result of the client using the organizations products or services. Narteh and Kuada, (2014) on the other hand define customer satisfaction as the utility derived from using a services based on initial expectation of the service. It is the evaluation of the extent to which value promised has been delivered, at expected standards, quality, and quantity.

In the banking sector, Terpstra, Kuijlen and Sijtsma (2014) argues that customer satisfaction refers to the valence state of mind evoked by the customer’s experiences by virtue of engaging and utilizing banking services. In this regard, customer satisfaction in the banking industry can classified in three categories. First, the customer’s utilization of products and services from a bank through an ongoing process, leads to accumulation of experiences and encounters with the banks, which leads to customer satisfaction. According to Narteh and Kuada, (2014) the second category of customer satisfaction is exhibited through feelings the customer has concerning the bank. For instance through observation, and cognition on evaluation as to whether a bank is doing well or not. Finally, the third category of measuring customer satisfaction in the banking sector assumes that satisfaction and dissatisfaction thereof are one-dimensional, ranging from a very dissatisfied to very satisfied.

According to Terpstra et al., (2014) banks around the globe have been witnessing stagnation and in their ability to enhance customer satisfaction. Capgemini (2015) conducted a global customer satisfaction study to determine the level of customer satisfaction globally. The study revealed that customer satisfaction index dropped from 72.9 in 2014 to 72.7 in 2015. The drop in the global customer satisfaction is an indicator that a more agile competition, combined with other banking satisfaction factors continue to lag customers’ expectations.

In 2011, Uddin and Akhter (2015) tracked customer sentiment concerning banks globally to track interactions between banks and their customers, and interactions lived up to customer, experience, perceptions and expectations. Equally, Capgemini (2015) study was based on findings from customer survey of more than 16,000 respondents in 32 countries in six continents. The survey examined customer’s utilization of products and services from a bank through an ongoing process; customer satisfaction exhibited through
feelings concerning the bank; and also utilized the one-dimensional measurement range of ‘very dissatisfied’ to ‘very-satisfied’, and noted the existence of a significant drop in levels of customer satisfaction globally.

In the developed countries, customer’s satisfaction has improved over the years due to the country’s ability to utilize extensive atomization, service customization, and online real time banking experiences (Uddin and Akhter, 2015). As such, Capgemini (2015), notes customer satisfaction in countries like Spain and Russia grew by 4.8 points between 2012 and 2014. Equally, Turkey customer satisfaction rate in the banking sector increased by 3.9 points, while Czech Republic increase of 3.5 points, while central Europe increased customer satisfaction by 2.8 points compared to 2013.

The developed Countries did not only experience favorable ratings in customer satisfaction. For instance, Poland did not register any increase in customer satisfaction for periods of 2013-2014, while North America saw a decrease of 2.6 points, Canada had a decrease in customer satisfaction of 2.9 points (Uddin and Akhter, 2015). Other European countries that experienced challenges with customer satisfaction in the banking sector include Norway, which dropped 5.9 points, followed by Germany and Belgium, which dropped 5.0 points between 2013 and 2015. Some of this drop, particularly in Poland and Belgium was explained by the contraction in global economy brought about by the credit crunch of 2008 (World Bank, 2015).

In another study conducted by Capgemini (2015), Western Europe Countries experienced a significant increase customers who were not satisfied with banking services from 4.9% in 2014 to 11.7% in 2015. For instance, Denmark reported a drop of 11.0 points, Netherlands 10.5 points, and Sweden 10.0 points. Uddin and Akhter (2015) contents that the 11.7% increase in number of customers Western Europe who are not satisfied with banking services could be attributed to partly due to increase customer expectations as a result of robust growth in information technology.

In developing countries, different countries have had different experiences with customer satisfaction. For instance, in the Middle East, United Arab Emirates had the largest drop of 8.3 points, followed by Latin America that had a decrease in customer satisfaction of 4.6, and Africa with a drop of 4.0 points. In a study conducted by KPMG (2013), across 14 African countries, with over 25,000 respondents revealed that GTBank, United Bank
for Africa (UBA), and Zenith were top banks in the West African coast with above 75% score in customer satisfaction, while Stanbic bank, Diamond Trust bank, Kenya Commercial bank and Equity Bank also score above 75% in customer satisfaction. The study further indicates that the banks success in fulfilling customers expectation were partly due their customer centric focus models, and leveraging on technology to deliver quality service.

Terpstra et al., (2014) posits that every time there is favorable customer satisfaction in the banking sector, there is usually, underlying factors and fundamentals that enhance customers experience. Narteh and Kuada, (2014) contends that there are numerous factors that enhance positive customer experiences. They argue that the way products and services are packages can be an important factor in determining satisfaction, other times, it is the way products and services are delivered, while other times satisfaction maybe embedded within the interactions customers do have with the banking staff.

In Kenya, there were 44 registered commercial banks, out of which two are under statutory management (Imperial Bank and Chase Bank). Out of the 44 registered banks, three are publicly owned banks; twenty seven (27) are locally owned banks; and fourteen (14) foreign owned commercial banks. Further, the banks are classified into three main Tiers; Tier 1 banks, Tier 2 banks, and Tier 3 banks based on their Market Share Index (CBK, 2014). Investments and Mortgages (I & M) Bank was started in 1974 as a subsidiary of the I&M Holdings Ltd, and was formally converted into a commercial bank on 1st April 1996, and started trading on Nairobi Stock Exchange in June 2013 (I & M Bank, 2016). Following the study that was conducted by KPMG (2013), I & M bank does not appear among the banks that are listed as the best in Kenya in customer satisfaction. KPMG listed Stanbic bank, Kenya Commercial bank, Ecobank, Co-operative bank, and Post bank at the best banks in customer satisfaction.

To remain sustainable, I&M bank has to invest in customer service mechanisms and strategies that are customer centric. To be profitable, a banks has to seek and gain sizeable control of the market in terms of the products and services offered, that are geared at satisfying the ever changing and dynamic needs of customers (Arbore & Busacca, 2009). Failure to enhance customer friendly services, and establish factors that influence customer satisfaction increases the risk that a bank will soon face competitive threats from existing and new entrants (Narteh & Kuada, 2014).
1.2 Statement of the Problem

In the last ten years, there has been an enormous growth in the Kenya Banking sector. New entrants into the market in the last ten years include GTBank, Ecobank, UBA bank, Family bank, Bank of Africa among others. As a result, the competition for gaining customers’ and enhancing market share has been very stiff, since clients have a wide variety banks to pick from, when looking for banking products and services. The Survey done by KPMG (2013), revealed that while Stanbic bank, Diamond Trust bank, Kenya Commercial bank and Equity Bank were the best banks in Kenya with score above 75% in customer satisfaction. The problem is that I&M bank did not feature on this list, in fact, it was rated by customers as average. In this era where there’s heightened competition for customers, market share, and profitability, banks need to establish customer centric approaches in providing products and services. I&M has operated as corporate centric than customer centric, and thus why it has received average ratings in customer rating reviews.

Various studies have attempted to deal with problem of customer satisfaction including Kombo (2015) who focused on customer satisfaction in the Kenyan banking industry, but examined secondary data on customer retention. A study by Chavan and Ahmad (2013) looked at factors affecting on customer satisfaction in retail banking, but forced more on data used data used by KPMG to rank banks in India, rather than on primary empirical data, and therefore could not be replicated in the Kenyan context. Minoo (2013) study on the other hand focused on effects of customer relationship management in the Kenyan banking sector, dealing mainly with banks use e-mails and phone calls to communicate with customers. This studies did not establish factors influencing customer satisfaction, and also, did not use any reliable theory of model to support findings. Therefore, this study seeks to fill this gap, by using the SERVQUAL model to determine whether service delivery, banking information technology, and Banks culture influences customer satisfaction at I&M bank.

1.3 Purpose of the Study

The purpose of this study will be to establish factors that influence customer satisfaction in the banking industry in Kenya.
1.4 Research Questions

1.4.1 To what extent does service delivery influence customer satisfaction in the banking industry?

1.4.2 To what extent does information technology in the banking industry influence customer satisfaction?

1.4.3 To what extent does a bank's culture influence customer satisfaction?

1.5 Significance of the Study

1.5.1 I & M Bank

I&M Bank will utilize the findings of this study on factors that influence customer satisfaction as a basis for formulating customer engagement and satisfaction strategies, outreach, and customer engagement. Further, I&M Bank can adopt recommendations that will be made by the study so as to enhance customer satisfaction in their product and services at the bank.

1.5.2 Banking Industry

The findings of this study can also be used by the banking industry as a whole, as findings and recommendations can be adopted by other banks who wish to enhance their customer satisfaction and experiences at their respective banks. Equally, the banking regulators can use the findings of this study to inform policy development on ways to protect and enhance customer experiences with banking.

1.5.3 Researchers and Academicians

This study will be significant to researchers and academicians in that it will add value to the body of literature on factors that influence customer satisfaction in the banking sector. Researchers can use the findings of this study to formulate hypothesis, confirm findings or conduct further study on the same. Academicians also can use this study findings to test their hypothesis, and also to utilize the study findings for empirical literature review for further studies.
1.6 Scope of the Study

This study will focus on factors influencing customer satisfaction in the banking industry, by looking primarily at I&M Bank. The study will be limited to five (5) I & M branches within Nairobi Central Business District (CBD) and its environs. The study will utilize primary data that will be gathered from I & M Bank customers. This study will be carried out in the month of June, 2016. The study will be limited in terms of closed ended nature of the questionnaire tool. However, to mitigate this limitation, the questionnaire will be as comprehensive as possible in terms of nature and type of questions that will be asked.

1.7 Definition of Terms

1.7.1 Customer Satisfaction

Hoq and Amin (2010) defines customer satisfaction as the general evaluation based on business actions carried out by organization in relation to customer expectations that has been accumulated over a period of times as a result of the client using the organizations products or services. Narteh and Kuada, (2014) on the other hand define customer satisfaction as the utility derived from using a services based on initial expectation of the service.

1.7.2 Service Delivery

Service delivery is defined is a component of business that organizations use to establish the interaction and engagements between themselves and their customers. In this case, the organizations offers a service through a medium or channel, and a customer finds value in the service that has been, or is being offered (Wruuck, 2013).

1.7.3 Information Technology

Information Technology is defined as a set of tools, processes, and methodologies involving information coding, programming, data conversion, data storage, data retrieval and communications by using analysis and design tools and systems to collect, process, and present information (Molina, Martín-Consuegra & Esteban, 2007). Information technology is also defined as the process of automation of data, multimedia, and telecommunications using technological platforms (Liberati & Mariani, 2012).
1.7.4 Banks Culture

A banks culture is defined as beliefs and behaviors within banks that determine how a bank management and employees’ interacts and how they handle external business transactions with customers, and other stakeholders (Hoq & Amin, 2010). Often, bank culture is implied, and not expressly defined. On the other hand, Liberati and Mariani, (2012) notes that culture is established organically over time, and is reflected the dress code at the banks, business hours, and how customers are treatment to enhance satisfaction and banks performance.

1.8 Chapter Summary

This chapter has highlighted background of the study, where a brief history of the customer satisfaction globally was reviewed. This chapter has also presented the problem of the study regarding customer satisfaction; the purpose of the study, and the research questions that will be used to carry out the study. Further, the significance of the study, the scope of the study and definition of terms have also been presented in this chapter. The next chapter 2 will present literature review, chapter 3 will present research methodology that will be adopted for the study, chapter will present study results and findings, and finally chapter 5 will present study summary, discussion, conclusion, and recommendations.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter will provide literature review based on research questions of the study. Literature review on the extent to which service delivery influence customer satisfaction in the banking industry will be presented first, followed by the extent to which information technology in the banking industry influence customer satisfaction, and finally, the extent to which banks culture influence customer satisfaction. Chapter summary of major reviews will be presented at the end of this chapter.

2.2 Influence of Service Delivery on Customer Satisfaction

Service delivery is an important factor in the banking sector when it comes to customer satisfaction. For a service to be considered to have been delivered as per customers’ expectations, it has to meet thresholds on quality, efficiency, and also the service has to be effective in solving customers’ needs (Katwalo & Muhanji, 2014). For service delivery to be considered to be of quality, it has to have attribute of excellence in a manner of presentation, delivery, and in the manner in which it solves customers’ problems (Gupta & Dev, 2012). This study adopts a SERVQUAL model by Parasuraman, Zeithaml and Berry (1991) to determine how service delivery influences customer satisfaction.

According to Meyer, Stobbe, Haibach, & Walter, (2006), the SERVQUAL is widely acceptable measure of service delivery for organizations in the service sector. The SERVQUAL model consists of five measurable scales or dimensions: Service reliability, Service responsiveness, Service assurance, empathy and tangibility. Singh and Kaur (2011) contents that the SERVQUAL model is among the best models that help organization measure reliability, assurance, responsiveness, empathy and tangibility and adjust different components that needs to be established so as to enhance customer satisfaction.
2.2.1 Reliability

Consuegra, Molina, and Esteban (2008) defines service reliability as the degree of discrepancy between customers’ normative expectations for availability of service when needed and the actual availability rates, when service is needed. This discrepancy is usually occasioned by the fact that organizations can promise customers given services, however, the delivery of those services may not be guaranteed. As such, Meyer et al., (2006) notes that when services delivery is consistent and on time as promised to customers, the services is deemed as reliable, however when service delivery is not consistent and on times as promised to clients, the service is deemed as being unreliable.

In the banking sector, customers usually use specific banks for services because of perceived reliability with the bank (Liberati et al, 2012). Customers like to know that they will get a given service an appropriate time. In a study conducted by Tesfom and Birch (2011) suggested that there exists a positive relationship in the banking sectors between reliability of banking services and customer satisfaction; \( r (0.682); p \leq 0.05 \); making the relationship significant. In another study conducted in Italy by Gritti and Foss (2010) using the SEVQUAL model, indicated the existence of a significant relationship between a banks service reliability and customer satisfaction; \( r (0.646), \leq 0.05 \). Respondents within the study indicated that availability of working ATMs, efficient money transfer services within and between banks, and availability of banking services to pay their bills determined how they would rate a bank in terms of service satisfaction.

Consuegra et al., (2008) on the other hand argues that reliability of service a significant impact on customer preference of a bank and customers satisfaction. Further, they argued that in the banking sector, a customer who is satisfied with services as provided by the bank is more likely to recommend another customer to utilize same services at the bank. In this regard, it is beneficial for a bank to ensure that it has processes in place that validates and enhances customers’ experiences by enhancing reliability of service to all consumers (Hoq & Amin, 2010).

Equally, Meyer et al., (2006) posits one of the greatest challenges facing banks is providing reliable online, and in-banking services. Most of the time, particularly in the developing world, it has been the case that most banks have overcrowded queues, slow teller services, high number of ‘out-of-order’ ATMs, and even inconsiderate staff to the
plight of customers. If a bank allows such cases to go on for periods of time, the resultant effect is a negative reliability index on customer satisfaction. Therefore, measuring service reliability in banks is a sure way of determine customer satisfaction gaps, and developing mechanisms to address the gaps (Gupta & Dev, 2012).

### 2.2.2 Responsiveness

Gritti and Foss (2010) defines responsiveness as the coordinated reaction towards the customers' needs that is timely, and within the expectation of the customer. Gupta and Dev (2012) on the other hand defines responsiveness as the concerted efforts an organization does in to ensure that customer needs are met within specified times. This includes giving timely feedback, and ensuring clients’ queries and concerns are addressed promptly. Responsiveness is an essential factor in determining customers' satisfaction and perception of value. Any time a client perceive that they will be satisfied with a banking service, they tend to gravitate towards the banks service (Hoq & Amin, 2010).

In the banking sector, responsiveness is a functional factor in determining whether a banks service is of quality or not (Gupta & Dev, 2012). Banks have to ensure that they have mechanisms in place that not only attracts customers but also to ensure that customers’ needs are met adequately. A study conducted by Fonseca (2014) in Portuguese banking sector sought to determine whether there banking service responsiveness contributed to customer satisfaction and retention. The study established that there existed a significant relationship between responsiveness and customer satisfaction; r (0.872) ≤ 0.05). The study indicated that banks response to customer’s queries in a timely manner contributed significantly towards the relationship.

A study by Ernst and Young (2014) on customer satisfaction in the global banking sector by noted that responsiveness means different things to different cultures around the world. For instance, customers in the USA, UK, and Germany, valued time so much that they indicated responsiveness as a function of time. Time is extremely essential. Customers’ in this cultures need banking services done promptly, without having them line up in baking halls chasing after services. However, in India, customers rated connection with the banking tellers, as their valued form of response. This means, the tellers in the banks should get time to talk to the clients, ask them how they are doing, how their day was, how their family is, among other things. This is consistent with the
study that was conducted by Gupta and Dev (2012) that highlighted the important of talking to clients as a way of showing responsiveness, care, and gratitude.

A study done Consuegra et al., (2008) revealed that banks customers establish thresholds of responses in terms of time they can tolerate before they can call a banks responsiveness wanting. For instance, if a bank delays transferring a customer’s funds once, it can be deemed acceptable, but if the bank delays the transfer of funds to the same client for the second and third time, then the responsiveness becomes wanting, and customer satisfaction rate drops. According to Fonseca (2014), banks have to first determine what their clients regards as ‘responsiveness’. Profiling clients’ needs in this regard ensures that a banks does proper targeting in providing different clients’ needs that fulfil their concept and idea of customer satisfaction.

To this end, Hoq and Amin (2010) contends that most banks emulate what other banks are doing in terms of enhancing customer satisfaction, without conducting adequate survey on their client to establish what matters to them. On the other hand, Gritti and Foss (2010) contends customers’ are reasonable and rational beings that understands that sometimes technology and machines do break down in the banking sector. However, most customers consider it unacceptable to have continuous and frequent breakdown that impacts on the banks’ ability to respond effectively to their needs Ernst & Young, 2014).

2.2.3 Assurance

According to Jiang and Wang (2008), assurance is the credibility and the ability for to inspire trust and confidence in their customers. Most often assurance is measured by the way banks demonstrate ‘competence’ in service provision. When a bank has the right set of skilled and knowledgeable to provide required service, they inspire confidence in customers, which enhances the assurance customers have in the bank (Arasli, Smadi & Katircioglu, 2009). On the other hand, Jiang and Wang (2008) defines assurance the art of being polite and friendly when dealing with customers. It is the ability for the bank to provide friendly advice not only when a customer needs it, but when the bank deems it appropriate to provide one. Such friendliness enhances the assurance of customers in the banks’ ability to put the customers’ needs first (Liberati & Mariani, 2012).
2.2.4 Tangibility

According to Jayaraman, Shankar and Hor, (2010) tangibility refers to the physical aspects of a product or service. In the banking industry, this refers to the physical attributes of the bank and its services, such as the banking building, the banking halls aesthetics, the waiting area, the banking seats, and accessibility. Katwalo and Muhanj, (2014) argues that banking facilities, equipment and fixtures all constitute tangibility. Additionally, Lymperopoulos and Chaniotakis (2008) argue that an organizations’ employees form part of organizational tangibles. In most cases bank customers tend to remember employees’ interactions, experience, and appearance of buildings. In other instances, employees are dressed code becomes the reference point for professionalism. Equally, when an organizations employees are not professionally nor reflecting the ethics that is due to the services the organization is providing, they form memorable tangibles through which customers perceive the organization (Gupta & Dev, 2012).

Meyer et al., (2006) argues that the banking sector is a very sensitive sector that everything matters. By this, they mean that buildings, people, service, presentation cumulatively matter in shaping a customer’s perception about the bank, and customers satisfaction in the banks’ ability to provide the needed service by customers. In a study conducted by Jayaraman et al., (2010) in Malaysian banking sector revealed that respondents. In as much as customers did not indicate the actual value that caused satisfaction, they nonetheless, ascribed satisfaction purely on perception based on the banks tangibility.

Equally, in a study conducted in South Africa by Wruuck (2013) indicated the existence of a significant relationship between banks tangibility and customer satisfaction; r (0.520); ≤ 0.05. Thus, is important for banks to note the significant aspects of their tangibility that makes customers satisfied with the bank and the banks services. Wang, Lo, Chi, and Yang, (2014) study on the other hand, focused on perceptive elements of customer satisfaction at the point of interaction with the bank’s tangible aspects. They noted that the customers’ concept of satisfaction is either either sealed, formed, or conformed, at the point of interaction. Therefore, it is important for banks to have attractive physical attributes since they form part of customer interactions that enhances or decreases satisfaction (Jayaraman et al., 2010)
2.2.5 Empathy

Rahman (2014) defines empathy as the caring behavior that is usually extended to an individual in personalized manner. Further, empathy is entails the way in which someone feels the pain, or anxiety, or struggle of another person, and extends a helping hand (Lymperopoulos & Chaniotakis, 2008). In the banking sector, empathy is demonstrated when a bank, through its staff provides access, communication and understanding to customer.

In most African countries banking services had been a reserve of the few who could afford high banking fees, however, with the liberalization of the financial markets, has seen banking services open up to people in low level classes in the society. However, banking services are still offered only in major town, making it difficult to access banking services (Hoq & Amin, 2010). A bank that shows effort to reach the rural communities is perceived as being empathetic to the plight the rural communities, and therefore, might receive positive rating in customer satisfaction just based on empathy. In as much as Gritti and Foss (2010) argues that studies have not conclusively established a relationship between empathy and customer satisfaction, it is essential to banks to ensure that they have mechanisms and programs such as Corporate Social Responsibility, that have been determined to enhance good customer relationships, and satisfaction with banks.

2.3 Extent to Which Information Technology Influences Customer Satisfaction

Information Technology (IT) refers to use of computer based integrated programs in processing organizational data, storing and transferring or information (Cook, 2008). According to Contini, Crowe, Merritt, Oliver, and Mott, (2011), information technology has revolutionized the banking sector by enabling sophisticated product and service development, and better market infrastructure and analysis. As such, it easier for banks to target customers easily using I.T, and also to enhance their experience through after sales services and other promotional services.

Traditional banking system required that customers physically visit the bank branch to conduct banking services. Thus, the relationship customers and their bank had to be done via the branch network (Contini et al., 2011). However the needs of the modern customer and the advent of technology pushed for both structural and operational changes in the
way banks deals with customers. According to Jiang and Wang (2008), the modern bank cannot rely on physical banking to satisfy the evolving needs of customers. The modern customers want more convenient, efficient delivery systems, greater access to banking information and status of their account. Lymeropoulos and Chaniotakis (2008) notes that banks had to evolve based on customers needs, by creating account information layers that were connected to databases interlinked with customers information that could be accessed by the bank staff and customers. As a result, use of interactive electronic networks via Internet has enhanced banks interaction with customers, thus increase the experience customers have with the bank, resulting into favorable satisfaction (Bellini, Lunardi & Henrique, 2015).

The technological revolution of IT in the banking sector has been implemented through internet web platforms and networks. Internet has and other IT technologies have emerged as one of the important channels that banks are utilizing to deliver products and services to their customers (Wang, et al., 2014). As a result, banks are able to reach wide geographical dispersions and diversified their markets by use of technology. Rahman (2014) argues that the use of technology has significantly increased customer satisfaction index. In the banking industry. According to Wang, et al., (2014), there are numerous ways in which IT has influenced customer satisfaction in the banking sector. This includes, the provision of internet banking, provision of mobile banking, provision of e-loans among others. This study will focus on internet banking and mobile banking as reviewed in the following sections.

2.3.1 Internet Banking

Bellini et al., (2015) argues that internet banking is the process of conducting banking services via computer nodes that are connected to banking information system, and banking client data. A client is require to provide a level of authentication, usually through use of a password before being allowed to access his or her banking account information for any banking services (Abraham, 2011). Through internet banking customers are able view the accounts; view and download account statements, transfer funds within the bank or to other banks by just punching on few computer keys.

In a study conducted in Pakistan by indicates that the level of customer satisfaction went up by 38% with the introduction of internet banking by the banking sector in Pakistan.
The satisfaction was De-Young (2010) partly explained by the fact that customers no longer needed to travel long distances to access banking services, nor did they have to queue for long hour in the banking halls waiting to be served. Further, Hoq and Amin, (2010), and Gritti and Foss (2010) both argue that the upgradeability and flexibility of internet and information technology has brought unprecedented opportunities into the banking sector in terms of enhancing customer experience. The banking industry has been revolutionized by internet banking. Customers can travel to a different continent, and still be able to access their bank account, conduct withdrawals and other transfers (De-Young, 2010)

According to Rahman (2014) internet banking is used synonymously with electronic banking to refer to banking transaction over an electronic internet enabled medium. Internet banking has a wide range of platforms including telephone banking, online banking, use of ATM, use of Debit and Credit Card, and finally Electronic Funds Transfer (EFT) and the Real Time gross settlement (RTGS). Internet banking has introduced ease and flexibility in which customer’s access banking services (Abraham, 2011).

The use of ATM cards has also enhanced customer experience and satisfaction since customers can access and withdraw funds from any of the bank’s ATM that has VISA or MasterCard signs, in the African context, while in Europe and American context, the options of transaction with ATM cards or credit cards are endless (Hoq & Amin, 2010). Equally, one of the other major boost in customer satisfaction is the introduction of Electronic Funds Transfer (EFT) and the Real Time gross settlement (RTGS) which utilizes internet platforms and infrastructure to enable a customer transfer funds in a shortest time possible, compared to the traditional mechanisms that would take transfer funds three to four days to clear (Aker & M.Mbiti, 2011). RTGS is a real time transfer, meaning, transaction and conducted forthwith, while EFT, the transactions are effected within 24 hours of transaction (Arbore & Busacca, 2009).

The advent of internet banking has not been without challenges. According to Gritti and Foss (2010), internet banking also came with cybercrime where customers banking information is syphoned off through internet networks, and later used to steal customers banking information. A study conducted in India by KPMG (2013), had indicated a 12% drop in customer due to increased cases of internet fraud. Customer’s data would be
stolen from some of India retail banks, and used to syphon of customers. Equally, Jiang and Wang (2008) notes that in as much as the needs of modern customers requires more convenient, efficient delivery systems, the risk of internet banking is real.

Globally, 423.5 million people utilize internet by end of April 2012, with 45% of North American clients accessing their bank services through online web platforms (Statista, 2012) During the same period of time, there were 8% increase in reported cases where customers had experienced some form of internet fraud by a stranger accessing their banking information, including withdrawals and online purchase of goods and services. Internet fraud therefore os one of the challenges and risks that diminishes customer satisfaction and experience with the banking services (Aker & Mbiti, 2011).

2.3.2 Mobile Banking

Just like internet banking, mobile banking has revolutionized the way banking services are offered to clients. Arokiasamy (2013) defines mobile banking as the the execution of banking services through mobile devices such as mobile phones or tablets. Mobile banking has gain a lot of traction since earlier days of mobile technology where only Short Message Services (SMS) were used to check on bank services. Wang, et al., (2014), notes that modern banking syetsm has seen the rise mobile banking, to an extent where, almost every bank has some form of mobile banking offering.

According to a study done by KPMG (2015) indicates that the rapid proliferation of smartphones and tablets globally, both in developed countries and developing countries has fueled on the mobile banking, raising the number of people who use mobile banking to 0.8 billion. Adoption rates of mobile banking are highest reaching 60- 70% in China and India. The study further suggests that the number of mobile banking users is set to rise to 1.8 billion people by 2019. A study conducted by Arokiasamy (2013) in Malasya indicated that there exists a relationship between customer mobile banking and customer satisfaction. However, he was quick to point out that most of the banks customers surveys were in the mid- to late-thirties, and therefore could not conclusively infer the finding to the large population utilizing banking services.

Aker & MMbiti (2011) equally contends that global population in their 30’s are more prone to utilize moblie transactions compared to other population ages. Further, they note
that, this age group has sweet spot of technological since it provides comfort and in the relatively high pressure work life, making mobile banking services a more convenient option of accessing banking services. In a study conducted by Aydin and Ozer (2011) indicated that the modern banking customers have an affinity towards mobile banking and feel satisfied if their bank has the capability to offer mobile banking platforms. Banking customers are known to switch banks if the bank doesn’t offer mobile banking.

Paradoxically, while Aydin and Ozer (2011) study indicates a relationship between effective mobile banking services and customer satisfaction, the study also indicates that in some developed economies like Sweden, there exists a negative correlation with the mobile banking users remaining with their current banks, regardless of whether the bank offered mobile banking services of not. To remain competitive, banks have to post good performance, enhance their market share, and remain profitable (Arbore & Busacca, 2009). For this to happen, banks have to ensure that they attract new customers, while at the same time, satisfy and retain current customers.

As a result of global competition in the banking sector, banks are increasingly shifting to their banking strategies to mobile banking approaches (KPMG, 2015). The study by Arokiasamy (2013) in Malasya indicated the existance of a relationship between customer mobile banking and customer satisfaction, and by this noted that mobile banks approaches included: Designing banking services that are unique, and only utilized in a mobile banking platform; integrating other banking channels with mobile channel; enriching mobile banking platforms to complement other banking services, and also providing banking Apps for use in smartphones.

Contini et al., (2011) posits that banks that ignore the significance of mobile banking will sooner or later suffer crisis in customer satisfaction, retention and performance. This means banks not only have to integrate to mobile applications, but also on social media that has galvanized the changing trends of the modern bank service user. Therefore, banks should be able to conduct surveys that enable them to determine customers preference and changing needs, so as to stay ahead of the rest in the banking sector, and gain competitive advantage as the bank of choice for customer satisfaction (Arokiasamy (2013).
2.4 Extent to Which Banks Culture on Customer Satisfaction

Bulach, Lunenburg, and Potter, (2012) defines organizational culture as the shared norms, beliefs, ideologies that influences, or affects the way an organization does its business. Schein (2011) on the other hand posits that organizational culture has three levels that determine its engagement with the internal and external world. This includes: organizational culture: values, artifacts, strategies, and basic assumptions. To this, Rahman (2014) argues that organizational values, basic assumptions and strategies do influence customer satisfaction in the banking sector. Further, he notes that there exists a relationship between banks culture and customer satisfaction.

Additionally, Burstein et al., (2010) contends that creating of customer service experience that enhances customer satisfaction is contingent upon the banks culture, and how the banks culture inform and influences customer centric strategies and priorities. Organizational culture can be expressed or implied based on organizational structures and hierarchies that formally or informally allow the culture to take hold (Bulach et al., 2012).

Moon and Desouza (2011) contends that organizational culture is necessary in forming pattern of shared beliefs and attitudes that the organization and its customers use to ascribe meaning, in their day to day interaction. For instance, in the banking sector, if the beliefs revolve around the concept that customer satisfaction is premium, then employees and managers adopt positions that actualize those positions that create the desired effect in customer satisfaction, however, if the bank culture and attitude is more corporate centric, then bank employees will adopt positions that will actualize the corporate centric approach (Gururajan & Fink, 2010).

Equally, Aker and MMbiti (2011) contends that if a banks shared beliefs are in tandem with customer satisfaction objectives, then an the bank will find it easier to integrate customer centric attitudes that can foster customer satisfaction. However, an a bank has shared beliefs are averse to any change within the organization, then the bank will find it difficult to respond to dynamic and changing needs of customers. As such, organizational culture can hinder an organization from gaining any competitive advantages that can enhance customer (Gururajan & Fink, 2010).
2.4.1 Organizational Values

According to Jones (2010), organizational values are defined as the general criteria, or principles that guide the behavior or people within an organization. Organizational values therefore influence how customers interact or engage with the organization. In the banking sector for instance, each respective bank's behavior influence how members of the bank interact with customers. Schein (2011) equally noted that organizational values are made of terminal and instrumental values. Terminal values are defined as those values that have outcomes that an organization seeks to achieve. This includes competitive advantage, efficiency, effectiveness, quality of services and products (Bulach, Lunenburg, & Potter, 2012).

For terminal values within an organization to be formed, the organization has to teach or train its employees on new values that has been brought on board on a consistent basis (Liebowitz, 2015). Banks should establish consistency in their internal terminal values, and how it entrenches this values to enhancing customer satisfaction. This can be done in the way and manner in which employees trained concerning customer care. Customer satisfaction should be linked to values that enhance competitive advantage, efficiency, excellence and quality performance, without which, employees will find it difficult to value customer satisfaction as an integral part of their work (Jones, 2010). Further, the importance of terminal values are emphasized by Lunenburg and Ornstein (2012) who notes that the bank employees and management should brand themselves in a manner that reflects a positive perception on customer relations and satisfaction.

Under organizational culture, instrumental value is defined the culture that perpetuates desired behavior (Liebowitz, 2015). In the banking sector, modes of behavior includes how diversity in terms of gender, nationalities, interests groups are represented; how work ethic is demonstrated, and how work units and work autonomy is structured within the bank (Schein, 2011). Knowledge of customer satisfaction principles sometimes is not defines in most organizations. In banks, however, these policies are defined, but banks usually work like silos. People within different departments like finance or treasury or operations might not comprehend or understand how the front desk employees value customer relations and customer satisfaction (Gururajan & Fink, 2010).
There are tendencies for mini cultures within organizations that feed into the overall organizational culture. It is sometimes difficult for banks to document instrumental values, or how to determine whether the instrumental values adding value that enhances customer experience and satisfaction (Bulach, Lunenburg, & Potter, 2012). However, which the advent of technology, banks are able to capture even mundane behaviors, and document then for analyzing patterns that might form instrumental values. Schein (2011) notes that organizational pattern of shared beliefs in banks do evolve quickly since the turnover in banks is higher due to high competition among banks for experienced employees (Keyton, 2011).

A study conducted in Pakistan by Gururajan and Fink, (2010) sought to examine whether organizational values had any relationship with customer satisfaction in the banking sector. The findings of the study indicated a positive relationship between banks’ values and customer satisfaction; r (0.662); P ≤ 0.05. This meant that components of banks culture, such as instrumental values, significantly contributed to enhancing customer satisfaction. However, Aydin and Ozer (2011) argues that components of organizational culture are difficult to measure since different banks have different value systems and cultures, hence, standardizing culture so as to extract existance of a relationship is difficult. Further they argue that most reseachers use base banks, from which they measure similar culture traits, however, this methods negates the fact that huge part of organizational culture is informal.

2.4.2 Organizational Artifacts

Artifacts are the superficial activities that one sees or hears when interacting with an organization (Lunenburg & Ornstein, 2012). This is the case particularly when a new customer an organization. In banks, new customers walk in for banking services on an hourly basis. Perceptions and first impressions of the banks artifacts can enhance a customer’s view of the bank, or forever destroy customers’ view of the bank (Liebowitz, 2015). Schein (2011) argues that there exists a significant relationship between organizational artifacts and customer satisfaction. Similarly, in a study that was conducted in South Africa by Arasli, et al., (2009) indicated a significant relationship between banks internal organizational artifacts and customer satisfaction, r (0.570); ≤ 0.05. The most critical components that contributed to the significance included professionalism and integrity.
Lunenburg and Ornstein (2012) notes that artifacts goes beyond organizational beliefs, to encompass stories that binds an organization together. Further, this includes activities that shape the organization and even metaphors that inspire members of the organization into a given cause of action. Organizational patterns or routines also form part of organizational artifacts that influences culture that influences how the organization treats its customers (Bulach, Lunenburg, & Potter, 2012).

2.4.3 Organizational Basic Assumptions

Schultz (2012) defines organizational basic assumptions as components of organizational culture that stipulates the underlying reasons as to why members of a given organization interact. Basic assumptions are usually embedded within individual members’ behavior within the organization. Assumptions can be formalized, or informal (Burstein et al., 2010). Equally, underlying assumptions can be defined as beliefs that an organization has exercised over a long period of time that members who join the organization have to abide by those rules (Moon & Desouza, 2011).

According to Ondari and Minishi-Majanja, (2010) organizational assumptions can also constitute how an organization delivers its services; how truthful and organization is in dealing with internal and external agents and stakeholders. In the banking sector, basic assumptions can be demonstrated in how the bank treats different categories of customers. Similarly, how an organization deals with customers in truthfulness determines the degree of satisfaction customers can draw. For instance, when a banks services becomes unavailable, are customers informed in advance? Does the bank tell the whole truth or convenient truth? Other cases include when a customer has referred funds, and the bank delays in reflecting the transaction. Seldom does the bank apologies on the issue, but rather, most banks would blame technical hitches or technological hitches (Arora, 2011)

Epetimehin and Ekundayo (2011) contends that organizational values such as integrity and professionalism, do form part of organizational culture that precipitates through the organization in relation to how the organization interacts with customers. In the banking sector, there is a lot of contact between customers and the banking staff. It is of paramount importance that banks learn how to extent warmth, professionalism, and also
how to deal with integrity towards their customers as a way of enhancing customer satisfaction (Schein, 2011).

2.5 Chapter Summary

This chapter has presented literature review based on the study research questions. Literature on influence of service delivery has been presented first using the SERVQUAL model. This was followed by extent to which banks information technology influences customer satisfaction, and finally, extent to which banks culture influences customer satisfaction. The next chapter 3 will present research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

The research methodology that will be adopted for this study is discussed in this chapter. This includes the research design, the population of the study, sampling design, the data collection methods adopted, the research procedures and the data analysis methods that will be adopted.

3.2 Research Design

Epetimehin and Ekundayo (2011) defines a research design as the framework that is used to guide a researcher in conducting a study. This includes how data will be collected, the procedure that will be adopted in determining which data will be needed to be collected for the study. Schindler and Cooper (2014) also defines a research design as the process of determining the sampling method, the sample size, and how measurement of data and data analysis will be carried out. To this end, a researcher adopts a research design that helps him/her to plan out how limited resources will be allocated to different components of the study at given intervals (Cox & Hassard, 2010).

This study will adopt a descriptive research survey design. According to Mugenda et al., (2003) descriptive survey enables the researcher to utilize both qualitative and quantitative in an objective manner without altering the study environment. When collecting data, a researcher is to remain objective and only interpret data and information as received (Saunders, et al., 2014). To avoid study biases, a researcher is not support to introduce his/her opinions into the study. As a result, descriptive survey research design was suitable for this study since it allows the research objectivity, and also it will enable the researcher to summarize data using descriptive and inferential statistics, and as such, making it easier to understand the findings. The study dependent variable is customer satisfaction, while service delivery, information technology, banks culture are the independent variables.
3.3 Population and Sampling Design

3.3.1 Population

Copper and Schindler (2014) defines a study population as a set of elements, or objects from which statistical sample is drawn. Equally, Saunders, et al., (2014) defines a study population as the total group of elements, possessing common observable characteristic, that a researcher is interested in conducting a study; a population constitutes the total sum of objects and elements from which a researcher wishes to draw conclusions.

For this study, the population will consist of 147, 978 customers from 10 I&M branches in Nairobi area. The population dispersion includes 2, 642 premium corporate customers, 18, 446 medium SME customers, and 126, 890 general retain customers as indicated in Table 3.1.

Table 3.1: Population Distribution

<table>
<thead>
<tr>
<th>Categories</th>
<th>Population</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Corporate Customers</td>
<td>2,642</td>
<td>2%</td>
</tr>
<tr>
<td>Medium SME Customers</td>
<td>18,446</td>
<td>12%</td>
</tr>
<tr>
<td>General Retain Customers</td>
<td>126,890</td>
<td>86%</td>
</tr>
<tr>
<td>Total</td>
<td>147,978</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Mugenda et al., (2010) defines a sampling frame as a list of elements forming the population from which a researcher wishes to draw a sample. For this study, the sampling frame will be the list of all customers adopted from I &M Bank customer care department at the head offices in Nairobi. The customer care department at I &M Bank are charged with the mandate of managing all customers for the bank.

3.3.2.2 Sampling Technique

Cox and Hassard (2010) defines a sampling technique as the process a researcher uses to determine how to pick or identify the actual sample units, that will be used as the
respondents of the study. The study will adopt a stratified sampling because the clients are heterogeneous, and need to be sampled based on their classified groups. Simple random technique will be used to pick actual sample from each stratified group. Saunders, et al., (2014) defines stratified sampling as the process a researcher uses to group population into strata’s. Each strata contains elements of people with homogeneous characteristics. Thereafter, simple random sampling will be used to pick sample units from each strata. Simple random sampling from each strata will provide each member an equal opportunity of being sampled.

3.3.2.3 Sample Size

A Sample size is the sample unit that proportionally represents the entire population. (Copper & Schindler, 2014). Krejcie and Morgan (1970) formula was used to determine the sample size formula as follows:

\[
S = \frac{X^2NP (1-P)}{d^2(N-1)} + X^2P (1-P)
\]

- \(S\) = required sample size
- \(X^2\) = the table values of chi-square for 1 degree at the desired confidence level (3.841)
- \(N\) = the population size
- \(P\) = the population proportion (assumed to be .50 since this would provide the maximum sample size)
- \(d\) = the degree of accuracy expressed as a proportion (.50)

Sample size = \(3.841 \times 147,978 \times .50(1-.50) / \left\{ \left( .05^2 (147,978 - 1) + 3.841 \times .50(1-.50) \right) \right\} = 384\)

Table 3.2: Sample Size Distribution

<table>
<thead>
<tr>
<th>Strata</th>
<th>Population</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Corporate Customers</td>
<td>2,642</td>
<td>24</td>
</tr>
<tr>
<td>Medium SME Customers</td>
<td>18,446</td>
<td>60</td>
</tr>
<tr>
<td>General Retain Customers</td>
<td>126,890</td>
<td>300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>147,978</td>
<td><strong>384</strong></td>
</tr>
</tbody>
</table>
3.4 Data Collection Methods

The study will use structured closed ended questionnaire to collect primary data. Cox and Hassard (2010) defines a research questionnaire as a tool that is used to collect data, that consists of structured questions that a researcher seeks to get answers from the study respondents. Copper and Schindler (2014) posits that a closed structured questionnaire contains questions that have defined parameters for respondents to choose from as answers, or a Likert scale that limits the scope within with respondents can answer questions. As such, structured closed ended questionnaires help develop researchers develop consistency in responses being collected from study respondents.

The study questionnaire will be composed of four sections: Section I: deals with demographic information; Section II: deals with influence of service delivery and customer satisfaction; Section III: will collect data on influence of information technology on customer satisfaction; Section IV: will collect data on influence of banks organizational culture on customer satisfaction. The questionnaire will utilize a Likert scale of five levels (strongly disagree to strongly agree).

3.5 Research Procedures

Saunders, et al., (2014) defines research procedures as the detailed steps that are taken by a researcher to be able to conduct a study. For this study, the researcher will seek a letter of introduction to conduct the study. The letter will be forwarded to the human resources management at I & M bank for approval. After the approval has been granted, a pilot test will be conducted using ten questionnaires on selected staff at I & M head office branch in Nairobi central business district. The selected staff in the pilot will not take place in the actual study. The pilot test will be used to determine the validity and reliability of the study instrument. Equally, the findings of the pilot of the study will be used to review and adjust the questionnaire before actual study is carried out.

Questionnaires will be emailed to respondents using their official work email to various bank branches. Respondents, will be given one day to fill in the questionnaire and email it back. To ensure a high response rate, respondents will be sent a reminder twice a day, and for those who will not have returned the questionnaire by third day, a phone call will be used to encourage them to do so. Returned questionnaires will be checked for
completeness and consistency. Questionnaires that will be found to be missing data, will be returned to the respondent to have them provide the missing data entry.

3.6 Data Analysis Methods

Creswell (2007) defines data analysis methods as the process a researcher engages to interpret collected data in a manner that answers the study objectives, and also in a manner that makes sense. On the other hand, Copper and Schindler (2014) defines data analysis method as the use the statistical and non statistical analysis of collected data by a researcher so as findings. Before data analysis is conducted, all data received from respondents well be checked for completeness, and where data is missing, specific respondent for the questionnaire will be sort to provide missing data. Also, data cleaning and cording will be conducted will be conducted for each questionnaire. There after, data analysis will take place using Statistical Package for Social Sciences (SPSS) tool.

Epetimehin and Ekundayo (2011) contends that it is essential that a researcher utilize an appropriate data analysis method to analyze and summarize data. The methods have to be able not only to present summaries of the finding in a friendly way, but also in a way that can be tested and verified by other researchers and scientists. Descriptive and inferential statistical methods will be used to analyze data for this study. Descriptive analytical method will entail using frequencies, percentages, mean, and standard deviation, while inferential analytical method will use correlations, regressions and ANOVA. Data will be presented using tables and figures.

3.7 Chapter Summary

The research methodology that will be adopted for this study has been presented in this study. The research methodology presented includes research design. The research design that will be adopted is the descriptive data research design. The population of the study is 147, 978 I&M bank customers. The sampling technique that will be adopted is stratified sampling, and simple random sampling. The study will use both descriptive and inferential statistical methods to analyze data. The next chapter will present study findings and results.
REFERENCES


Chavan, J & Ahmad, F. (2013). Factors Affecting On Customer Satisfaction in Retail


Africa through Knowledge Management. Paper presented at The Knowledge Management Africa (KMA) second biennial conference 2007, Nairobi, KE: 1-15


& Profitability. Available at: http://www.dbresearch.com/prod/dbr_internet_en
Prod/prod00000000000304766/Pricing+in+retail+banking%3A+Scope+for+boosting+customer+satisfaction+%26+profitability.PDF, Accessed on April 12, 2016
Eva Nyawira Gatari
P.O Box – 00200
Nairobi

Dear Respondent,

RE: REQUEST FOR YOUR PARTICIPATION IN MY RESEARCH PROPOSAL

My name is Eva Nyawira Gatari, currently pursuing a course towards conferment of Master of Science in Organization Development (MOD) at United States International University – Africa.

In partial fulfilment of degree requirements, I am required to conduct a research in the area of my work. My research topic is: “Factors Influencing Customer Satisfaction in Banking Industry in Kenya: A Case Study of I & M Bank”. You have been randomly selected to take part in this study, and your participation is voluntary. I will highly appreciate if you would spare few minutes to fill in all sections of the questionnaire to enable me complete the study.

Your name will not appear anywhere in this study, and your views will be treated in a confidential manner. The findings of this study will be shared with I & M banks management to enable them develop better policies and frameworks on customer satisfaction.

Your participation in this study will be highly appreciated.

Yours Sincerely,
Eva Nyawira Gatari
APPENDIX II: RESEARCH QUESTIONNAIRE

SECTION I – DEMOGRAPHIC INFORMATION

Kindly answer the questions provided by TICKING (✓) in the box that represents your answer.

1. What is your gender?
   - Male
   - Female

2. Kindly indicate your age
   - 18-30 yrs.
   - 31-40 yrs.
   - 41-50 yrs.
   - 51-60 yrs.
   - Over 61 yrs.

3. Kindly indicate the type of customer you are at I & M Bank
   - Premium Corporate Customer
   - Medium SME Corporate customer
   - General Retail Customer
   - Other (specify) ____________________________

4. How many years have you been a customer at I & M Bank?
   - 1-3 years
   - 4-6 years
   - 7-9 years
   - 10-12 years
   - Above 13 years
SECTION II: – INFLUENCE OF SERVICE DELIVERY ON CUSTOMER SATISFACTION

Kindly tick (✓) the answer that best represents your views *(Strongly Disagree = 1…, Strongly Agree = 5)*

<table>
<thead>
<tr>
<th>Reliability</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. I &amp;M Bank meets their promised time-frames for Customer responses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. I &amp;M Bank is sympathetic and reassuring, when a customer has problems</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. I &amp;M Bank is dependable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. I &amp;M Bank services at the times promised</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. I &amp;M Bank accurate records</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsiveness</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 I &amp;M Bank is expected to tell customers exactly when the service will be performed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 It is reasonable to expect prompt service from I &amp;M Bank employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Employees should always be willing to help customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 It’s not ok to be too busy to respond promptly to customer requests</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assurance</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 I&amp; M Bank Employees should be trustworthy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 I&amp; M Bank customers should feel safe when transacting with employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 I&amp; M Bank employees should be polite</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 Employees should get adequate support from the bank to do their job well</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tangibility</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 I&amp;M Bank has Up-to-date equipment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
19. The banks Physical facilities are visually appealing

20. Employees well-dressed/neat

21. Appearance of the physical facilities of the bank are consistent with the type of service industry

22. Good banking halls and offices has enhanced my satisfaction with the bank

**Empathy**

23. I&M Bank should be expected to give each customer individualized attention

24. I&M Bank employees should be expected to give each customer individualized attention

25. It is realistic to expect employees to fully understand the needs of the customer

26. It is reasonable to expect employees to have the best interests of the customer at heart

27. I&M Bank has to operate at hours convenient to all customers

### SECTION III – EXTENT TO WHICH INFORMATION TECHNOLOGY INFLUENCES CUSTOMER SATISFACTION

Kindly tick (✓) the answer that best represents your views

*(Strongly Disagree = 1,…, Strongly Agree = 5)*

<table>
<thead>
<tr>
<th>Internet Banking</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>28. Internet banking is easy to use</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29. Internet banking save customers time</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30. Internet banking has enhanced the bank’s service delivery to customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31. Internet banking has enhanced customers experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32. You are satisfied with internet banking services at I &amp; M Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Mobile Banking**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>33</td>
<td>I&amp;M mobile banking is easy to use</td>
</tr>
<tr>
<td>34</td>
<td>Mobile banking save customers time</td>
</tr>
<tr>
<td>35</td>
<td>I&amp;M mobile banking has enhanced customers experience</td>
</tr>
<tr>
<td>36</td>
<td>Mobile banking has enhanced the bank’s service delivery to customers</td>
</tr>
<tr>
<td>37</td>
<td>You are satisfied with Mobile banking services at I &amp; M Bank</td>
</tr>
</tbody>
</table>

**SECTION IV – BANK CULTURE AND COMPETITIVE ADVANTAGE**

Kindly tick (✓) the answer that best represents your views (*Strongly Disagree* = 1..., *Strongly Agree* = 5)

<table>
<thead>
<tr>
<th>Organizational Values</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>I&amp;M Bank has customer focused values</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>39</td>
<td>The bank values are essential for enhanced customer experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>I &amp;M Bank values enhance customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>You believe the bank values make customers loyal to the bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational Artifacts</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>42</td>
<td>You have developed Beliefs and stories concerning I&amp;M Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>Beliefs and stories you have developed at the bank forms part of your satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational Basic Assumptions</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td>You believe that you will receive good service at I&amp;M Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45</td>
<td>You believe that I&amp;M Bank is Truthful when dealing with customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46</td>
<td>Professionalism is highly practised at I &amp; M bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Professionalism has enhanced customer satisfaction with banks services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
SECTION V – CUSTOMER SATISFACTION (DEPENDENT VARIABLE)

Kindly tick (✓) the answer that best represents your views (Strongly Disagree = 1…, Strongly Agree = 5)

<table>
<thead>
<tr>
<th>Customer satisfaction</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>48 I&amp;M has good Customer satisfaction policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49 You believe employees’ are trained on customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50 Customer satisfaction is essential for growth of I&amp;M Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 Customer satisfaction if essential for performance of I&amp;M Bank</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>52 Customer satisfaction is essential for competitive advantage</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The End, Thank you for your participation
## APPENDIX III: RESEARCH BUDGET

<table>
<thead>
<tr>
<th>Budget Line Items</th>
<th>Cost in (Ksh)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Proposal Development</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Materials</td>
<td>4,000.00</td>
</tr>
<tr>
<td>▪ Printing</td>
<td>3,400.00</td>
</tr>
<tr>
<td>▪ Photocopying</td>
<td>4,000.00</td>
</tr>
<tr>
<td>▪ Internet</td>
<td>3,000.00</td>
</tr>
<tr>
<td><strong>2. Data Collection (Fieldwork)</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Photocopying</td>
<td>2,000.00</td>
</tr>
<tr>
<td>▪ Travelling</td>
<td>5,200.00</td>
</tr>
<tr>
<td>▪ Research Assistant</td>
<td>20,000.00</td>
</tr>
<tr>
<td><strong>3. Data Analysis &amp; Interpretation</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Data Analysis</td>
<td>25,000.00</td>
</tr>
<tr>
<td>▪ Printing</td>
<td>2,500.00</td>
</tr>
<tr>
<td><strong>4. Report Writing &amp; Dissemination</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Report writing</td>
<td>1,500.00</td>
</tr>
<tr>
<td>▪ Binding &amp; Dissemination</td>
<td>5,700.00</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
<td>Kshs 72,100</td>
</tr>
</tbody>
</table>
### APPENDIX IV: IMPLEMENTATION SCHEDULE

<table>
<thead>
<tr>
<th>Research Activities</th>
<th>Timeframe</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Start</td>
<td>Finish</td>
<td>Duration</td>
<td></td>
</tr>
<tr>
<td>1. Proposal Development</td>
<td>January 2016</td>
<td>April 2016</td>
<td>3 months</td>
<td></td>
</tr>
<tr>
<td>2. Data Collect (Fieldwork)</td>
<td>1&lt;sup&gt;st&lt;/sup&gt; May 2015</td>
<td>30&lt;sup&gt;th&lt;/sup&gt; May 2016</td>
<td>1 months</td>
<td></td>
</tr>
<tr>
<td>3. Data Analysis &amp; Interpretation</td>
<td>June 2016</td>
<td>June 2016</td>
<td>1 months</td>
<td></td>
</tr>
<tr>
<td>4. Report Writing</td>
<td>June 2016</td>
<td>June 2016</td>
<td>1 month</td>
<td></td>
</tr>
<tr>
<td>5. Project Submission</td>
<td>July 2016</td>
<td>July 2016</td>
<td>1 Month</td>
<td></td>
</tr>
</tbody>
</table>