THE RELATIONSHIP BETWEEN SERVICE QUALITY IN BANKS AND CUSTOMER SATISFACTION: A CASE OF ISLAMIC BANKS IN NAIROBI

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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A Research Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters of Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University - Africa in Nairobi for academic credit.

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

Signed: ___________________________ Date: ___________________________
Dr. Zachary Mosoti

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Dean, Chandaria School of Business
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ABSTRACT

The general objective of the study was to determine the relationship between customer satisfaction and service quality in Islamic Banks in Nairobi. The study was driven by the following objectives: to determine the impact of service quality on customer satisfaction in Islamic banks in Nairobi; to determine the impact of service quality on customer loyalty in Islamic banks in Kenya; and to examine the way forward in improving service quality in Islamic banks in Kenya.

The research design for the study was descriptive. The researcher selected the design since it offers the option of conducting a survey. The target population for this study was all the staff members that work at the Gulf African Bank and First Community Bank, whose total was 119. The sample frame for this study came from the personnel list that was obtained from Gulf African Bank and First Community Bank. Given that the population for the study was small, the study used the census research design. Primary data was collected using semi-structured questionnaires. Quantitative data was analyzed using descriptive analysis such as descriptive statistics mean scores and standard deviations frequencies distributions and percentages. The results were presented in the form of tables and charts. The regression and correlation analysis were carried out to determine the relationship between the study variables.

The study showed that the banks make their service responsive to customers’ needs, their staffs are very friendly and warm leading to customer satisfaction. The way their staff members are dressed and appear also facilitate customer satisfaction as well as their quick responsiveness to customer needs ensure customer satisfaction. The study revealed that the banks’ staff members’ knowledge and ability to target the customers’ specific needs also facilitate satisfaction and their use of technology in their service provision positively affects customer satisfaction.

The study showed that loyalty program enable the banks to create barriers which make customers stick to their particular product or service, however the loyalty program is not a priority either company. The study also showed that loyalty program in place gives the banks a positive feedback to other customers and potential customers, as well as it facilitates the lack of price sensitivity in their customers. The study revealed that the banks make their service responsive to
customers’ complaints promptly and they use customization to adjust services to meet the needs of customers.

The study concludes that that organizational culture emphasized the need to provide technology to support service provision in the organizations as well as facilitated the ability of employees in exploiting technology and market insight and it also fostered favorable social interaction between the customers and organization staff members. The organizations normally produce pleasure for their customers to drive satisfaction and they often manipulate their service-scape to elicit appropriate behavior and shape expectations for their services.

The study recommends that service quality levels should be monitored carefully in these types of industries. Furthermore, the direct positive relationship between switching costs and preference loyalty and price indifference loyalty as such implies that service providers are advised to undertake actions that increase switching costs for their customers such as establishing preferred customer programmes.
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Banks play an important and active role in the financial and economic development of a country. An effective banking system greatly influences the growth of a country in various sectors of the economy. Practitioners in the banking industry face a large number of complex challenges in the global marketplace. It is crucial for banks to better understand changing customer needs and adopt the latest information technology system in order to compete more effectively with global organizations. Service quality has been deemed as the fundamental element in order to succeed and attain fortitude in the banking industry. This is especially true where other organizations in the same industry continuously place pressure and customer requirements become arduous (Malhotra and Mukherjee, 2004). In respect to banking services, globalization has changed customer behavior and the environment from which to operate in the banking industry has become competitive and dynamic (Kang and James, 2004).

Global competition, the maturing financial market as well as evolving new forms of banking services like internet banking, automated teller machines and phone banking hasten the need for bankers to look into issues of customer loyalty and customer satisfaction (Rust and Zahorik, 1993; Yoon and Suh, 2004. In the banking industry, the importance of service quality cannot be ignored as good service quality is considered a means to enhance corporate image, acquire new customers and retain existing customers, improve profitability, reduce costs and generate positive word of mouth recommendation (Berry, Bennet and Brown, 1989; Cronin, Brady and Hult, 2000; Reichheld and Sasser, 1990).

It is a little difficult to define service quality as compared to product quality as there are some features such as inseparability, perishability, intangibility and heterogeneity that are unique to services (Chang and Yeh, 2002). Nonetheless, Parasuraman, Berry and Zeithaml (1988) have a comprehensive way of defining service quality. Various researchers define service quality in different ways. According to Gronroos (1978), service quality is made of a functional quality and a technical quality. The functional quality is how the service employee
provides the service while the technical quality is what the service provider delivers in service provision. The difference between a customer’s expectation of the service and the customer’s perceptions of the actual service is what Parasuraman, Berry and Zeithaml (1988) defines as service quality. Kasper, Helsdingen and Vries (1999) on the other hand define service quality as the level to which the service provided can satisfy the expectations of the customer. Thus, these definitions state that the customers are the only judges when it comes to service quality. It is determined to be good if they perceive it as good as they assess its quality by comparing their expectation against their perception.

In the last decade, Islamic banking business has been deemed as the business that is growing fastest worldwide and Muslims and non-Muslims have acknowledged it (Iqbal and Molyneux, 2005). Islamic Banking is a model of banking consistent with the Islamic Shari’ah law. Islamic and conventional banking have the same purpose except that Islamic Banking operates in line with the Shari’ah (Islamic) rules referred to as Fiqh al-Muamalat (Islamic rules on transactions). In modern times, Islamic Banking and Finance grew from the Muslims’ need to fulfill their financial obligations in line with prohibition of interest. During the colonial period and after independence, interest based finance had become the dominant system in many Muslim countries. Muslim economists and intellectuals began to write about the financial system and Islamic economics especially in Egypt and the Indian Subcontinent (Islahi, 2007).

Initial writing illustrated the concepts and philosophy of interest free finance highlighting its impact on society’s socio-economic welfare. It was during this era that commercial banks took center stage in the mobilization of savings and facilitating loans. Indeed, initial structures of Islamic finance tried to explain how the banking system could operate without interest (Kahf, 2009). A two tired model of mudarabah finance structure was perceived theoretically. On one hand, the Islamic bank would accept deposits as agent (mudarib) of its clients and on the other offer finance to organizations as principal sleeping partner (rabb al-mal) (Islahi, 2007).
The difference between the traditional Western form of banking and Islamic banking is in Islamic banking there can be no interest (riba) charged or paid on any service or transaction so as to ensure non-exploitation, welfare and justice (Doak, 1988). *Bay’-muajjal, mudarabah, musharakah, ijarah, bay’-salam,* and hire purchase are Islamic models of finance that are based on risk sharing and profit and as such must be directed to the Islamic Sharia approved (*halal*) areas. Islamic bankers therefore generate “profit and loss” dealings where the bank or lender shares in losses or gains based on a project’s economic viability and client’s credit worthiness (Fry, 2008). In the contemporary world, most Islamic banks operate in a diverse environment where interest based and Islamic banks function side by side. In Kenya, the Central Bank supervises the Islamic banks and accords them the same treatment as that of normal banks. There are few instances where to define a new relationship between the Central Bank and the Islamic banks special banking legislation was approved (Wako, Kamaria and Kimani, 2014). Normally, the operations of Islamic financial institutions and other conventional banks are similar. The difference however, lies in the rules and regulations as Islamic banks carry out their operations in line with the principles outlined by the Islam religion (Henry and Wilson, 2004; Iqbal and Mirakhor, 2007).

The increasing competition in the banking industry brought about by foreign and local financial institutions has compelled financial institutions providing Islamic products to enrich the level of their service quality for the products and services they offer their customers. Additionally, service quality and constant arduous customer choices for the industry’s products and services have emerged as a key factor (Henry and Wilson, 2004).

Nowadays, bank customers and clients are more educated and are more knowledgeable and are aware of their expectations when it comes to services offered and with the increase in the customer’s buying capacity, the want for excellent quality products in increasing. This compels institutions facing stiff competition to increase the level of the services they provide to their clients (Zeithmal, Parasarumaman and Berry, 1990).

Parasuraman, Zeithaml and Berry (1985) note that, the provision of quality services and products to customers are a fundamental aspect for success and survival in the banking
industry. Newman and Cowling (1996) propose that the profitability and endurance of a business depends on offering quality products and services. Islamic financial organizations therefore, have no exception.

Islamic banking and conventional banking operations are similar in nature except that Islamic banking operations conduct their operations in line with the Islamic Shari’ah law. Islamic banks have thus faced stiff competition from existing conventional banks and from new players in the banking industry (Iqbal and Molyneux, 2005).

Nowadays, Islamic financial organizations are not considered organizations undertaking financial services for Muslims but are more accurately undertaking business which is making an effort to overcome the entire banking industry in fulfilling the demands of a global economy. The banks are therefore compelled to be aware of the demands and needs of their customers in addition to comprehending how their clients perceive the quality of the services and products they provide so as to get customer loyalty (Gerrard and Cunningham, 1997).

1.2 Statement of the Problem
According to Kotler and Armstrong (2012), satisfaction is brought about by the evaluation of products and services after purchase while considering the expectations. Researchers are torn over the antecedents of satisfaction and service quality. Some are of the school of thought that service quality brings about satisfaction while some beg to differ (Ting, 2004).

The studies by Buttle (1996); Sulieman (2011); Gilbert and Veloutsou (2006); and Lee, Lee and Yoo (2000) state that, service quality brings about customer satisfaction. To attain a high standard of customer satisfaction most studies propose that the service provider should offer a high standard of service quality as usually service quality is regarded as an antecedent of client satisfaction. According to Clemes (2008), the probability of client satisfaction increases with the improvement of service quality. Quality was one of the various aspects that form the basis of satisfaction and satisfaction was one of the possibilities that influenced future quality views.
Service quality is a fundamental tool in the measure of customer satisfaction (Hazlina, Rubiyah and Razap, 2011). Empirical studies indicate that the quality of service provided is correlated to the general customer satisfaction. Jamal and Anastasiadou (2009) state that, factors like tangibility, empathy and reliability positively related to the satisfaction of the customer. According to Suleiman (2011), tangibility, assurance, responsiveness and reliability have important and positive relationship with the satisfaction of the customer. Empathy on the other hand was found to have a negative and significant effect on client satisfaction. Additionally, Ravichandran, Mani, Kumar and Prabhakaran (2010) states that the only important aspect of service quality that affects customer satisfaction positively s responsiveness.

With the approval of the Central Bank, several conventional banks are now opening new branches which provide Islamic financial products. This is significantly contributing to the growth of the banking industry and to the overall development of the economy. In the highly arduous banking industry, the fundamental factor for capturing a larger share is the well-organized products offered and the strides in a competitive edge in the provision of quality services to clients. In Kenya, stiff competition from multinational and local conventional banks has created a challenge in retaining the existing client and bringing in new ones. One of the sensitive areas of business activity is the financial industry. Usually, individuals and corporations conducting business with conventional banks find it problematic to shift their accounts from one system of banking to another (CBK, 2013). Islamic banks are thus left with the option of providing their clients with quality services and new products that conventional banks do not have (CBK, 2014). It is therefore important to undertake a study in the correlation between service quality and customer satisfaction in Islamic banks in Kenya.

1.3 General Objective
The general objective of the study was to determine the relationship between customer satisfaction and service quality in Islamic Banks in Kenya.
1.4 Specific Objectives
The study was driven by the following objectives:

1.4.1 To determine the impact of service quality on customer satisfaction in Islamic banks in Nairobi.
1.4.2 To determine the impact of service quality on customer loyalty in Islamic banks in Nairobi.
1.4.3 To examine the way forward in improving service quality in Islamic banks in Nairobi.

1.5 Significance of the Study

1.5.1 Islamic Banks
This research has given an insight on how service quality impacts financial institutions especially Islamic Banks. The results of the study show how Islamic banks may benefit from improved service quality and thus the organizations may benefit by gaining an insight on the importance of service quality in customer satisfaction.

1.5.2 Policy Makers
This research is beneficial to the entire banking industry as it has elicited a need for being proactive in managing and adapting to the changing environment in terms of service quality. The industry is characterized by intense competition among the market players and policy makers now have an idea of the importance and the recommendations offered may enable policy makers to have the best modes of implementation.

1.5.3 Future Researchers
This research adds to the scarce pool of research in service quality and Islamic Banks. To the future researchers, this may be a source of new knowledge in terms research available on Kenyan Islamic banks. Future researchers may use this research for reference and as well as a motivator for more or new research on issues not covered.

1.6 Scope of the Study
The study was conducted in all the Islamic banks in Kenya. The study selected the banks from a listing that was obtained from Central Bank of Kenya (CBK) and Kenya Bankers
Association (KBA). The results of this study therefore are limited to the financial institutions in Kenya given the fact that the study was carried out in Kenya. The results are limited to all Islamic Banks that operate in Nairobi Kenya since the study was limited to the capital city geographically.

1.7 Definition of Terms

1.7.1 Islamic Bank
Islamic Bank is defined as a financial bank that has opted to comply with two sets of law: the law of the Land (Jurisdiction) and the Islamic Shari’ah Law (Doak, 1988).

1.7.2 Service Quality
Service quality is defined as the degree to which the service offered can satisfy the expectations of the user (Kasper, Helsdingen and Vries, 1999).

1.7.3 Customer Satisfaction
Customer satisfaction is the measure of how products and services supplied by a company meet or surpass customer expectation (Kotler and Armstrong, 1999).

1.8 Chapter Summary
This chapter brings out a clear and elaborate overview of the background of the study. The chapter has introduced readers to what service quality is and it has shown the gap the study aims to fill. The chapter also highlights the study objectives and the specific objectives that guided the study. The chapter also highlights the scope and importance and finally given readers the definition of key terms. Chapter two will discuss the literature review as guided by the study objectives. Chapter three discusses in detail the methodology used in carrying out the study. Chapter four gives readers the results and findings of the study. Chapter five offers the discussion of findings, concludes the study and offers recommendations for improvement and further studies.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction
The objective of this study was to establish the relationship between service quality and customer quality in Islamic banks in Nairobi. The empirical study of the literature was sourced from books, magazines and journals. This was guided by the study objectives that were driven to: determine the impact of service quality on customer satisfaction in Islamic banks in Nairobi; determine the impact of compliance and empathy in customer satisfaction in Islamic banks in Nairobi; and examine the way forward in improving service quality in Islamic banks in Nairobi.

2.2 The Impact of Service Quality on Customer Satisfaction
According to Parasuraman, Berry and Zeithaml (1985), service quality is the global assessment or attitude of complete excellence of services. The difference between the perceptions of services provided by service firms and the customers’ expectations is what constitutes service quality. Service quality as defined by Nitecki and Hernon (2000) is meeting or exceeding a client’s expectations or the difference in a client’s perceptions and service expectations.

Long distance telecommunication, motor repair shop, credit card companies and banking industry are the four different types of services studies by Parasuraman, Berry and Zeithaml (1985). The results indicated that service quality had the following dimensions responsiveness, reliability tangibility, knowing/understanding the customer, security, communication, credibility, access, courtesy and competence. In 1988, the ten dimensions were reduced to five which are reliability, assurance, responsiveness, empathy and tangibility. In addition, Sureshchandar, Rajendran and Anantharaman (2001) identified the following five aspects of service quality, human element or service provision, tangibles of service, service product or core service, social responsibility and systemization of service delivery.
SERVQUAL, later called RATER, is a quality management framework that was developed in the mid-1980s by Zeithaml, Parasuraman and Berry to measure quality in the service sector. The four various measurement models as indicated by Cronin and Taylor (1992) include SERVPERF (this is a performance component of the Service Quality scale), SERVQUAL (this is a tool used to measure five underlying dimensions of service corresponding to Tangibles, Reliability, Responsiveness, Assurance, and Empathy), Weighted SERVPERF and Weighted SERVQUAL amongst which SERVPERF was considered the best. Moreover, the Martilla and James (1977) Importance Performance Analysis was another service quality measuring technique. The importance performance system was used to establish which resources were not properly allocated or which items needed immediate improvement.

2.2.1 Customer Satisfaction
Customer satisfaction according to Kotler and Armstrong (1996) is defined as the level of an individual’s felt state as a result of comparing an outcome or the perceived performance of a product in violation to his or her own expectations. Customer satisfaction therefore, can be referred to as a comparative behavior between post obtainments and inputs beforehand. As the study concentrated on examining user satisfaction of Islamic Banks, customer satisfaction is referred to as the levels of service quality performances that meet an individual’s expectations.

Westbrook (1980) proposed that all future researchers come up with multi item scale for measuring customer satisfaction so as to improve the scale dependability while reducing measurement errors. As pointed out by Sureshchandar, Rajendran and Kamalanabhan (2002), customer satisfaction should be looked at as a multi-faceted construct and the measurement items generated with similar scopes of service quality.

2.2.2 Service Quality in Banks
Schmenner (1986) refer to retail banking as a mass service that needs customization and low service interaction. The intangible aspect of services requires making the service warm and friendly and responsive to customers’ needs. Further, he states that the tangible and
intangible features are a key component of bank service quality. In the mass service, service classification includes, knowledge which the possession of required skills and competence of employees, reliability, tangibility which are the appearance of service staff, equipment and physical facilities, responsiveness and accessibility, which is the operating hours, customization and readily availability (Schmenner, 1986; 2004).

The functional and technical service quality includes how the service is delivered and is an integral part of service ingredient (Richard and Allaway, 1993; Arora and Stoner, 1996; Powpaka, 1996; Brady and Cronin, 2001; Kang, 2006). Service quality therefore has both operations and marketing orientations (Olorunniwo and Hsu, 2006). Employees’ behavior and their aptitude to target the specific needs of their customers are fundamental elements of the marketing attributes and service quality operations (Schmenner, 2004; Olorunniwo and Hsu, 2006). Ba and Johnson (2008) propose utilizing technology to improve the delivery of service and subsequently customer satisfaction. Increased utilization of technology in services has affected the productivity of companies and quality of operations (Heim and Field 2007; Cho and Menor, 2010).

Bahia and Natel (2000) in their study on bank service quality suggested the banking service quality scale. Perceived service quality in the banking industry is as a result of the gap between the expectation and the actual service provided. The initial SERVQUAL scale comprised of various marketing mix aspects however, ‘price’ and ‘promotion’ elements were not included (Bahia and Nantel, 2000).

The BSQ scale they developed includes 31 items some of which are price, service portfolio, reliability, tangibles, access, effectiveness and assurance. They propose that service quality in the banking industry entails constantly anticipating and meeting the needs and expectations of clients. Service quality therefore is determined by the clients’ perceptions and should include accomplishing these expectations (Lewis, 1989; Howcroft, 1991; Kathawala and Elmuti, 1991; Blanched and Galloway, 1994; Chen, 2009).
According to Lassar, Manolis and Winsor (2000) there are two elements fundamental for understanding service quality in the banking industry. SERVQUAL was fundamental for assessing quality and they included technical/functional features of bank service. Similarly, Aldlaigan and Buttle (2002) state that bank service quality comprise of attributes such as behavioural quality, system quality, machine efficiency, transactional accuracy, and service quality.

Various studies have looked into bank service quality (Cronin and Taylor, 1992; Blanched and Galloway, 1994; Kwan and Lee, 1994; Johnston, 1997; Natarajan, Balaram and Ramana, 1999; Jun, Peterson and Zsidisin, 1999; Bahia and Nantel, 2000; Lassar, Manolis and Winsor, 2000; Herington and Weaven, 2007; Chen, 2009; Kumar, Kee and Manshor, 2009) that have utilized and changed the SERVQUAL scale. In their research on Chinese banking industry, Guo, Duff and Hair (2008) discovered that service quality was measured by two higher level concepts that were related to technical and functional quality and four lower level aspects that were human capital, communication, technology and reliability.

2.2.3 SERVQUAL Application in Banks

2.2.3.1 Empathy

Service clients often have expectations in relation to the level which the service provider seems to comprehend and be concerned about their specific individual wants and needs (Arora and Stoner, 1996). The more the service provider sees things from the client’s point of view, the better. The core notion of empathy is to comprehend the needs of the client and offer individual attention. Client and employee interactions are echoed through the empathy dimensions (Brady and Cronin, 2001). Empathy shows the dedication to the client which only the employees are capable of showing. Siddiqi (2011) illustrated that in Bangladesh the bank customers wanted a high level of interaction with the members of staff at the bank and they also anticipated personalized service from the members of staff. The bank clients also want front line members of staff who are capable of comprehending their needs. The study endorses that empathy has a great positive correlation with client satisfaction. Ladhari (2009) also established that empathy is the best predictor of client satisfaction.
2.2.3.2 Assurance
Assurance is the level of confidence and trust that the client feels the service provider is capable of supplying the service (Bahia and Nantel, 2000). This usually stems from the level of confidence that the client has in the service provider’s employees. The client will not be content if he or she does not feel confident about the capabilities of the service provider (Chen, 2009). In the current study, assurance illustrates a positive correlation with client satisfaction. Siddiqui’s findings indicate that the bank can instill a sense of confidence in its clients and the banks handle clients in a competent and professional manner (Siddiqi, 2011). Lai (2004); and Kumar, Mani, Mahalingam and Vanjikovan (2010) agreed with the notion and also pointed out that one of the most fundamental aspects of customer satisfaction was assurance.

2.2.3.3 Responsiveness
The capability of the service provider to fulfil and adapt to the client’s need is referred to as responsiveness (Heim and Field, 2007). Studies by (Cronin and Taylor, 1992; Natarajan, Balaram and Ramana, 1999; Lassar, Manolis and Winsor, 2000 and Siddiqi, 2011) illustrate that customer satisfaction and responsiveness are positively correlated. In the retail banking industry, willingness to assist customer is likely to have a fundamental and positive effect on client satisfaction. For instance, in Bangladesh some female clients opt to talk to a female member of staff which illustrates that they would like a responsive attitude from the members of staff (Siddiqi, 2011). Mengi (2009) also established in his research that responsiveness is positively related to client satisfaction.

2.2.3.4 Reliability
The level to which service is offered to the standards expected and promised is referred to as reliability (Jun, Peterson and Zsidisin, 1999). It essentially means the client getting that which they feel they have paid for. Siddique (2011) in his study on the banking industry in Bangladesh notes that there was a positive correlation between customer satisfaction and reliability. His research further illustrates that clients are content and happy with service providers and how they resolve problems and their speed when handling the problem. Customers are assured that banks will meet their promised terms and conditions that will be
in line with the customers’ interests. The customers that their services are always offered with such reliability as they can be guaranteed by their banks. Reliability is one of the fundamental elements of customer satisfaction as the services aspects are perishable and intangible (Yoo and Park, 2007).

2.2.3.5 Tangibility
Siddiqui (2011) confirms that customer satisfaction and tangibility are positively correlated with one another. This is positively illustrated in his research that bank clients usually look for tangible aspects which may be used as measures of service quality. Customers can evaluate the banks premises or appearance of the members of staff. The customer is satisfied with their services once their apprehension on their assumption and perception towards the bank are met. Lai (2004) also boldly stated that tangibility is positively related to client satisfaction.

2.3 The Impact of Service Quality on Customer Loyalty
In business industries, the theory of customer loyalty has been researched for the past decades. The dedication of a customer in relation to a brand, service provider or a particular store, when there are options to choose from is referred to as loyalty (Shankar, Smith and Rangaswamy, 2003). By creating positive buying behavior time and again it establishes positive attitudes. There is a strong link between a firm’s profit and customer loyalty.

Customer loyalty is one of the fundamental elements used to determine the quality of service provided by an organization. Gaining customer loyalty therefore, becomes a major objective for the banking establishments which result to adopt a marketing perspective relationship (Filip and Anghel, 2007). Based on the findings of various studies published in the relationship marketing literature, a loyal client is likely to bring a lot of gains to the organization, contributing to the enhancement of growth for the organization and also to an increase of the safety level or organizational stability (Reichheld and Sasser, 1990; Grönroos, 1994; Rust and Oliver, 1994; Berry, 1995).
The main objective of the relationship marketing concept is attaining customer loyalty. A detailed definition of bank loyalty observes the construct as the subjective (non-random) behavioral reaction (revisit), expressed over a certain period of time by a decision making body in relation to one bank among a set of banks, which is an aspect of psychological (decision making and evaluative) manner leading to brand commitment (Bloemer, de Ruyter and Peeters, 1998).

A significant statement which has to be made is the distinction between customer retention and customer loyalty. Dick and Basu (1994) state that loyalty is a multi-faceted construction which includes both behavioral and psychological aspects, various loyalty types are thought to form a consolidation of repeated buying and relative assertiveness towards business organizations. Customer loyalty can therefore be defined in terms of customer attitude and customer behavior which will be similar to customer retention.

Behavioral loyalty or retention is determined with the help of different quantitative indicators which include the frequency of a customer’s product acquisition, the number of acquisitions made by a customer from a company’s product portfolio, the customer’s cross buying potential, the percentage from the overall expenditure made by a client for a service or product in relation to a certain business (Dick and Basu, 1994). This kind of customer retention or loyalty may be referred to as spurious loyalty, if the repeated consumer behavior occurs without a strong attitude or a clear inclination of the customer towards the said bank. In situations of spurious loyalty, clients continue to patronize a specific bank due to habit, passivity, familiarity, low income, low income, and deals, lack of other options or inertia but lack a consistent positive relative attitude (Bloemer, de Ruyter and Peeters, 1998; Dick and Basu, 1994).

In regard to attitudes, consumer loyalty combines customer preference and their sentimental inclination towards the bank, which incorporated with repeat buying, describes the perfect situation of genuine loyalty (Dick and Basu, 1994). The significance of psychological variables can therefore not be underestimated since behavior is an indication of a current situation or even more likely a series of happenings from the past whilst attitude provides
details relating to the consumers future behavior (Filip and Anghel, 2007). Based on the above mentioned reasons, repetitive consumer behavior solely is not enough for the customers to be deemed loyal towards a certain bank, repeated purchases or visits need to be paired with a favorable attitude towards the organization (Filip and Constantinescu, 2007).

2.3.1 Loyalty Programs
Loyalty programs are distinct strategies employed to make the consumer remain with their banks for the long haul as this loyalty will be very beneficial to an organization (Sharp and Sharp, 1997). Loyalty programs are also valuable in forming the barriers that make customers remain with their particular services or products. These barriers are categorized as sociological, economical, relational and psychological barrier in which consumers can develop or lose their commitment and trust with the organization (Morgan and Hunt, 1994).

Loyalty programs are deemed fundamental for several reasons most notably loyal consumers give positive feedback to other people and will give priority to the company. Loyal customers are not deterred by the price of commodities and the costs of serving consumers are less (Dowling and Uncles, 1997). Loyalty programs aid in the yearly increments of purchase to an organization for a considerable proportion of consumers (Lewis, 2004).

Customer values and perceived values are inter-related. So as to maintain consumer loyalty, loyalty programs need to be effected since they act as facilitators for predictor variables (Ramaseshan, Bejou, Jain, Mason and Pancras, 2008). Participation of consumers controls the outcome of loyalty programs on consumer loyalty hence instant rewards for lower involvement and direct rewards for greater involvement (Yi, 1990).

2.3.2 Service Quality and Service Loyalty
The association between consumer preference loyalty and service quality has been studied by researchers who include Cronin and Taylor (1992) and Boulding, Kalra, Staelin and Zeithaml (1993). Cronin and Taylor (1992) concentrated mainly on intentions of repurchase, while Boulding, Kalra, Staelin and Zeithaml (1993) concentrated on the aspects of repurchasing and the readiness to recommend. In Cronin and Taylor’s research, service quality did not
seem to have a substantial (positive) effect on intentions of repurchase which is in contrast to the considerable positive relation between repurchase intentions and satisfaction. On the other hand Boulding, Kalra, Staelin and Zeithaml (1993) established a positive relationship between repurchase intentions and service quality and readiness to recommend.

Dabholkar and Thorpe (1994) also state that customer contentment with a store creates a positive influence on the need to recommend the business or store to others. The eagerness to pay a premium price or price indifferent loyalty has not been the focus of much attention in the services literature. Zeithaml, Parasuraman and Berry (1990) stated that there is a positive correlation between the eagerness to pay a higher premium and service quality and the intention to stay loyal should there be a price increase.

When it comes to dissatisfaction response, it has been proposed that a large number of customers basically remain inactive without taking any steps following service of a negative kind (Day 1984). It has been claimed that when one actually responds to dissatisfaction by either complaining to a third party or directly to the organization is adversely related to the standard of service quality (Beardon, Crockett and Teel, 1979; Yi, 1990).

It has been noted that service failure considerably influence consumer behavior, and consumer behavior in turn influence the swapping behavior and swapping behavior influences the brand trust which ultimately influences consumer loyalty (Alfansi, Nanere, Atmaja and Souza, 2010). There is no system to quantify perceived value therefore its purchasing decision role is not that apparent. The outcome reveals that perceived value should be quantified on a non-monetary scale. It can be established that perceived value is one of the strong aspects of consumer loyalty and cannot be quantified but cannot be neglected either as they are attached to the feelings and emotions that only a consumer can feel at the point of purchase. Time, convenience and effort are non-monetary costs (Li and Green, 2010).

Research indicates that there is a positive correlation between trustworthiness, customer relationship, image of the product, customer satisfaction and consumer loyalty. In addition,
the research states that so as to achieve long lasting success and a sustainable reputation for a business, customer loyalty plays a fundamental role thus organizational success is reliant on customer loyalty (Alfansi, Nanere, Atmaja and Souza, 2010; Li and Green, 2010).

Research indicates that for consumer loyalty to work better, organization should ensure that customers’ comments in relation to their needs are a chief priority (Akhter, Abbasi, Ali and Afzal, 2011). To meet the objective of getting and maintaining a larger customer base, all organizations need to build customer loyalty by enlarging their customer share. Building consumer loyalty should therefore be considered a fundamental business strategy and not just a marketing platform (Duffy, 1998).

2.3.2.1 Responsiveness
The ability to deal efficiently with complaints and service promptness is referred to as responsiveness. For instance, for a package tour business this could be handling fast and efficiently a client’s accommodation problem or for a car leased from a financial service business this could be in the form or offering a higher grade or similar substitute car as fast as possible (Zeithaml, Parasuraman and Berry, 1990).

2.3.2.2 Customization
The ability and eagerness to adjust service to meet the demands of the customer is customization (Dabholkar and Thorpe, 1994). For instance, in a gourmet restaurant, this would be readily providing an item or meal that was not on the menu or for a financial service provider, offering extra facilities and services that are priority based so as to meet a client’s specific requirements (Shankar, Smith and Rangaswamy, 2003).

2.3.2.3 Credibility and Security
This is the level to which a service is trusted and believed. The service provider’s reputation and name and the individual traits of front line stall all add up to the organization’s credibility (Mengi, 2009). For instance, for an insurance company, this could be in the form of a positive reputation for claim’s settlement or for a bank having trustworthy service and
investments that are timely and specific. Security is thus the freedom from risk, doubt or danger. It entails physical safety, confidentiality or financial security (Ladhari, 2009).

2.3.2.4 Competence and Courtesy
Members of staff should have the necessary information, knowledge and skills to perform a task effectively (Bloemer, de Ruyter and Peeters, 1998). For instance, for an insurance broker to offer the best and most credible advice to potential customers, he needs to understand the product portfolio properly and possess the skills to align the customer’s needs with the products. Courtesy is the respect, friendliness, consideration and politeness shown to clients by the contact personnel (Boulding, Kalra, Staelin and Zeithaml, 1993).

2.4 Strategies for Improving Service Quality in Banks
In spite of SERVQUAL’s input on our understanding, considerable debate has arisen in the literature regarding the model and especially revolving around the study of Cronin and Taylor (1992) that indicates the redundancy of the expectations portion of the tool as customers’ expectations is included in their perceptions of performance. Their reduced tool SERVPERF which contains the perceptions portion of the instrument only better indicates the repurchase intentions as compared to SERVQUAL. With the five aspects of service quality captured in the SERVQUAL instrument the gap model of service is still widely known, tested empirically and largely accepted description of quality in service literature (Westbrook, 1980).

Service quality improvement, especially from an operations point of view, needs attentions when addressing how to deliver better service in a bid to increase the perceptions of the consumer (Parasuraman, Berry and Zeithaml, 1988). Service literature examination indicates this choice echoed in four thematic areas of variation based, design based, culture based and failure based enhancement strategies.

2.4.1 Culture-Based Improvement
One of the initial approaches for enhancing quality was based on the softer side of the overall quality management movement. One of the best sources of negative or positive perceptions
of the service results from the interaction between the customer and the service provider during the service encounter. The service provider’s eagerness and ability to be flexible in terms of the customers’ demands, as well as their ability to promptly resolve any issues that arise without a hassle, are a function of the institutional culture in which they operate and of their training (Bloemer, de Ruyter and Peeters, 1998).

Through a focus on group and individual psychology, Arora and Stoner (1996) address enhancing service culture. Zeithaml, Parasuraman and Berry (1990) includes the need for employee training and selection, Boulding, Kalra, Staelin and Zeithaml (1993) expounds on the significance of investing in people due to the fact that even if generic operations abilities affect the quality of service, the employees’ ability to exploit market insight and technology moderates this effect. Zeithaml, Parasuraman and Berry (1990) reiterate the significance of senior management dedication to quality enhancement as well as employee resourcefulness. The need to offer technological support to the service culture is emphasized by Bloemer, de Ruyter and Peeters (1998). Notably, is the significance of service logic being in line with the service policies to avoid inducing consumer frustration.

Dick and Basu (1994) zeroed in on fostering favorable interaction socially between the provider and the customer. They discuss identifying customer misbehavior and scripting employees’ behavior as an unusual likely source of consumer dissatisfaction. Yoo and Park (2007) on the other hand address how helpful discretionary consumer behavior can be improved and introduce a structure for extended, affectively intimate and charged encounter. Kumar, Mani, Mahalingam and Vanjikov (2010) highlights the role theory as a means of comprehending and managing dynamics of long term service associations and also looks at how providers can establish an emotional link with their customers so as to have long term loyalty and exceptional service.

### 2.4.2 Design-Based Improvement

Looking at quality through design is another key service quality enhancement approach. There have been three ways of using design in this fashion and they include direct psychological influencing of satisfaction through design, linking the design to consumer
perceptions and linking the design to consumer needs (Zeithaml, Parasuraman and Berry, 1990).

2.4.2.1 Linking Design to Customer Needs

Heskett’s (1987) strategic service vision was the initial structured approach to connecting the service design structure to consumers’ needs. Heskett highlights how a service should start with the comprehension of the target market. A service concept is then derived from this understanding, a strategy for executing the fundamental areas of this strategy is created and the strategy then determines the structure of the service delivery method.

Conjoint analysis is the most quantitatively advanced method to assuring consumers’ needs is fulfilled by service design (Shankar, Smith and Rangaswamy, 2003). Wind, Green, Shifflet and Scarbrough’s (1989) design of the Courtyard by Marriott hotel chain is likely the most widely known application of the system. Using conjoint analysis, the authors were able to place a dollar value of every design option on the basis of the consumer’s eagerness to pay for them. The final design then developed into a simple financial analysis.

2.4.2.2 Linking Design to Perceptions

As an alternative to linking the design to the customer’s needs a different approach in the literature strives to connect the design to the eventual perceptions the consumer has of the process of service delivery. To create his service/quality process maps, Collier (1994) utilizes LISREL. The maps are a compilation of casual links between design variables like process performance measure and perceptual variables like consumer satisfaction. The connection is either through some intermediary variable or direct. The strengths and validity on any relationships can be derived empirically from organizational data and then utilized to guide quality enhancement.

2.4.2.3 Direct Manipulation of Satisfaction

An ultimate design approach to enhancing quality is through the use of direct manipulation of satisfaction. Dabholkar and Thorpe (1994) propose that there is a possibility of increase consumer satisfaction without the validation of perceptions relative to expectations. They
propose that creating pleasure for the consumer can have a direct impact on consumer satisfaction. One way of creating such an effect is through the design of service setting.

Yi (1990) states that this second method will be beneficial as it would hinder inflation of anticipation as grander service perceptions heighten the anticipation for the following encounter. It is however not clear that such an outcome exists. Zeithaml, Parasuraman and Berry (1990) initial GAP model illustrates that the expectations are not the result of the experience with the specific service firm; they are instead from more exposure to service firms that are similar.

In this context, the outcome could easily be deemed part of perceptions (Lai, 2004). Irrespective of whether or not this outcome is dissimilar from perceptions, one researcher advocates for the use of rewards and fun to change perceptions of the service experience. Gross (1994) proposes that what he terms as random “outrageous service” will form consistent desirable behavior and advance customers’ long term perceptions of the service delivery.

Bitner (1992) refers to servicescape which is the tangible aspects of the service setting. Apart from influencing the ability to perform service duties, the servicescape can impact on consumers’ approach towards the service. This approach can be influenced to elicit proper behavior, shape anticipations for the service and prompt favorable social connection. In Bitner’s later work (1993), offers a strategy for recognizing the fundamental physical evidence of the servicescape and how to combine this with the goals of the service delivery method.

2.4.3 Variation-Based Improvement

The third thematic area builds on the success of statistical process control (SPC) in manufacturing as attempts were made to apply SPC to services. The approach has illustrated its success where meaningful numerical data can be acquired. Wyckoff (1984) delves into the successful use of SPC at Midway Airline. Midway monitors the number of flights departing on time using control charts and can promptly identify when alterations have occurred in the
system. Positive alterations prompt opportunities for enhancing the process on a long term basis and negative alterations prompt corrective action.

Sadly, other than monitoring demand, satisfaction scores and time, there are few meaningful statistical variables to quantify in services. A 1993 special issue of Quality Progress underscored consumer service, provided several articles that utilized SPS to track service quality areas but the magnitude of the various types of variables considered is unfortunately rather narrow (Powpaka, 1996).

2.4.4 Failure-Based Improvement
Due to lack of enough significant data to permit statistical process control, some researchers are opting for failure prevention, analysis and recovery as the ultimate theme in service quality enhancement. Schlesinger and Heskett (1991a) state that a large number of service failures are not failures as they have been factored into the system. Johns and Tyas (1997) asserted that service incidents play a really important role in perception formulation though they also illustrate some indication of an effect from mythologies which are the generalizations of reality amongst a group of people.

Hart’s (1988) approach is the unconditional service guarantee. As a service quality enhancement tool, a service guarantee is best referred to as a means of creating reliable data on significant service failures. The guarantee highlights what is significant to the consumer, provides an amount of these failures in a form that is easy to comprehend or guarantee payouts and offers and incentive to the consumer to offer information on service failures. Hart (1993) has gone further to connect guarantees to organizational performance through consumer defections.

This connection to consumer defections leads to service recovery, a slightly wider concept advanced by (Heskett and Sasser, 1990; Hart, 1993; Zemke, 1993; and Sinha, 1993). Service recovery essential identifies when a service failure takes place and corrects the issues and makes amends to the consumer. This is beneficial in two ways. Firstly you evade the negative word of mouth linked to service failure and secondly you are able to keep the
consumers’ business. Youngdahl and Kellogg (1997) examine the cost of consumer’s efforts to enhance their own gratification through recovery actions.

Chase and Stewart (1993, 1994, and 1995) take an active approach to service failures that they refer to as fail-safing. The researchers state that service failure can be expected and through the utilization of special devices or procedures can be at least kept from reaching the consumer or eliminated. Stewart and Chase (1999) examine errors in service and highlight that errors result to dissatisfaction and that errors made by providers and those made by consumers are different. One significant source of that difference is blame attribution. In addition they discuss the utilization of design to reduce errors. Van Raaij and Pruyn (1998) similarly discuss the serious aspects of service production such as reliability which is doing things right, validity which is doing the right thing in addition to attributing blame as consumers gain more control over the service.

2.5 Chapter Summary
This chapter has discussed in detail the effect of service quality on customer satisfaction. It has discussed in detail the impact of service quality on customer satisfaction, the impact of compliance and empathy in customer satisfaction and the strategies that can be adopted by banks in improving service quality. The next chapter highlights the research methodology that was used in the study.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
This chapter discusses the methodology that the researcher employed while conducting the research. The chapter is divided in various sections that address the research design that was adopted, the population and sampling design of the study, the data collection methods that were employed, the research procedures that were used in the study and finally, the data analysis methods that was employed.

3.2 Research Design
A research design is a systematic plan to study a scientific problem (Sobh and Perry, 2006). Research design defines the study type, research question, hypotheses, variables, and data collection methods (Robson, 1993). The broad definition of a research design is given as the strategic plan for a research project or research programme, setting out the broad outline and key features of the work to be undertaken (Hyde, 2000), including the methods of data collection and analysis to be employed, and showing how the research strategy addresses the specific aims and objectives of the study (Robson, 1993), and whether the research issues are theoretical or policy-oriented. The research design for the study was descriptive.

Descriptive research methods are used when the researcher wants to describe specific behavior as it occurs in the environment (Sobh and Perry, 2006). Descriptive research is a study designed to depict the participants in an accurate way. A researcher can go about doing a descriptive research project in three ways: observational, defined as a method of viewing and recording the participants; case study, defined as an in-depth study of an individual or group of individuals; and survey, defined as a brief interview or discussion with an individual about a specific topic (Creswell, 2002). The researcher selected the design since it offered the option of conducting a survey.

Survey research involves the collection of information from a sample of individuals through their responses to questions (Hyde, 2000). The researcher selected the survey method because it was an efficient method for systematically collecting data from a broad spectrum
of individuals and educational settings. The method was preferred by the researcher since it is efficient in that, many variables can be measured without substantially increasing the time or cost. Survey data can be collected from many people at relatively low cost and, depending on the survey design, relatively quickly (Riege, 2003). This design was employed to determine the relationship between service quality (independent variable) in banks and customer satisfaction (dependent variable) in Islamic Banks in Kenya.

3.3 Population and Sampling Design

3.3.1 Population
To obtain a sample, a researcher must begin by defining a target population. The target population is the group or the individuals to whom the survey applies (Creswell, 2009). In other words, a researcher seeks those groups or individuals who are in a position to answer the questions and to whom the results of the survey apply (Creswell, 2002). Ideally, a target population should be represented as a finite list of all its members. Therefore, target population refers to the entire group of individuals or objects to which researchers are interested in generalizing the conclusions (Riege, 2003). The target population for this study was all 119 staff members that work in Gulf African Bank and First Community Bank.

3.3.2 Sampling Design

3.3.2.1 Sample Frame
A sample frame is defined as a set of information used to identify a sample population for statistical treatment (Creswell, 2009). Sobh and Perry (2006) define a sample frame as the actual set of units from which a sample can be drawn and they further state that, in the case of a simple random sample, all units from the sampling frame have an equal chance to be drawn and to occur in the sample. The sample frame for this study came from the personnel list that was obtained from Gulf African Bank and First Community Bank.

3.3.2.2 Sampling Technique
A sampling technique is the name or other identification of the specific process by which the entities of the sample have been selected (Kothari, 2009). This study employed the use of the census sampling technique. A census is the procedure of systematically acquiring and
recording information about the members of a given population (Creswell, 2002). It is a regularly occurring and official count of a particular population. A census therefore, is a study of every unit, everyone or everything, in a population. It is known as a complete enumeration, which means a complete count (Creswell, 2009). The researcher ensured all personnel working at Gulf African Bank and First Community Bank stationed in the sales and marketing, customer service and quality assurance department are surveyed. These departments were selected since the personnel working in these departments were best placed to respond to the research questions.

3.3.2.3 Sample Size

In statistics, a sample size is defined as a subset of a population to study a sample of the total population (Kothari, 2009). Riege (2003) poised that, the sample size must be warily selected to be representative of the population and the researcher also desires to certify that the subdivisions involved in the analysis are correctly catered for. The sample size for this study was all the 119 staff members in the banks and their distribution was as indicated below:

Table 3.1 Sample Size Distribution

<table>
<thead>
<tr>
<th>Department</th>
<th>Gulf African Bank</th>
<th>First Community Bank</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Marketing</td>
<td>30</td>
<td>25</td>
<td>55</td>
</tr>
<tr>
<td>Customer Service</td>
<td>24</td>
<td>20</td>
<td>44</td>
</tr>
<tr>
<td>Quality Assurance</td>
<td>12</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>66</strong></td>
<td><strong>53</strong></td>
<td><strong>119</strong></td>
</tr>
</tbody>
</table>

3.4 Data Collection Methods

The study collected primary data for analysis to a certain the research objectives. Primary data is the information the researcher will obtain from the field. Primary data was composed using semi-structured questionnaires. The questionnaire used closed-ended and open-ended questions in collecting the data from the respondents. The Likert scale was used in the questionnaire to determine their rating on issues that were in the questionnaire.
The questionnaire was used since Riege (2003) states that they are easier to analyze and they are in a usable form. They were also easy to administer because each item was followed by an alternative answer and it was economical to use in terms of time saving. According to Hyde (2000) self-administered survey is the only way to draw out self-report on people’s view, attitudes, thinking and principles. The questionnaires were preferred since according to Bazeley (2004) they allowed the respondents to give their response in a free environment and this facilitated the researcher to gather information that may have not been offered had the researcher employed the use of interviews.

The study questionnaire contained closed-ended questions. The first bit of the questionnaire focused on the respondents details. The second section focused on determining the impact of service quality on customer satisfaction in Islamic banks in Nairobi, the third section of the questionnaire focused on determining the impact of service quality on customer loyalty in Islamic banks in Nairobi, and the last bit focused on examining the way forward in improving service quality in Islamic banks in Nairobi.

3.5 Research Procedures
According to Riege (2003) it is important to test the research tools that will be used. The questionnaire was tested by pre-administering to eight employees, four from Gulf African Bank and four from First Community Bank. After this process, questions that were perceived to be vague were re-adjusted accordingly for clear communication in the actual data collection tool. For maximum and complete participation of the respondents, the questionnaires were administered directly to the target population. The target respondents were asked to leave their contacts so that the researcher could be able to reach them for any clarification that may be required.

Strategies to ensure a high response rate included a clear notification to the respondents that their response was to be used for research purposes only and that anonymity of their identity would be maintained. The questionnaires were administered by the researcher in each and every category of the respondents from the target institutions.
3.6 Data Analysis
Data analysis involves several stages: the completed questionnaires were edited for completeness and consistency, checked for errors and omissions and then coded to SPSS version 16.0 for qualitative and quantitative analysis (Bazeley, 2004). Qualitatively the data was sought into themes, categories and patterns. This enabled the researcher to make general statements in terms of the observed attributes hence conceptualization. Quantitative analysis employed both descriptive and inferential statistics. Data was analyzed using descriptive analysis such as descriptive statistics mean scores and standard deviations frequencies distributions and percentages. The regression and correlation analysis were also carried out to ascertain the relationship between the study variables. The results were presented in the form of tables and charts.

3.7 Chapter Summary
This chapter has summarized the methodology that was used in the study. This includes the research design, population of the study, sampling procedures, data collection methods, research procedures and data analysis and presentation. This study through this chapter has depicted the ethical manner and compliance in conducting the research. Chapter four discusses the results and findings of the study from the analyzed questionnaire.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction
This chapter presents the data that has been analyzed. Data collected sought to determine the relationship between customer satisfaction and service quality in banks. The chapter has been divided into sections that show the findings of the various research objectives.

4.2 General Information
The researcher handed out 119 questionnaires in total and only 89 were received. This gave the study a response rate of 74.7% and according to Mugenda and Mugenda (2003), a research study requires a threshold of 60% meaning the study had surpassed the required threshold. From the 66 questionnaires handed to respondents from Gulf African Bank, 52 were received (78.8% response rate) and from the 53 questionnaires distributed to First Community Bank, 37 were received (69.8% response rate).

4.2.1 Demographics

4.2.1.1 Respondent’s Gender
The researcher wanted to determine the gender of the respondents and figure 4.1 indicates that 55% were male while 45% were female. The results show that from Gulf Bank 33% were male while 26% were female; and from First Community Bank, 22% were male and 19% were female. Both banks had more male than female in terms of population. These results show that all genders were considered.

Figure 4.1: Respondent’s Gender
4.2.1.2 Level of Education

The researcher wanted to determine the level of education of the respondents and as seen in figure 4.2, 58% had completed their tertiary education, 33% had done their degrees, and 9% had their masters. The figure shows that in Gulf Bank, 32% had tertiary qualification, 26% had degrees, and 5% had their Master’s degree. The also shows the results from First Community Bank, and it shows that 26% had tertiary qualification, 7% had degrees, and 4% had their Master’s degree. The results show that the respondents were educated and best placed to answer the questions in the study.

![Figure 4.2: Education Level](image)

4.2.1.3 Place of Work

The researcher wanted to determine the place where the respondents worked and figure 4.3 shows that 58% of the respondents worked at Gulf African Bank while 42% worked at First Community Bank. The results are in tandem with the target sample.

![Figure 4.3: Place of Work](image)
4.2.1.4 Designation
The researcher wanted to determine the designation of the respondents and the results showed that 45% were sales and marketing representatives, 38% were customer service representatives and 17% worked in the quality and assurance department. The figure shows that from Gulf Bank respondents, 26% worked in sales and marketing, 21% worked in customer service, and 11% in quality assurance; while from First Community Bank, 19% of the respondents worked in sales and marketing, 17% worked in customer service, and 6% in quality assurance.

![Figure 4.4: Respondent’s Designation](image)

4.3 Impact of Service Quality on Customer Satisfaction
4.3.1 Service Quality Factors
The respondents were asked to indicate their rating on the various service qualities and how they impacted customer satisfaction and their response was as shown in Table 4.1. The results had a mean of >3.5 which indicated that the service factors mentioned on each section greatly affected customer satisfaction in both banks. The standard deviation was used to determine the degree of difference between the respondents from both banks, the results of less than 1.5 indicated that the degree of difference in their responses was not much indicating that they were more or less the same for both banks.
Table 4.1 Impact of Service Qualities Factors

<table>
<thead>
<tr>
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<th>S.D</th>
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<th>S.A</th>
<th>STATISTICS</th>
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<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>MEAN</td>
</tr>
<tr>
<td>We make our service responsive to customers’ needs leading to</td>
<td>7.9</td>
<td>0.0</td>
<td>22.5</td>
<td>34.8</td>
<td>34.8</td>
<td>3.89</td>
</tr>
<tr>
<td>satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our staff are very friendly and warm leading to customer</td>
<td>0.0</td>
<td>7.9</td>
<td>15.7</td>
<td>24.7</td>
<td>51.7</td>
<td>4.20</td>
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<tr>
<td>satisfaction</td>
<td></td>
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<td></td>
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<tr>
<td>The way our staff members are dressed and they appear facilitate</td>
<td>7.9</td>
<td>0.0</td>
<td>15.7</td>
<td>24.7</td>
<td>51.7</td>
<td>4.12</td>
</tr>
<tr>
<td>customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Our quick responsiveness to customer needs lead to customer</td>
<td>7.9</td>
<td>0.0</td>
<td>22.5</td>
<td>34.8</td>
<td>34.8</td>
<td>3.89</td>
</tr>
<tr>
<td>satisfaction with our services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our staff members’ knowledge facilitates customer satisfaction</td>
<td>7.9</td>
<td>0.0</td>
<td>0.0</td>
<td>74.2</td>
<td>18.0</td>
<td>3.94</td>
</tr>
<tr>
<td>with our bank</td>
<td></td>
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<tr>
<td>Our staff members’ ability to target the customers’ specific</td>
<td>7.9</td>
<td>0.0</td>
<td>33.7</td>
<td>36.0</td>
<td>22.5</td>
<td>3.73</td>
</tr>
<tr>
<td>needs facilitate satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our use of technology in our service provision positively</td>
<td>0.0</td>
<td>15.7</td>
<td>7.9</td>
<td>36.0</td>
<td>40.4</td>
<td>4.01</td>
</tr>
<tr>
<td>affects customer satisfaction</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Key: S.D = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; S.A = Strongly Agree)

Table 4.1 shows that the banks make their service responsive to customers’ needs as agreed to by 69.6% of the respondents, their staffs are very friendly and warm leading to customer satisfaction as indicated by 76.4% of the respondents. The way their staff members are dressed and appear also facilitate customer satisfaction as shown by 76.4% of the
respondents, as well as their quick responsiveness to customer needs ensure customer satisfaction as shown by 69.6% of the respondents. The staff members’ knowledge and ability to target the customers’ specific needs also facilitate satisfaction as indicated by 92.2% of the respondents and their use of technology in their service provision positively affects customer satisfaction as shown by 76.4% of the respondents.

4.3.2 SERVQUAL Applications Factors
The respondents were asked to indicate their rating on the various SERVQUAL application factors and how they impacted customer satisfaction and their response was as shown in Table 4.2. The results had a mean of >3.5 which indicated that the SERVQUAL factors mentioned on each section greatly affected customer satisfaction in both banks. The standard deviation was used to determine the degree of difference between the respondents from both banks, the results of less than 1.5 indicated that the degree of difference in their responses was not much indicating that they were more or less the same for both banks.

Table 4.2 shows that empathy shown by the bank’s staff by appearing to understand and be concerned about customers’ individual needs and wants lead to satisfaction as agreed to by 92.1% of the respondents, and their assurance increases the degree of trust and confidence in their customers as shown by 88.5% of the population. The willingness of the banks’ staff members and ability to meet and adapt to customers’ needs leads to satisfaction as shown by 85.4% of the respondents, as well as their ability to deliver services to the standards expected and promised to the customer as agreed to by 58.4% of the respondents. The positive assessment of the banks’ premises by customers also leads to the customers’ satisfaction with the banks’ services as agreed to by 92.1% of the respondents.
Table 4.2: Impact of SERVQUAL Applications Factors

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
<th>STATISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>MEAN</td>
</tr>
<tr>
<td><strong>Empathy shown by our staff by appearing to understand and be</strong></td>
<td>7.9</td>
<td>0.0</td>
<td>0.0</td>
<td>6.7</td>
<td>85.4</td>
<td>4.62</td>
</tr>
<tr>
<td><strong>concerned about our customers’ individual needs and wants lead</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1.193</strong></td>
</tr>
<tr>
<td><strong>to satisfaction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Our assurance increases the degree of trust and confidence in</strong></td>
<td>7.9</td>
<td>0.0</td>
<td>0.0</td>
<td>34.8</td>
<td>53.7</td>
<td><strong>4.34</strong></td>
</tr>
<tr>
<td><strong>our customers letting them know we are competent to supply the</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1.181</strong></td>
</tr>
<tr>
<td><strong>services they need</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Our staff members’ willingness and ability to meet and adapt</strong></td>
<td>0.0</td>
<td>7.9</td>
<td>6.7</td>
<td>85.4</td>
<td>0.0</td>
<td><strong>3.78</strong></td>
</tr>
<tr>
<td><strong>to customers’ needs leads to satisfaction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>0.335</strong></td>
</tr>
<tr>
<td><strong>Our ability to deliver services to the standards expected and</strong></td>
<td>0.0</td>
<td>23.6</td>
<td>18.0</td>
<td>34.8</td>
<td>23.6</td>
<td><strong>3.58</strong></td>
</tr>
<tr>
<td><strong>promised to the customer increases their satisfaction with the</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>1.200</strong></td>
</tr>
<tr>
<td><strong>bank</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>The positive assessment of our premises by our customers lead</strong></td>
<td>0.0</td>
<td>0.0</td>
<td>7.9</td>
<td>28.1</td>
<td>64.0</td>
<td><strong>4.56</strong></td>
</tr>
<tr>
<td><strong>to their satisfaction with our services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>0.408</strong></td>
</tr>
</tbody>
</table>

(Key: S.D = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; S.A = Strongly Agree)

4.3.3 Linear Regression for Variables

The coefficient Table 4.3 shows that the increase in service factors and SERVQUAL affects customer satisfaction positively. The p. value of 0.000 for service factors is less than 0.05 which is the study’s alpha level shows than service factors are significant. The p. value of
0.081 for SERVQUAL is greater than 0.05 which is the study’s alpha level shows that SERVQUAL factors are not significant.

Table 4.3: Regression Coefficients for Service and SERVQUAL

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>1.387</td>
<td>.299</td>
<td>4.641</td>
<td>.000</td>
</tr>
<tr>
<td>Service</td>
<td>.508</td>
<td>.099</td>
<td>5.112</td>
<td>.000</td>
</tr>
<tr>
<td>SERVQUAL</td>
<td>.182</td>
<td>.103</td>
<td>1.763</td>
<td>.081</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Satisfaction

4.4 Impact of Service Quality on Customer Loyalty

4.4.1 Customer Loyalty Program

The researcher asked the respondents whether they had a customer loyalty program in the organization. Their response indicated that 64% noted that their organization had loyalty programs, 30% stated that their organizations did not have the loyalty program and 6% were not sure. The response from Gulf Bank shows that 34% agreed, 17% disagreed and 3% had no idea, for First Community Bank shows that 30% agreed, 13% disagreed, and 3% had no idea. These results show that both banks had loyalty programs.

Figure 4.5: Customer Loyalty Program
4.4.2 Impact of Customer Loyalty Program

The respondents were asked to indicate their rating on the various customer loyalty programs and how they impacted customer satisfaction and their response was as shown in Table 4.4. The results had a mean of >3.5 which indicated that their loyalty program mentioned on each section greatly affected customer satisfaction in both banks. The standard deviation was used to determine the degree of difference between the respondents from both banks, the results of less than 1.5 indicated that the degree of difference in their responses was not much indicating that they were more or less the same for both banks.

Table 4.4: Impact of Customer Loyalty Program

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<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
<th>STATISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>MEAN</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>STD. DEV</td>
</tr>
<tr>
<td>Our loyalty program enables us to create barriers which make customers stick to their particular product or service</td>
<td>0.0</td>
<td>0.0</td>
<td>42.7</td>
<td>39.3</td>
<td>18.0</td>
<td>3.75</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.743</td>
</tr>
<tr>
<td>Our loyalty program is a priority in the company</td>
<td>0.0</td>
<td>0.0</td>
<td>58.4</td>
<td>6.7</td>
<td>34.8</td>
<td>3.76</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.942</td>
</tr>
<tr>
<td>Our loyalty program gives us a positive feedback to other customers and potential customers</td>
<td>0.0</td>
<td>0.0</td>
<td>25.8</td>
<td>56.2</td>
<td>18.0</td>
<td>3.92</td>
</tr>
<tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>0.661</td>
</tr>
<tr>
<td>Our loyalty program has facilitated the lack of price sensitivity in our customers</td>
<td>0.0</td>
<td>0.0</td>
<td>25.8</td>
<td>36.0</td>
<td>38.2</td>
<td>4.12</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.795</td>
</tr>
</tbody>
</table>

(Key: S.D = Strongly Disagree; D= Disagree; N= Neutral; A= Agree; S.A= Strongly Agree)

Table 4.4 shows that loyalty program enable the banks to create barriers which make customers stick to their particular product or service as shown by 57.3% of the respondents, however the loyalty program is not a priority in either company as shown by 58.4% of the respondents. The table shows that loyalty program in place gives the banks a positive
feedback to other customers and potential customers as shown by 74.2% of the respondents, as well as it facilitates the lack of price sensitivity in their customers as agreed to by 74.2% of the respondents.

4.4.3 Impact of Service Qualities
The respondents were asked to indicate their rating on how their service qualities affected customer loyalty in the organization and their response was as shown in Table 4.5. The results had a mean of >3.5 which indicated that their service quality mentioned on each section greatly affected customer satisfaction in both banks. The standard deviation was used to determine the degree of difference between the respondents from both banks, the results of less than 1.5 indicated that the degree of difference in their responses was not much indicating that they were more or less the same for both banks.

Table 4.5 shows that the banks make their service responsive to customers’ complaints promptly as shown by 92.1% of the respondents and they use customization to adjust services to meet the needs of customers as agreed to by 58.4% of the respondents. The table shows that their organization name, reputation and the personal traits of their front line staff have contributed positively to their credibility leading to loyalty from their customers as agreed to by 76.4% of the respondents. The table indicates that the banks’ customers feel secure with their services both physically and financially as agreed to by 92.1% of the respondents and their staff members’ ability to retain confidentiality with customers has led to customer loyalty as shown by 92.1% of the population. The table indicates that the necessary skill, knowledge and information possessed by the staff members of the banks facilitate their ability to carry out services effectively leading to loyalty as shown by 92.1% of the respondents. The table indicates that the staff’s courteous, polite, respectful, considerate and friendly nature makes customers become loyal to the banks as agreed to by 76.4% of the population.
Table 4.5: Impact of Service Qualities on Customer Loyalty

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
<th>STATISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td>We make our service responsive to customers’ complaints promptly leading to loyalty</td>
<td>0.0</td>
<td>7.9</td>
<td>0.0</td>
<td>53.9</td>
<td>38.2</td>
<td><strong>4.22</strong></td>
</tr>
<tr>
<td>We use customization to adjust our services to meet the needs of our customers ensuring their loyalty</td>
<td>0.0</td>
<td>15.7</td>
<td>25.8</td>
<td>0.0</td>
<td>58.4</td>
<td><strong>4.01</strong></td>
</tr>
<tr>
<td>Our organization name, reputation and the personal traits of our front line staff have contributed positively to our credibility leading to customer loyalty</td>
<td>0.0</td>
<td>7.9</td>
<td>15.7</td>
<td>24.7</td>
<td>51.7</td>
<td><strong>4.20</strong></td>
</tr>
<tr>
<td>Our customers feel secure with our services both physically and financially leading to loyalty</td>
<td>0.0</td>
<td>0.0</td>
<td>7.9</td>
<td>40.4</td>
<td>51.7</td>
<td><strong>4.44</strong></td>
</tr>
<tr>
<td>Our staff ability to retain confidentiality with our customers has led to customer loyalty</td>
<td>0.0</td>
<td>0.0</td>
<td>7.9</td>
<td>23.6</td>
<td>68.5</td>
<td><strong>4.53</strong></td>
</tr>
<tr>
<td>Our staff possess the necessary skill, knowledge and information that make them carry out services effectively leading to loyalty</td>
<td>0.0</td>
<td>7.9</td>
<td>0.0</td>
<td>24.7</td>
<td>67.4</td>
<td><strong>4.52</strong></td>
</tr>
<tr>
<td>Our staff’s courteous, polite, respectful, considerate and friendly nature makes customers become loyal to our bank</td>
<td>0.0</td>
<td>0.0</td>
<td>23.6</td>
<td>6.7</td>
<td>69.7</td>
<td><strong>4.46</strong></td>
</tr>
</tbody>
</table>

(Key: S.D = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; S.A = Strongly Agree)
4.4.4 Relationship between Loyalty Program and Service Qualities

Table 4.6 presents the correlation analysis results that establish the relationship between loyalty programs and service qualities. The correlation results show that loyalty programs had 0.075 correlations at significant level of 0.01 with service qualities. These results show that loyalty programs are insignificant.

Table 4.6: Pair-Wise Correlation Matrix for Loyalty Program and Service Qualities

<table>
<thead>
<tr>
<th></th>
<th>Loyalty Programs</th>
<th>Service Qualities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loyalty Programs</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>.075</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td></td>
<td>.487</td>
</tr>
<tr>
<td>N</td>
<td>89</td>
<td>89</td>
</tr>
<tr>
<td><strong>Service Qualities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.075</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.487</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>89</td>
<td>89</td>
</tr>
</tbody>
</table>

4.5 Strategies for Improving Service Qualities in the Bank

4.5.1 Culture-Based Practices

The respondents were asked to indicate their rating on how culture-based practices affected their organization and their response was as shown in Table 4.7. The results had a mean of >3.5 which indicated that their culture-based practices mentioned on each section greatly affected customer satisfaction in both banks. The standard deviation was used to determine the degree of difference between the respondents from both banks, the results of less than 1.5 indicated that the degree of difference in their responses was not much indicating that they were more or less the same for both banks.

Table 4.7 shows that organizational culture encouraged the banks’ ability and willingness to be flexible to their customers’ needs as shown by 74.1% of the respondents; it also facilitated their ability to resolve problems which occurred promptly and without hassle as indicated by 85.4% of the respondents. The table shows that organizational culture emphasized the need to provide technology to support service provision in the organizations as shown by 69.6% of the respondents as well as facilitated the ability of employees in exploiting technology and
market insight as agreed to by 69.7% of the respondents and it also fostered favorable social interaction between the customers and organization staff members as shown by 76.4% of the respondents.

**Table 4.7: Culture-Based Practices**

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
<th>STATISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>MEAN</td>
</tr>
<tr>
<td>Our organizational culture encourages our ability and willingness to be flexible to our customers’ needs</td>
<td>0.0</td>
<td>7.9</td>
<td>18.0</td>
<td>39.3</td>
<td>34.8</td>
<td>4.01</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.923</td>
</tr>
<tr>
<td>Our organizational culture facilitates our ability to resolve problems which occur promptly and without hassle</td>
<td>7.9</td>
<td>0.0</td>
<td>6.7</td>
<td>36.0</td>
<td>49.4</td>
<td>4.19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.117</td>
</tr>
<tr>
<td>Our organizational culture emphasizes the need to provide technology to support in our service provision</td>
<td>0.0</td>
<td>14.6</td>
<td>15.7</td>
<td>5.6</td>
<td>64.0</td>
<td>4.19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.167</td>
</tr>
<tr>
<td>Our organizational culture employee’s facilitates the ability of our employees to exploit technology and market insight</td>
<td>0.0</td>
<td>22.5</td>
<td>7.9</td>
<td>18.0</td>
<td>51.7</td>
<td>3.99</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.229</td>
</tr>
<tr>
<td>Our organizational culture fosters favorable social interaction between the customer and our staff members</td>
<td>0.0</td>
<td>15.7</td>
<td>7.9</td>
<td>18.0</td>
<td>58.4</td>
<td>4.19</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1.127</td>
</tr>
</tbody>
</table>

(Key: S.D = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; S.A = Strongly Agree)
4.5.2 Design-Based Practices

The respondents were asked to indicate their rating on how design-based practices affected their organization and their response was as shown in Table 4.8. The results had a mean of >3.5 which indicated that their design-based practices mentioned on each section greatly affected customer satisfaction in both banks. The standard deviation was used to determine the degree of difference between the respondents from both banks, the results of less than 1.5 indicated that the degree of difference in their responses was not much indicating that they were more or less the same for both banks.

Table 4.8: Design-Based Practices

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
<th>D</th>
<th>N</th>
<th>A</th>
<th>S.A</th>
<th>STATISTICS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>MEAN</td>
</tr>
<tr>
<td>Our system allows us to have an understanding of our target market that we derive our service concepts from</td>
<td>0.0</td>
<td>23.6</td>
<td>6.7</td>
<td>16.9</td>
<td>52.8</td>
<td>3.99</td>
</tr>
<tr>
<td>We always focus on the ultimate perceptions the customer during our service delivery process</td>
<td>0.0</td>
<td>0.0</td>
<td>7.9</td>
<td>44.9</td>
<td>47.2</td>
<td>4.39</td>
</tr>
<tr>
<td>We normally produce pleasure for our customers to drive satisfaction</td>
<td>0.0</td>
<td>7.9</td>
<td>0.0</td>
<td>51.7</td>
<td>40.4</td>
<td>4.25</td>
</tr>
<tr>
<td>Often, we manipulate our service-scape to elicit appropriate behavior and shape expectations for our services</td>
<td>0.0</td>
<td>10.1</td>
<td>21.3</td>
<td>21.3</td>
<td>47.2</td>
<td>4.29</td>
</tr>
</tbody>
</table>

(Key: S.D = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; S.A = Strongly Agree)

Table 4.8 shows that the system allows the banks to have an understanding of their target market that they derive their service concepts from as shown by 69.7% of the respondents, and they always focus on the ultimate perceptions the customer during their service delivery
process as agreed to by 92.1% of the respondents. The organizations normally produce pleasure for their customers to drive satisfaction as indicated by 92.1% of the respondents, and they often manipulate their service-scape to elicit appropriate behavior and shape expectations for their services as shown by 68.5% of the respondents.

4.5.3 Variation-Based Practices

The respondents were asked to indicate their rating on how variation-based practices affected their organization and their response was as shown in Table 4.9. The results had a mean of >3.5 which indicated that their variation-based practices mentioned on each section greatly affected customer satisfaction in both banks. The standard deviation was used to determine the degree of difference between the respondents from both banks, the results of less than 1.5 indicated that the degree of difference in their responses was not much indicating that they were more or less the same for both banks.

<table>
<thead>
<tr>
<th>Table 4.9: Variation-Based Practices</th>
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Table 4.9 indicates that the banks always track the percentage of products and services that their customers need as shown by 60.7% of the respondents, and the banks always take into account and quickly identify when changes in their customers occur as indicated by 47.2% of the population. The table also shows that the banks note negative changes and they always elicit corrective action as shown by 83.1% of the population, and they also note positive changes and view them as opportunities for improving their system on a long-term basis as agreed to by 83.1% of the respondents.

4.5.4 Failure-Based Practices
The respondents were asked to indicate their rating on how failure-based practices affected their organization and their response was as shown in Table 4.10. The results had a mean of >3.5 which indicated that their failure-based practices mentioned on each section greatly affected customer satisfaction in both banks. The standard deviation was used to determine the degree of difference between the respondents from both banks, the results of less than 1.5 indicated that the degree of difference in their responses was not much indicating that they were more or less the same for both banks.

Table 4.10 shows that the banks service guarantee system focuses on what is important to customers as shown by 83.1% of the population, and it provides an incentive to customers to provide information about service failures as shown by 36.1% of the respondents who agreed. The systems provide a measure of the failed services in an easy to understand form as shown by 61.7% of the respondents and they have a service recovery system that identifies when a service failure has occurred as indicated by 62.9% of the population. The table indicates that a service recovery system that enables the banks to correct service problems and make amends to their customers as agreed to by 77.6% of the respondents, and they also have a fail-safing system that enable them to anticipate service failures and thus prevent their occurrence as shown by 69.7% of the respondents.
### Table 4.10: Failure-Based Practices

<table>
<thead>
<tr>
<th></th>
<th>S.D</th>
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<th>N</th>
<th>A</th>
<th>S.A</th>
<th>STATISTICS</th>
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<tr>
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<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>%</td>
<td>MEAN</td>
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<tr>
<td>Our service guarantee system focuses on what is important to</td>
<td>6.7</td>
<td>10.1</td>
<td>0.0</td>
<td>40.4</td>
<td>42.7</td>
<td>4.25</td>
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<tr>
<td>our customers</td>
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<td></td>
<td></td>
<td>1.049</td>
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<td>Our system provides an incentive to our customers to provide</td>
<td>10.1</td>
<td>23.6</td>
<td>20.2</td>
<td>10.1</td>
<td>26.0</td>
<td>3.65</td>
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<td>information about service failures</td>
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<td>1.254</td>
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<tr>
<td>Our systems provide a measure of the failed services in an easy</td>
<td>6.7</td>
<td>0.0</td>
<td>21.3</td>
<td>21.3</td>
<td>40.4</td>
<td>3.99</td>
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<td>to understand form</td>
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<td>1.175</td>
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<tr>
<td>We have a service recovery system that identifies when a service</td>
<td>10.1</td>
<td>6.7</td>
<td>20.2</td>
<td>42.7</td>
<td>20.2</td>
<td>3.85</td>
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<td>failure has occurred</td>
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<td>0.858</td>
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<tr>
<td>We have a service recovery system that enables us to correct</td>
<td>0.0</td>
<td>10.1</td>
<td>12.4</td>
<td>46.1</td>
<td>31.5</td>
<td>4.21</td>
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<tr>
<td>service problems and make amends to our customers</td>
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<td>0.669</td>
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<tr>
<td>We have a fail-safing system that enable us to anticipate</td>
<td>10.1</td>
<td>0.0</td>
<td>20.2</td>
<td>23.6</td>
<td>46.1</td>
<td>4.29</td>
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<td>service failures and thus prevent their occurrence</td>
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<td>0.814</td>
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(Key: S.D = Strongly Disagree; D = Disagree; N = Neutral; A = Agree; S.A = Strongly Agree)

### 4.5.5 Correlation between Strategy Variables

Table 4.11 presents the correlation analysis results that establish the relationship between the strategy variables. The correlation results show that culture-based practices had 0.276 correlation at significant level of <0.01 with design-based system. These results indicate that the variables had a 27.6% correlation with one another. Component wise variation-based and
failure-based practices had positive significant relationship with correlations of 0.836 and 0.455 respectively at a significant level < 0.01. These results showed that the relationships were significant. This means that strategies employed by the banks affected customer satisfaction and loyalty.

### Table 4.11: Pair-Wise Correlation Matrix for Strategy Variables

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<thead>
<tr>
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<th>Culture-Based</th>
<th>Design-Based</th>
<th>Variation-Based</th>
<th>Failure-Based</th>
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<tbody>
<tr>
<td>Culture-Based</td>
<td>1</td>
<td>0.276</td>
<td>0.836</td>
<td>0.455</td>
</tr>
<tr>
<td>Design-Based</td>
<td>0.276</td>
<td>1</td>
<td>0.329</td>
<td>0.718</td>
</tr>
<tr>
<td>Variation-Based</td>
<td>0.836</td>
<td>0.329</td>
<td>1</td>
<td>0.298</td>
</tr>
<tr>
<td>Failure-Based</td>
<td>0.455</td>
<td>0.718</td>
<td>0.298</td>
<td>1</td>
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** Correlation is significant at p= 0.01

### 4.6 Chapter Summary

In this chapter, the findings with regards to the information given by the respondents have been discussed. The first section presents the study findings based on the respondent’s demographics followed by the statistical analysis of the responses and finally using Pearson’s Correlation Coefficients. This was done following the specific objectives of the study. The next chapter provides the conclusion, summary as well as the discussions and the recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter concludes the study. It is divided into various sections. The first section gives the study summary, the second section gives the study discussion; the third section gives the study conclusion; and the last section gives the study recommendations.

5.2 Summary
The general objective of the study was to determine the relationship between customer satisfaction and service quality in Islamic Banks in Nairobi. The study was driven by the following objectives: to determine the impact of service quality on customer satisfaction in Islamic banks in Nairobi; to determine the impact of service quality on customer loyalty in Islamic banks in Kenya; and to examine the way forward in improving service quality in Islamic banks in Kenya.

The research design for the study was descriptive. The researcher selected the design since it offers the option of conducting a survey. The target population for this study was all Islamic Banks that operate in Nairobi – Kenya which are two in total - The Gulf African Bank and First Community Bank. The sample frame for this study came from the personnel list that was obtained from Gulf African Bank and First Community Bank. Given that the population for the study was small, the study used the census research design. The sample size for this study was 119.

Primary data was collected using semi-structured questionnaires. Quantitative data was analyzed using descriptive analysis such as descriptive statistics mean scores and standard deviations frequencies distributions and percentages. The results were presented in the form of tables and charts. The regression and correlation analysis were carried out to ascertain the relationship between the study variables.

The study showed that the banks make their service responsive to customers’ needs, their staffs are very friendly and warm leading to customer satisfaction. The way their staff
members are dressed and appear also facilitate customer satisfaction as well as their quick responsiveness to customer needs ensure customer satisfaction. The study revealed that the banks’ staff members’ knowledge and ability to target the customers’ specific needs also facilitate satisfaction and their use of technology in their service provision positively affects customer satisfaction.

The study showed that loyalty program enable the banks to create barriers which make customers stick to their particular product or service, however the loyalty program is not a priority either company. The study also showed that loyalty program in place gives us the banks a positive feedback to other customers and potential customers as well as it facilitates the lack of price sensitivity in their customers. The study revealed that the banks make their service responsive to customers’ complaints promptly and they use customization to adjust services to meet the needs of customers.

The study showed that organizational culture encouraged the banks’ ability and willingness to be flexible to their customers’ needs; it also facilitated their ability to resolve problems which occurred promptly and without hassle. The study showed that the system allows the banks to have an understanding of their target market that they derive their service concepts from and they always focus on the ultimate perceptions the customer during their service delivery process. The study indicated that the banks always track the percentage of products and services that their customers need and they always take into account and quickly identify when changes in their customers occur.

The study has identified four distinct themes in the service quality literature; organizations will require finding a way of applying these diverse themes in a coordinated fashion, particularly in the context of the service encounter. Service firms need to promote a better service culture, coordinate application of these factors to improving service quality which will demand an integrating framework.
5.3 Discussions

5.3.1 Impact of Service Quality on Customer Satisfaction

The study showed that the banks make their service responsive to customers’ needs as shown by 70% of the respondents who agreed and 7% that disagreed. The study showed that the staffs at the banks were very friendly and warm leading to customer satisfaction. From the study findings were supported by 76% of the respondents and these results are echoed by Schmenner (1986) who states that mass service in retail banking requires service interaction such as friendliness and responsive to customers’ needs.

The study revealed that staff members dressed and appeared very official as indicated by 76% of the respondents and this facilitated customer satisfaction as well as their quick responsiveness to customer needs ensure customer satisfaction. Schmenner (2004) noted that service tangibility factors like the appearance of service staff, equipment and physical facilities highly affect customer satisfaction. Siddiqi (2011) also noted that customers can evaluate the banks premises or appearance of the members of staff. The customer is satisfied with their services once their apprehension on their assumption and perception towards the bank are met.

The study revealed that the banks’ staff members’ knowledge and ability to target the customers’ specific needs as agreed upon by 92% of the study population also facilitate satisfaction. Olorunniwo and Hsu (2006) stated that, employees’ behavior and their aptitude to target the specific needs of their customers are fundamental elements of the marketing attributes and service quality operations.

The study showed that the use of technology in their service provision positively affected customer satisfaction as noted by 59% of the respondents. Ba and Johnson (2008) propose utilizing technology to improve the delivery of service and subsequently customer satisfaction. Heim and Field (2007) and Cho and Menor (2010) noted that increased utilization of technology in services has affected the productivity of companies and quality of operations.
The study showed that empathy shown by the bank’s staff by appearing to understand and be concerned about customers’ individual needs and wants facilitates customer satisfaction as shown by 92% of the respondents. Arora and Stoner (1996) noted that service clients often have expectations in relation to the level which the service provider seems to comprehend and be concerned about their specific individual wants and needs. The more the service provider sees things from the client’s point of view, the better.

The study showed that employees’ assurance increases the degree of trust and confidence in their customers. This was agreed upon by 89% of the study population. Bahia and Nantel (2000) stated that assurance usually stems from the level of confidence that the client has in the service provider’s employees. Chen (2009) noted that clients will not be content if he or she does not feel confident about the capabilities of the service provider.

The study revealed that the willingness of the banks’ staff members and ability to meet and adapt to customers’ needs leads to satisfaction as agreed upon by 85% of the study population. Siddiqi (2011) stated that in the retail banking industry, willingness to assist customer is likely to have a fundamental and positive effect on client satisfaction.

The study results showed that the staffs’ ability to deliver services to the standards expected and promised to the customer leads to customer satisfaction as shown by 89% of the respondents. Jun et al. (1999) state that the level to which service is offered to the standards expected and promised is referred to as reliability and Siddiqi (2011) noted that there was a positive correlation between customer satisfaction and reliability.

The study showed that positive assessment of the banks’ premises by customers led to the customers’ satisfaction with the banks’ services as indicated by 92% of the respondents. Siddiqi (2011) also noted that customers can evaluate the banks premises or appearance of the members of staff. The customer is satisfied with their services once their apprehension on their assumption and perception towards the bank are met.
The study through a coefficients showed that the increase in service factors and SERVQUAL affects customer satisfaction positively. The results indicated that statistically, service factors and SERVQUAL factors do not affect customer satisfaction.

5.3.2 Impact of Service Quality on Customer Loyalty
The study showed that loyalty program enabled the banks to create barriers which make customers stick to their particular product or service as indicated by 57% of the respondents. According to Morgan and Hunt (1994) loyalty programs are valuable in forming the barriers that make customers remain with their particular services or products.

The study showed that the banks did not treat their loyalty program as a priority. Majority of the respondents 58% were neutral and only 42% stated that the banks made the loyalty program a priority. Sharp and Sharp (1997) state that loyalty programs are distinct strategies employed to make the consumer remain with their banks for the long haul as this loyalty may be very beneficial to an organization and thus the need for organizations to prioritize it.

The study also showed that loyalty program in place gives us the banks a positive feedback to other customers and potential customers as agreed upon by 74% of the respondents. Dowling and Uncles (1997) noted that loyalty programs are deemed fundamental for several reasons most notably loyal consumers give positive feedback to other people and will give priority to the company.

The study results showed that the banks’ loyalty program facilitated the lack of price sensitivity in their customers as shown by 74% of the respondents in the study. Dowling and Uncles (1997) noted that loyal customers are not deterred by the price of commodities and the costs of serving consumers are less.

The study revealed that the banks make their service responsive to customers’ complaints promptly as shown by 92% of the respondents, leading to loyalty. Zeithaml et al. (1990) noted that the ability to deal efficiently with complaints and service promptness is referred to as responsiveness and this highly affects customer loyalty.
The study showed that the banks used customization to adjust services to meet the needs of customers as indicated by 58% of the respondents. According to Dabholkar and Thorpe (1994), the ability and eagerness to adjust service to meet the demands of the customer is customization.

The study showed that their organizations’ name, reputation and the personal traits of their front line staff had contributed positively to their credibility leading to loyalty from their customers as noted by 76% of the respondents. Mengi (2009) states that the service provider’s reputation and name and the individual traits of front line stall all add up to the organization’s credibility and that this is the level to which a service is trusted and believed by the customer.

The study indicated that the banks’ customers feel secure with their services both physically and financially leading to loyalty as shown by 92% of the respondents. Ladhari (2009) stated that security is the freedom from risk, doubt or danger and it entails physical safety, confidentiality or financial security. Li et al. (2010) noted that to achieve long lasting success and a sustainable reputation for a business, customer loyalty plays a fundamental role thus organizational success is reliant on customer loyalty.

The study showed that the banks’ staff members had the ability to retain confidentiality with customers and this had led to customer loyalty as shown by 92% of the study population. Alfansi et al. (2010) stated that there is a positive correlation between trustworthiness, customer relationship, image of the product, customer satisfaction and consumer loyalty.

The study showed that the necessary skill, knowledge and information possessed by the staff members of the banks facilitated their ability to carry out services effectively leading to loyalty as indicated by 92% of the respondents. Bloemer et al. (1998) noted that members of staff in the service industry need to have the necessary information, knowledge and skills to perform a task effectively.
The study showed that the staff’s courteous, polite, respectful, considerate and friendly nature makes customers become loyal to the banks as shown by 76% of the respondents. Boulding et al. (1993) also noted that courtesy is the respect, friendliness, consideration and politeness shown to clients by the contact personnel.

5.3.3 Strategies for Improving Service Qualities in the Bank
The study showed that organizational culture encouraged the banks’ ability and willingness to be flexible to their customers’ needs as shown by 74% of the respondents. Bloemer et al. (1998) stated that the service provider’s eagerness and ability to be flexible in terms of the customers’ demands are a function of the institutional culture in which they operate and of their training.

The study also showed that the banks’ had the ability to promptly resolve any issues that arose without a hassle as shown by 85% of the respondents. Bloemer et al. (1998) also state that an organizations’ ability to promptly resolve any issues that arise without a hassle, are a function of the institutional culture in which they operate and of their training.

The study showed that organizational culture emphasized the need to provide technology to support service provision in the organizations. This was indicated by 70% of the respondents. Bloemer et al. (1998) state that there is a need to offer technological support to the service culture, and the significance of service logic being in line with the service policies to avoid inducing consumer frustration.

The study showed that the banks’ employees had the ability of exploiting technology and market insight as shown by 70% of the respondents. Zeithaml et al. (1990) note that there is need for employee training since it expounds on the significance of investing in people due to the fact that even if generic operations abilities affect the quality of service, the employees’ ability to exploit market insight and technology moderates this effect.

The study showed that the banks’ organizational culture fostered favorable social interaction between the customers and organization staff members as shown by 76% of the respondents.
Dick and Basu (1994) zeroed in on fostering favorable interaction socially between the provider and the customer. They discuss identifying customer misbehavior and scripting employees’ behavior as an unusual likely source of consumer dissatisfaction.

The study showed that the system allowed the banks to have an understanding of their target market that they derive their service concepts from as indicated by 70% of the respondents. Heskett (1987) highlights how a service should start with the comprehension of the target market and a service concept is then derived from this understanding, a strategy for executing the fundamental areas of this strategy is created and the strategy then determines the structure of the service delivery method.

The study showed that the banks always focused on the ultimate perceptions the customer during their service delivery process. This was evidenced by 92% of the study population. Collier (1994) stated that an alternative to linking the design to the customer’s needs a different approach in the literature strives to connect the design to the eventual perceptions the consumer has of the process of service delivery.

The organizations normally produce pleasure for their customers to drive satisfaction as shown by 92% of the respondents. Dabholkar and Thorpe (1994) proposed that there was a possibility of increasing consumer satisfaction without the validation of perceptions relative to expectations through creating pleasure for the consumers, thus having a direct impact on consumer satisfaction.

The study showed that the banks often manipulated their service-scape to elicit appropriate behavior and shape expectations for their services as shown by 69% of the respondents. Bitner (1993) stated that service-scape can be influenced to elicit proper behavior, shape anticipations for the service and prompt favorable social connection.

The study indicated that the banks always tracked the percentage of products and services that their customers needed as shown by 61% of the respondents. The study showed that the banks always took into account and quickly identified when changes in their customers
occurred as shown by 47% of the respondents. The study also showed that the banks noted negative changes and they always elicited corrective action as shown by 83% of the study population and they also noted positive changes and viewed them as opportunities for improving their system on a long-term basis as indicated by 69% of the population. Wyckoff (1984) stated that organizations can build on the success of statistical process control (SPC) in manufacturing as attempts are made to apply SPC to services. The approach illustrated its success where meaningful numerical data can be acquired.

The study showed that the banks service guarantee system focused on what was important to customers as shown by 83% of the respondents and it provided an incentive to customers to provide information about service failures as shown by 66% of the respondents. Hart (1993) stated that the guarantee system highlights what is significant to the consumer, provides an amount of these failures in a form that is easy to comprehend or guarantee payouts and offers and incentive to the consumer to offer information on service failures.

The study indicated that there was a service recovery system that enabled the banks to correct service problems and make amends to their customers as shown by 78% of the respondents. Youngdahl and Kellogg (1997) stated that the service recovery essential identifies when a service failure takes place and corrects the issues and makes amends to the consumer. This is beneficial in two ways. Firstly you evade the negative word of mouth linked to service failure and secondly you are able to keep the consumers’ business.

The study showed that the banks had a fail-safing system that enabled them to anticipate service failures and thus prevent their occurrence as indicated by 70% of the respondents. Chase and Stewart (1995) took an active approach to service failures that they refer to as fail-safing. The researchers state that service failure can be expected and through the utilization of special devices or procedures can be at least kept from reaching the consumer or eliminated.
5.4 Conclusions

5.4.1 Impact of Service Quality on Customer Satisfaction
The study concludes that empathy shown by the bank’s staff by appearing to understand and be concerned about customers’ individual needs and wants lead to satisfaction and their assurance increases the degree of trust and confidence in their customers. The willingness of the banks’ staff members and ability to meet and adapt to customers’ needs leads to satisfaction as well as their ability to deliver services to the standards expected and promised to the customer. The positive assessment of the banks’ premises by customers also leads to customers’ satisfaction with the banks’ services.

5.4.2 Impact of Service Quality on Customer Loyalty
The study concludes that the banks’ customers feel secure with their services both physically and financially and their staff members’ ability to retain confidentiality with customers leads to customer loyalty. The study has shown that the necessary skill, knowledge and information possessed by the staff members of the banks facilitate their ability to carry out services effectively leading to loyalty.

5.4.3 Strategies for Improving Service Qualities in the Bank
The study concludes that that organizational culture emphasized the need to provide technology to support service provision in the organizations as well as facilitated the ability of employees in exploiting technology and market insight and it also fostered favorable social interaction between the customers and organization staff members. The organizations normally produce pleasure for their customers to drive satisfaction and they often manipulate their service-scape to elicit appropriate behavior and shape expectations for their services.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Impact of Service Quality on Customer Satisfaction
The results of the study suggest that service quality should be treated as an antecedent of customer satisfaction. The results indicated that there was a certain relationship between service quality and customer satisfaction based on different cultural background and thus the
study recommends that banks and other financial institutions take the issue of service quality with the desired seriousness that it deserves.

5.5.1.2 Impact of Service Quality on Customer Loyalty
Companies operating in service industries with high switching costs in which the impact of quality on loyalty is relatively strong are also more vulnerable to decreases in perceived quality levels. Hence, the study recommends that service quality levels should be monitored carefully in these types of industries. Furthermore, the direct positive relationship between switching costs and preference loyalty and price indifference loyalty as such implies that service providers are advised to undertake actions that increase switching costs for their customers such as establishing preferred customer programmes.

5.5.1.3 Strategies for Improving Service Qualities in the Bank
Although the study has identified four distinct themes in the service quality literature, organizations will require finding a way of applying these diverse themes in a coordinated fashion, particularly in the context of the service encounter. Service firms need to promote a better service culture, coordinate application of these factors to improving service quality which will demand an integrating framework.

5.5.2 Recommendations for Further Research
This study focused on the relationship between customer satisfaction and service quality in banks. The study results are limited to Gulf African Bank and First Community Bank located within the Nairobi CBD. The next generation of researchers in this field interested in the same topic can replicate the same study in different counties within the country as well as focus on other financial institutions to achieve a greater understanding of the subject matter.
REFERENCES


Iqbal, Z. & Mirakhor, A. (2007). *An Introduction to Islamic Finance: Theory and Practice*. Chichester City: John Willey and Sons Ltd.


APPENDIX I: QUESTIONNAIRE

The following questionnaire has been developed to help the researcher gather information on the relationship between customer satisfaction and service quality in Islamic Banks. Your organization has been selected for the study and the information you divulge will be used for academic purposes only. Kindly fill in the questionnaire as required.

A: Demographics
1. Gender
   Male [  ]   Female [  ]

2. Level of Education
   Primary [  ]   Secondary [  ]   Tertiary [  ]   Masters [  ]
   Other [  ]……………………………………

3. What organization do you work for?
   ………………………………………………………………………………………………..

4. What department do you work in, within the organization?
   Sales and Marketing [  ]   Customer Service [  ]   Quality Assurance [  ]

B: Impact of Service Quality on Customer Satisfaction
5. There are various service qualities that lead to customer satisfaction. How would you rate the following service qualities in your organization and their ability to ensure customer satisfaction using the scale: (1=‘totally disagree’ to 5=‘totally agree’).

<table>
<thead>
<tr>
<th>Service Qualities</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>We make our service responsive to customers’ needs leading to satisfaction</td>
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</tr>
<tr>
<td>Our staff are very friendly and warm leading to customer satisfaction</td>
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<tr>
<td>The way our staff members are dressed and they appear</td>
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</tbody>
</table>
facilitate customer satisfaction

Our quick responsiveness to customer needs lead to customer satisfaction with our services

Our staff members’ knowledge facilitates customer satisfaction with our bank

Our staff members’ ability to target the customers’ specific needs facilitate satisfaction

Our use of technology in our service provision positively affects customer satisfaction

6. There are SERVQUAL applications that lead to customer satisfaction. How would you rate the following SERVQUAL applications in your organization and their ability to ensure customer satisfaction using the scale: (1=‘totally disagree’ to 5=‘totally agree’).

<table>
<thead>
<tr>
<th>SERVQUAL Applications</th>
<th>1</th>
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<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empathy shown by our staff by appearing to understand and be concerned about our customers’ individual needs and wants lead to satisfaction</td>
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<tr>
<td>Our assurance increases the degree of trust and confidence in our customers letting them know we are competent to supply the services they need</td>
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</tr>
<tr>
<td>Our staff members’ willingness and ability to meet and adapt to customers’ needs leads to satisfaction</td>
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<tr>
<td>Our ability to deliver services to the standards expected and promised to the customer increases their satisfaction with the bank</td>
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<tr>
<td>The positive assessment of our premises by our customers lead to their satisfaction with our services</td>
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</tbody>
</table>

C: The Impact of Service Quality on Customer Loyalty

7. Does the organization have any loyalty program in place?
8. How would you rate the loyalty program in the organization using the scale: (1=‘totally disagree’ to 5=‘totally agree’).

<table>
<thead>
<tr>
<th>Customer Loyalty Program</th>
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<th>2</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Our loyalty program enables us to create barriers which make customers stick to their particular product or service</td>
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<tr>
<td>Our loyalty program is a priority in the company</td>
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<tr>
<td>Our loyalty program gives us a positive feedback to other customers and potential customers</td>
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<tr>
<td>Our loyalty program has facilitated the lack of price sensitivity in our customers</td>
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</tbody>
</table>

9. How would you rate the following service qualities in your organization and their ability to ensure customer loyalty using the scale: (1=‘totally disagree’ to 5=‘totally agree’).

<table>
<thead>
<tr>
<th>Service Qualities</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>We make our service responsive to customers’ complaints promptly leading to loyalty</td>
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<tr>
<td>We use customization to adjust our services to meet the needs of our customers ensuring they remain loyal to us</td>
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</tr>
<tr>
<td>Our organization name, reputation and the personal traits of our front line staff have contributed positively to our credibility leading to loyalty from our customers</td>
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</tr>
<tr>
<td>Our customers feel secure with our services both physically and financially leading to loyalty</td>
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<tr>
<td>Our staff ability to retain confidentiality with our customers has led to customer loyalty</td>
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<tr>
<td>Our staff possess the necessary skill, knowledge and information that make them carry out services effectively</td>
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</tbody>
</table>
leading to loyalty

Our staff’s courteous, polite, respectful, considerate and friendly nature makes our customers become loyal to our bank

D: Strategies for Improving Service Quality in the Bank

10. How would you rate the following culture-based practices in your organization and their impact on how you provide your services using the scale: (1=‘totally disagree’ to 5=‘totally agree’).

<table>
<thead>
<tr>
<th>Culture-Based Practices</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our organizational culture encourages our ability and willingness to be flexible to our customers’ needs</td>
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</tr>
<tr>
<td>Our organizational culture facilitates our ability to resolve problems which occur promptly and without hassle</td>
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<tr>
<td>Our organizational culture emphasizes the need to provide technology to support in our service provision</td>
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<tr>
<td>Our organizational culture employee’s facilitates the ability of our employees to exploit technology and market insight</td>
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<tr>
<td>Our organizational culture fosters favorable social interaction between the customer and our staff members</td>
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</tbody>
</table>

11. How would you rate the following design-based practices in your organization and their impact on how you provide your services using the scale: (1=‘totally disagree’ to 5=‘totally agree’).

<table>
<thead>
<tr>
<th>Design-Based Practices</th>
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<th>2</th>
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</thead>
<tbody>
<tr>
<td>Our system allows us to have an understanding of our target market that we derive our service concepts from</td>
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<tr>
<td>We always focus on the ultimate perceptions the customer during our service delivery process</td>
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<tr>
<td>We normally produce pleasure for our customers to drive satisfaction</td>
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</table>
Often, we manipulate our servicescape to elicit appropriate behavior and shape expectations for our services

12. How would you rate the following variation-based practices in your organization and their impact on how you provide your services using the scale: (1=‘totally disagree’ to 5=‘totally agree’).

<table>
<thead>
<tr>
<th>Variation-Based Practices</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
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</thead>
<tbody>
<tr>
<td>We always track the percentage of products and services that our customers need</td>
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<tr>
<td>We always take into account and quickly identify when changes in our customers occur</td>
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<tr>
<td>When we note negative changes, we always elicit corrective action</td>
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<tr>
<td>When we note positive changes, we look at them as opportunities for improving our system on a long-term basis</td>
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</table>

13. How would you rate the following failure-based practices in your organization and their impact on how you provide your services using the scale: (1=‘totally disagree’ to 5=‘totally agree’).

<table>
<thead>
<tr>
<th>Failure-Based Practices</th>
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<th>2</th>
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<th>5</th>
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</thead>
<tbody>
<tr>
<td>Our service guarantee system focuses on what is important to our customers</td>
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<tr>
<td>Our system provides an incentive to our customers to provide information about service failures</td>
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<tr>
<td>Our systems provide a measure of the failed services in an easy to understand form</td>
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<tr>
<td>We have a service recovery system that identifies when a service failure has occurred</td>
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</tr>
<tr>
<td>We have a service recovery system that enables us to correct service problems and make amends to our customers</td>
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</tr>
</tbody>
</table>
We have a fail-safing system that enable us to anticipate service failures and thus prevent their occurrence.

THANK YOU