ANALYSIS OF FACTORS INFLUENCING BANKS' CUSTOMER LOYALTY: CASE OF COMMERCIAL BANKS IN NAIROBI CBD, KENYA

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ABSTRACT

Customer loyalty has been one of the top tools for a successful business. This study aimed to establish the factors that influence customer loyalty with reference to the case study of commercial banks in Kenya. This study focused on tier 1, tier 2 and tier 3 banks respectively. These banks have grown exponentially over the years and have a huge client base. This study had its underpinning on the theory of Disconfirmation. This theory argued that 'client loyalty and satisfaction was related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations. The study adopted the descriptive survey design. The target population of this study was 1199327 bank customers (retail and corporate) in Tier 1, Tier 2 and Tier 3 bank branches in Nairobi CBD. The study applied stratified and simple random sampling to select a sample of 384 respondents for the study. Data was collected by use of self-administered Semi structured questionnaire. Before the questionnaire was administered, consent was sought from the respondents. On completion, the researcher organized the data received, coded, edited and tabulated to check accuracy, completeness and storing it in appropriate form. Descriptive statistics such as frequencies, percentages, mean score and standard deviation were estimated for all the quantitative variables and information presented in form of tables. The qualitative data from the open-ended questions was analysed using conceptual content analysis and presented in prose. Inferential data analysis was done using regression and correlation analysis. The regression analysis was used to establish the relations between the independent and dependent variables. The Statistical Programme for Social Studies (SPSS) version 25 was used in the running of the statistical data output. The analyzed data was presented in form of narrative, bar graphs, pie charts and frequency tables. The study found that the bank employees are always willing to help and the services provided by the bank are reliable. The study the bank charges competitive interest rates on loans. The study also found that the bank was perceived to be strong and stable. The study further found that the customer is most satisfied with the multitude of products in the bank. The study concluded that product variety had the greatest effect on the customer loyalty on commercial banks in Nairobi, followed by service quality, then price regimes brand perception had the least effect to the customer loyalty on commercial banks in Nairobi. The study recommends that the banks should be focused on the quality of the product in order to sustain the loyalty of their quality seeking customers. The study recommends that the banks should strive to improve its image among the consumer by participating in various CSR projects that will enable them to offer support to people seeking growth opportunities.

Key Words: *banks' customer loyalty, commercial banks, Nairobi CBD, Kenya*

INTRODUCTION

It is often generally acknowledged that customer loyalty is a prerequisite for delivering superior service. Customers compare perceptions with expectations when judging a firm's product and service quality. It therefore stands to reason that in order for retail banks to thrive, both product and service delivery must be adequately aligned with customer expectations. It has been stated that antecedents of customer satisfaction and loyalty are intricate, developing over time and dynamic and the full extent of the interrelations among the factors that affect them have not been completely understood (Singh & Anand, 2019).

Customer loyalty is considered to be a key factor in order to achieve company success and sustainability over time. Developing customer loyalty has been an objective traditionally aimed at enabling greater future purchase intention. Modern banking business is comprehensively influenced by the process of globalization around the World (Cheng, Gan, Imrie & Mansori, 2018). To survive in a competitive struggle, banks should offer their customers something new and relatively cheap. This is because the competitive power of a bank is largely defined by the degree of its conformance to customer loyalty. In the information age, organizations need new capabilities for competitive success, such as customer relationships, product innovation, customized products, employees, motivation, and information technology (Ali & Raza, 2017).

According to Evans (2018), the globalization of competition, saturation of markets, and development of information technology have enhanced customer awareness and created a situation where long-term success is no longer achieved through optimized product price and qualities. The idea of customer's loyalty has been rooted around many years. It has become more important undergoing brisk change in banking sector. Instead, companies build their success on a long-term customer relationship. In the United States for instance, Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. Therefore, gaining customer loyalty becomes a key objective for banking organizations which decide to adopt a relationship marketing perspective (Goodman, 2019).

Customers are willing to invest their loyalty in business that can deliver superior value relative to the offerings of competitors. Salim (2014) has defined loyalty as the repeat purchasing of a particular service or product. For this reason, any organization must strive to keep loyalty customers as long as possible. Banking industry in South Africa is no exception as it has high interaction with the customers, so managers must understand the factors which influence the loyalty of the customers towards their respective banks. It is always costly to attract new customers, so the managers always try to find ways to retain their current customers and concentrate on factors which enhances the customer loyalty among customers (Evans, 2018).

One of the strategies adopted by many organizations worldwide is to focus on creating long-term relationships with consumers, thereby building customer loyalty (Weinstein, 2016). Building customer loyalty is critical as it does not only lead in customers staying with a service provider for longer, but they also purchase more from that service provider hence improving the profitability of the organization by keeping the advertising and other marketing costs low. Loyal customers are beneficial to the organization because they not only purchase more from

the organization but they also give referrals to their friends by word of mouth. Customer loyalty is viewed as a strategy that creates mutual rewards to benefit firms and customers (So, King, Sparks & Wang, 2016).

In Pakistan, banking has traditionally operated in a relatively stable environment for decades. However, today the industry is facing a dramatically aggressive competition in a new deregulated environment. Government of Pakistan has privatized quite a number of banks which further increases the competition and complexity among the banks. The net result of the recent competition and legislation is that traditional banks have lost a substantial proportion of their domestic business to essentially nonbank competition. Competition will undoubtedly continue to be a more significant factor (Ali & Raza, 2017). With the phenomenal increase in the country's population and the increased demand for banking services; commitment, service quality and customer satisfaction are going to be key differentiators for each bank's future success. Banks begin to realize that no bank can offer all products and be the best/leading bank for all customers. They are forced to find a new basis for competition and they have to improve the quality of their own products/ services (Shabbir, Shariff, Yusof, Salman & Hafeez, 2018).

Regionally in South Africa, customer loyalty is potentially an effective tool that banks can use to gain a strategic advantage and survive in today’s ever-increasing banking competitive environment (Petzer, De Meyer-Heydenrych & Svensson, 2017). This is because the banking industry is significantly proven to be able to contribute on economic growth, both at local and national levels. One of the functions of banking industry is to keep funds in banking account, fixed deposit, clearing, and other savings as well as provision of loans to its customers. Bank and society are the two components that arrange partnership and inter-dependent among each (Morgan & Govender, 2017).

In Nigeria during the past decade, the financial service sector has undergone drastic changes, resulting in a market place which is characterized by intense competition, little growth in primary demand and increased deregulation (Solomon, Stanley & Ufuoma, 2017). Acquiring a new customer is always expensive and thus financial institutions need to step up efforts in attracting loyal customers towards their products and services. These facts prompted business decision makers and executive to search for new innovative strategies to keep their existing customers loyal towards their products and services, and also to further increase the base of loyal customers (Obioha & Garg, 2018).

The Ghanaian banking system has undergone significant transformation and continues to improve with new regulations and guidelines seeking to maintain stability. This has brought about significant increase in the number of players in this sector. Currently, it has 23 licensed banks, out of which 11 are commercial banks, 6 merchant banks and 8 development banks all engaged in the same basic activities: that is taking funds from the public and investing to yield returns (Bank of Ghana, 2016). The banking industry’s branch network continues to expand and currently exceed 700 nationwide. However, market share for most of these banks has shrunk leaving most of them to scramble to boost customer satisfaction and keep their current customers rather than devoting additional resources to chase new potential customers (YuSheng & Ibrahim, 2019). Banking in the Wa Municipality of the Upper West Region of

Ghana can be frustrating because of bureaucracies, bank charges (minimum balance requirement and banks' operational charges) as well as inadequate and poor banking facilities (such as small banking hall, inadequate number of tellers, lack of reliable Automated Teller Machines) which adversely affect the quality of the services rendered by banks in the Municipality. These also worsen the poor attitude of customers towards banking and stifling the abilities of the banks to mobilise more savings for prospective business persons to foster local and national economic growth and development (Adams, Bashiru & Abdulai, 2016).

In Kenya, a scramble for customers between the countries' over forty-four banks has tightened competition, especially in the retail, small and medium enterprises markets. And it appears the route to these markets is paved with more and more branches. Yet making the Kenyan capital its launching pad for its assault on the regional market is not entirely unique. As markets become more competitive, many companies recognize the importance of retaining current customers and some have initiated a variety of activities to improve customer loyalty. The banking industry being very competitive and homogeneous, it may be very difficult to maintain a customer (Mang'unyi, Khabala & Govender, 2017).

The commercial banking industry in Kenya has been in a state of constant change ever since liberalization and this has seen new sources of risks emerge. More change always demands more leadership. The leadership challenge is therefore to galvanize commitment among people within the organization as well as with stakeholders outside the organization to embrace change and implement strategies intended to position the organization to overcome the challenges arising from the change. The Kenyan banking industry has undergone vast changes induced by regulatory and competitive forces. Some of the revolutionary changes witnessed include the entry of private banks, dynamic technological advancements and attitudinal trans-formation of the customer who has become more demanding (Rorio, 2015). This has caused the banks to become more sensitive to the needs of the customers. At government level, changes witnessed include an accelerated implementation of economic reforms by the government, the liberation of the economy and markets, discontinuation of price controls, privatization and commercialization.

Currently, commercial banks are pushing the Central Bank of Kenya to revise the treasury bills rates upwards so that the banks can increase their lending interest rates (Daniel, 2016). The average lending interest rates stood at 12.76% in April 2008 and banks are considering revising their rates so as to match inflation that is currently at 29.26% (CBK, 2016). In Mombasa, there are a number of banks. For instance, KCB which is the oldest bank in the coast has its history dating back to 1896 when its predecessor, the National Bank of India opened an outlet in Mombasa. Eight years later in 1904, the Bank extended its operations to Nairobi, which had become the Headquarters of the expanding railway line to Uganda. The next major change in the Bank's history came in 1958. Grindlays Bank merged with the National Bank of India to form the National and Grindlays Bank. Upon independence, the Government of Kenya acquired 60% shareholding in National & Grindlays Bank in an effort to bring banking closer to the majority of Kenyans. In 1970, the Government acquired 100% of the shares to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank (Rorio, 2015).

Customer loyalty is one of the most important indicators used to evaluate the quality of services offered by an organization. Therefore, gaining customer loyalty becomes a key objective for banking organizations. The Kenyan banking industry has shown enormous growth during the past one to two decades. Commercial banking is a service industry and it delivers services to the consumer. And, it is strongly believed that a satisfied and most loyal customer is the best person to generate positive word of mouth for a commercial bank. Despite this belief the banking industry in Kenya the banks have seen customers switching to other banks. This is accrued to customer loyalty which has made some customers opt for the services from other banks. This has made commercial banks to improve their infrastructure like mobile banking, e-banking and call centers (Magasi, 2016). The question was what factors influence customer loyalty with reference to the case study of commercial banks in Kenya.

PROBLEM STATEMENT

Banks face increasing competition from new players, including global banks and alternative sources of funds including microfinance institutions, SACCOs and other forms of financial service providers. In response, they work harder to ensure that their clients feel valued and receive high-quality service that promotes client loyalty. The development of Loyalty involves building and sustaining a relationship with a customer, which leads to the repeated purchase of products or services over a given period of time (Johnson, 2016). In Kenya today, the scramble for customers between the countries' over 40 banks has tightened competition, especially in the retail, small and medium enterprises markets. And it appears the route to these markets is paved with more and more branches. Yet making the Kenyan capital its launching pad for its assault on the regional market is not entirely unique. As markets become more competitive, many companies recognize the importance of retaining current customers and some have initiated a variety of activities to improve customer loyalty. The banking industry being very competitive and homogeneous, it may be very difficult to maintain a customer (Mang'unyi, Khabala & Govender, 2017). The Commercial banks have had issues with their customers' loyalty due to a rise in the number of financial institutions which have better differentiated products. However various banks have been able to keep some loyal customers by offering better services, a variety of products and insuring the customers' deposits, introduction of banking services through electronic channels (e-channels) namely ATMs, internet banking and mobile banking which have provided an alternative means to acquire banking services more conveniently (Rorio, 2015). Several banks have faced challenges that can make customers switch to other banks and other financial instructions. Despite some banks like chase bank and family banks facing such challenges, there are still some customers who stood with the banks even when they experienced a run. The study is to find out the factors that made the customers stay put even in the face of such adversities in their banks (Macharia, 2017). Various studies have been conducted in relation to banks' customer loyalty. For instance, Abbassi, Akhter, Ali and Afzal (2016) examined factors affecting customer loyalty in Pakistan and established a positive relationship among customer satisfaction, customer relationship, image of the product, trustworthiness and customer loyalty, however this study specifically focused on how customer loyalty is affected by brand perception, price regimes, service quality and product variety. Rorio (2015) also did a study on factors influencing customer loyalty in the banking sector a

case of commercial banks in Mombasa Kenya, however this study focused on commercial banks in Nairobi CBD. In addition, Kabira (2015) studied on Factors Influencing Customer Loyalty among Commercial Banks in Kenya: A case study of Family Bank Kenya Limited; however this study was based on various commercial banks. Moreover, Maduku (2013) did a study on determinants of customer loyalty in the retail banking sector in Kenya, however this study focused on commercial banks. However, none of these studies focused on factors influencing customer loyalty across banks in various tiers. It was as a result of this that this study intended to fill the gap as regards to the factors influencing customer loyalty in tier one, two and three.

GENERAL OBJECTIVE

This study aimed to establish the factors that influence customer loyalty on commercial banks in Nairobi, Kenya.

SPECIFIC OBJECTIVES

1. To establish the influence of brand perception on customer loyalty on commercial banks in Nairobi, Kenya.
2. To assess the influence of price regimes on customer loyalty on commercial banks in Nairobi, Kenya.
3. To examine the influence of service quality on customer loyalty on commercial banks in Nairobi, Kenya.
4. To establish how product variety influences customer loyalty on commercial banks in Nairobi, Kenya

THEORETICAL REVIEW

Expectancy Disconfirmation Theory

This study had its underpinning on the theory of Disconfirmation which was advanced by Szymanski and Henard (2001). The Disconfirmation theory argues that 'client loyalty and satisfaction is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations. They found in the meta-analysis that the disconfirmation paradigm is the best predictor of customer loyalty. Walker, Lee and VanRyzin (2018) cite Oliver's updated definition on the disconfirmation theory, which states that customer loyalty is the guest's fulfillment response. It is a judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over-fulfillment.

Filtenborg, Gaardboe and Sigsgaard-Rasmussen (2017) discuss that amongst the most popular customer loyalty theories is the disconfirmation theory, which argues that loyalty is related to the size and direction of the disconfirmation experience that occurs as a result of comparing service performance against expectations. Basically, customer loyalty is the result of direct experiences with products or services, and it occurs by comparing perceptions against a standard (expectations). Research also indicates that how the service was delivered is more

important than the outcome of the service process, and disloyalty towards the service often simply occurs when guest's perceptions do not meet their expectations. This theory is supported by Ding (2018) evolutionary theory of the organizational capabilities and behaviors of business firms operating in a market environment. The firms in their evolutionary theory are treated as motivated by profitability and engaged in the search for ways to improve their profitability, but the firm's actions are not assumed to be profit maximizing over well-defined and exogenously given choice sets. Evolutionary theory emphasizes the tendency for the more profitable firms to drive the less profitable firms out of business. This study notes that Expectancy Disconfirmation Theory (EDT) which is defined as a theory for measuring customer loyalty from perceived quality of products or services is reviewed in this research for measuring customer loyalty. Evolution of "EDT" shows this theory is able to measure quality of services and information is which provided by commercial banks from the customer's point of view (Hossain, 2018).

Customers of retail banks with favorable perceptions of service quality had higher loyalty, and therefore customer loyalty mediates the impact of service quality on loyalty. According to Hossain (2018), emotions play a significant role in forming a bank's relationship with the customer. These feelings are formed in the course of the bank's communication with the client and do not arise based on rational considerations of this customer, and are persistent and show a positive dependence on the length on the relationship with the customer (the stronger and more positive those feelings, the more lasting the relationship with this customer).

According to Hossain (2018), EDT is introduced as an important theory which can measure customer loyalty from perceived quality of products or services. EDT has two famous variables that are named (expectation or desire) and (experience or perceived performance). These variables are defined in two different time periods. (Expectation or desire) are related to the pre-purchase time period that a customer has initial expectation or desire about a specific performance such as quality of products or services. (Experience or perceived performance) are related to the after-purchase time period that the customer gets the experience after perceiving a real performance such as quality of a specific product or service.

Ding (2018) further states that the difference between initial expectation or desire and perceived experience or performance is known as disinformation of expectation or desire. The result of this difference means disconfirmation of expectation or desire can be positive or negative. When customer's perceived performance about the quality of specific product or service is better than customer's expectation or desire, the positive disconfirmation will occur. In the same way, when a customer perceives the performance worse than what they expected or desired about the quality of specific product or service, the negative disconfirmation will emerge.

According Hossain (2018), positive disconfirmation will lead to customer loyalty and negative disconfirmation means perceived performance of products or services couldn't attract customer loyalty. Therefore, the study chose to apply EDT theory as a psychological nature that can evaluate customer loyalty from presented information on the first level and can evaluate customer loyalty from presented quality of products and services in the second and third level.

Hence from the Expectation Disconfirmation Theory perspective, when individuals' uses a certain bank service or product, they accept and use the service, and therefore form perceptions about service performance. Johnson (2016) states that loyalty is a state of mind and an emotional attitude of a customer towards products and services; it is also a rational assessment of previous experience with the business relationship. In emerging markets like banking industry in Kenya it is more important to determine factors affecting customer loyalty due to the continuous influx of new players in potential industries.

Value-percept Disparity Theory

This study aimed to establish the factors that influence customer loyalty with reference to the case study of commercial banks in Kenya using the Value-percept disparity theory. This approach was originally formulated by Locke (1967), this model asserts that loyalty or disloyalty is an emotional response triggered by a cognitive-evaluative process in which the perceptions of (or beliefs about) an object, action, or condition are compared to one's values (or needs, wants, desires). The smaller the disparity between percepts of the object, action, or condition, and one's values, the more favorable the evaluation, and the greater the generation of positive affect associated with goal attainment, that is, customer loyalty. Conversely, the greater the value-percept disparity, the less favorable the evaluation, the less the generation of positive effect, and the greater the generation of negative affect associated with goal frustration, that is, dissatisfaction (Bing & Wahid, 2016).

According to Kumar (2015), the Value-percept disparity theory approach requires only three elements: (1) one or more perceptions of the aspects of a product or institution or marketplace behavior; (2) one or more value standards held by the consumer; and (3) a conscious or subconscious judgment of the relationship between one's perceptions and one's values. Since it is the attainment of values which consumers seek, rather than the confirmation of their expectations, it is posited that perceptions of products, institutions, or marketplace actions are simply tested against the extent to which then meet the consumer's values. While products may provide more of an attribute or outcome than what is desired, this has no impact on customer loyalty unless this aspect causes a blockage in the attainment of another value. This model was further developed and improved by Kano and his colleagues in 1996. The model classifies attributes as perceived by the customer and how they impact on the consumer's loyalty. This model is based on three attributes namely the expected attributes, performance attributes and delight attributes (Iddrisu, 2017).

The performance attributes are the customers' expectations that they express. The expected attributes are those that need no mentioning while the attribute of delight are those that are beyond what the customer expects. The Kano model assumption is that consumer loyalty is not proportional to functional product or service. This means that high quality does not necessarily lead to total loyalty for all product or service requirements (Iddrisu, 2017). According to Iddrisu (2017), customer loyalty is a key variable in service provision, which determines the development of long-term relationships. Different authors suggest that personal values (as opposed to economic values of objects) are important antecedents to customer loyalty. Personal values are important in the explanation of customer loyalty with services, as services often are

instrumental for attainment of these values. For example, customers that see a sense of belonging as an important value in their lives may seek attainment of this value in services that for example require or suggest a membership.

This study notes that now more than ever, banks are trying to understand how customers perceive service quality, and even more so how these perceptions translate into customer loyalty and behavioral intentions and despite the obvious importance of value in a tight economic climate. Thus, the study chose to employ this theory as there needs to be an identification of the satisfaction attributes that drive value for money so that commercial banks in Kenya can be more targeted in their approach to satisfying their clients.

This study further notes that a significant level of customer loyalty is among the most critical indicators of the business's future. Customers who are satisfied are also loyal and this ensures a consistent cash-flow for the business in the future. In addition, satisfied customers are often characterized as less-price sensitive and they are more partial to spend more on the products they have tried and tested before. In applying value-percept disparity theory, this study argues that customer loyalty in banking has been a major concern to practitioners due to severe competition and higher customer expectations. Customer loyalty is considered a vital link and aspiration to organizational success, profit and business performance. The consumers that show the greatest levels of loyalty toward the product, or service activity, tend to repurchase more often, and spend more money. In Kenya, one of the ways to enhance customer loyalty in banking is by focusing on offering excellent services and meeting the needs of customer.

Adverse Selection Theory

According to Stieglitz and Weiss (1981), originated the concept of adverse selection. The theory rests on two main assumptions that is, lenders cannot distinguish between borrowers of different degrees of risk and that loan contacts are limited. This analysis is restricted to involuntary default, that it assumes that borrowers repay loans when they have the means to do so. A firm should put a great deal of emphasis on discovering who its best customers are and how to find new customers who will be similarly loyal and profitable.

Stieglitz and Weiss (1981) further posits that in a world with simple debt contacts between risk-neutral borrowers and lenders, the presence of limited liability of borrowers imparts a preference for risk among borrowers, and a corresponding aversion to risk among lenders. This is because limited liability of borrowers implies that lenders bear all the downside risk. On the other hand, all returns above the loan repayment obligation accrue to borrowers. Raising interest rates would affect the profitability of low risk borrowers disproportionately, causing them to drop out of the application pool. Every bank has the potential to attract customers whose loyalty and value to the firm is suspect.

Richard (2016) notes that excess demand in the credit market may persist even in the face of competition and flexible interest rates. In the adverse selection theory, the interest rate may not raise enough to guarantee that all loan applicants secure credit, in times when loanable funds are limited. In general, borrowers who have greater wealth to put as collateral obtain cheaper credit and have incentives to work harder, and earn more income as a result. Existing asset

inequalities within the borrowing class are projected and possibly magnified into the future by operation of the credit market, a phenomenon that may cause the persistence of poverty. By exchange information about their customers, banks can improve their knowledge of applicants' characteristics and behavior, thus the core of any relationship is loyalty and respect.

Customer Loyalty Model

The model was developed by Peppers and Rogers (2004). According to this model, organizations should take the four actions: identify, differentiate, interact and customize, in order to build closer one-to-one relationships with customers. The organizations identify who their customers are and build a deep understanding of them. Information such as name, address and purchase information must be collected across the company, at all points of contact (Ling, 2017). It may seem simple and obvious for a firm to gather information; however, many times the information is spread out between departments and not organized in such a way that information can be linked quickly to each individual customer (Peppers & Rogers, 2016). Each customer represents a different level of value to the company. The priority here is to identify the different needs of each customer, estimating the value and importance of each customer and tailor the business offer to each customer (Bagdoniene & Kazakeviciute, 2009).

In each interaction with the firm through the "touch- points", the firm should continue to gather knowledge of preferences; data that can help them further customize and continue to give quantified value to customer, an example could be not to have the most valued customers waiting in any queues for service (Peppers & Rogers, 2016). This model provides a basis for hotels to use technology infrastructure to identify, differentiate, interact and customize their services to customers to enhance customer loyalty. Thus, this theory is suited to best explain the role of the independent variables (technology infrastructure, Service quality, personalization of services and customer orientation) on the dependent variable Customer loyalty.

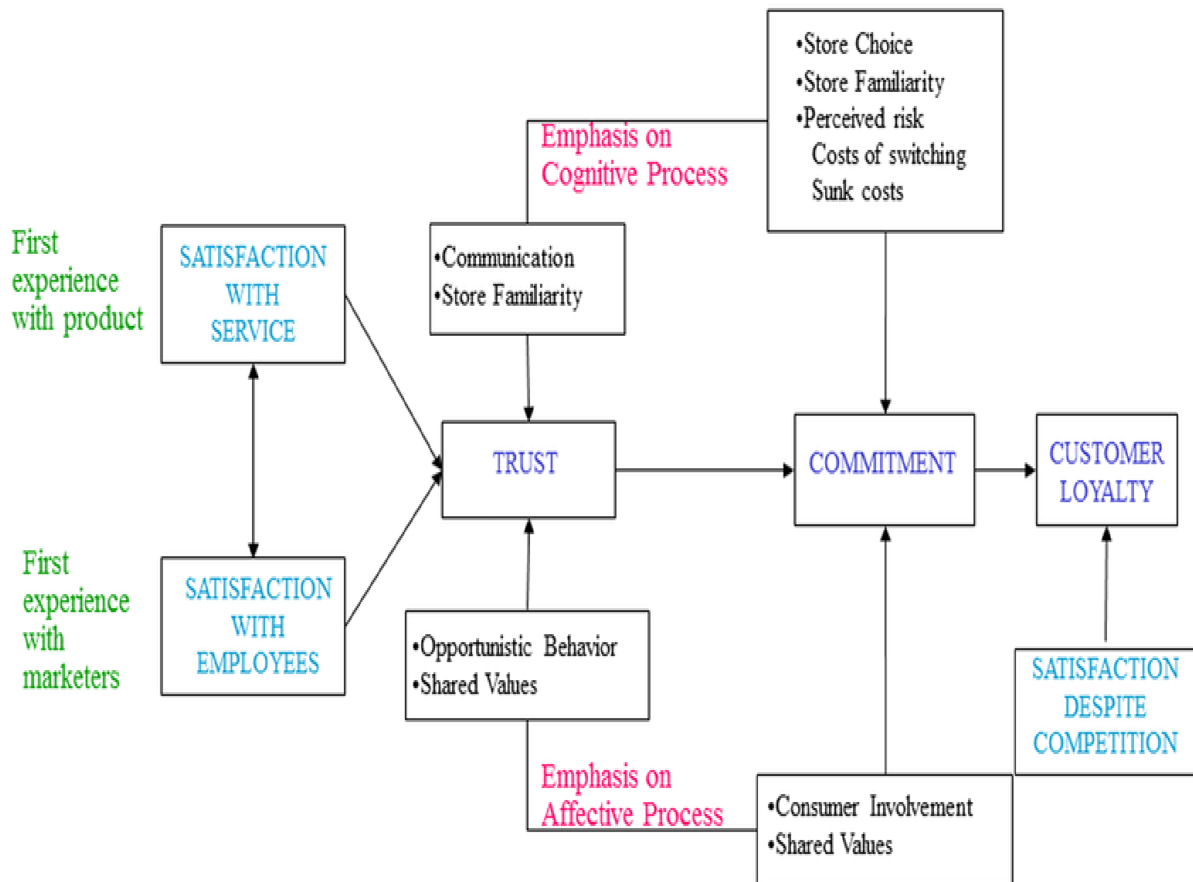

Figure 1: Customer Loyalty Model

RESEARCH METHODS AND PROCEDURES

This study adopted the descriptive survey design. Lewis (2015) argues that the major purpose of descriptive research is description of state of affairs as it exists. It is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. The target population of this study was bank customers in Tier 1, Tier 2 and Tier 3 bank branches in Nairobi CBD. The study focused on banks in Nairobi since most of banks either have their headquarters in Nairobi or more than 1 branch in the CBD. The study targeted the banks customers since they were in a position to assess their own loyalty to the banks. The targeted customers (retail and corporate) from Tier 1, Tier 2 and Tier 3 bank branches in Nairobi CBD were 1199327. This study used a mix method of sampling. In this case, the study selected banks from Tier 1, Tier 2 and Tier 3 bank branches in Nairobi CBD using stratified random sampling technique and used simple random sampling to select customers from each of the banks. In the determination of the sample size in this study, formula developed by Cochran (1963) was used to guide the selection of the respondents as suggested by Mugenda (2008). The formula suggest that the sample size was 384 for a population more than 10,000. Primary data was obtained using self-administered questionnaires. The questionnaire was made up of both open ended and closed ended questions covering issues associated to factors influencing the Customer loyalty on commercial banks in Nairobi, Kenya. The open-ended questions were used so as to encourage the respondent to give an in-depth and felt response without feeling held back in

illuminating of any information and the closed ended questions allow respondent to respond from limited options that had been stated. Data was analysed using Statistical Package for Social Sciences (SPSS Version 25.0) which is the most recent version. Descriptive statistics such as frequencies, percentages, mean score and standard deviation were estimated for all the quantitative variables and information presented inform of tables. Also, the data collected on dependent variable (customer loyalty) was analysed individually by use of descriptive statistics, that is mean and standard deviation. The qualitative data from the open-ended questions was analysed using conceptual content analysis and presented in prose. Inferential data analysis was done using regression and correlation analysis. The regression analysis was used to establish the relations between the independent and dependent variables. Regression was used because the procedure uses two or more independent variables to predict a dependent variable. The study regression model generally assumed the following equation;

$$Y= \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where: Y= Customer loyalty; β_0=constant; β_1, β_2, β_3 β_4 = Regression coefficients; X_1= Brand perception; X_2= Price regimes; X_3= Service quality; X_4= Product variety; ε=Error Term

RESEARCH RESULTS

The researcher conducted both the Pearson correlation analysis and the multiple regression analysis. The regression analysis was used to establish the relations between the independent and dependent variables while correlation was conducted to assess the degrees of association between the variables. This was conducted to assess the degrees of association between the variables. A Pearson moment correlation is a number between -1 and +1 that measures the degree of association between two variables. A positive value for the correlation implies a positive association while a negative value for the correlation implies a negative or inverse association. Table 1 shows the results for the Pearson moment correlation.

Table 1: Correlation Coefficients

		Customer Loyalty	Service Quality	Price Regimes	Brand Perception	Product Variety
Customer Loyalty	Pearson Correlation	1				
	Sig. (2-tailed)					
Service Quality	Pearson Correlation	.689**	1			
	Sig. (2-tailed)	.000				
Price Regimes	Pearson Correlation	.543**	.220**	1		
	Sig. (2-tailed)	.000	.000			
Brand Perception	Pearson Correlation	.651**	.741**	.556**	1	
	Sig. (2-tailed)	.000	.000	.000		
Product Variety	Pearson Correlation	.800**	.781**	.621**	.812**	1
	Sig. (2-tailed)	.000	.000	.000	.000	

The analysis of correlation results between the customer loyalty on commercial banks in Nairobi and service quality shows a positive coefficient 0.689, with p-value of 0.000. It

indicates that the result is significant at α =5% and that if the service quality increases it will have a positive impact on customer loyalty on commercial banks in Nairobi. The correlation results between price regimes and customer loyalty on commercial banks in Nairobi also indicates the same type of result where the correlation coefficient is 0.543and a p-value of 0.000 which significant at α = 5%.

The results also show that there is a positive association between brand perception and customer loyalty on commercial banks in Nairobi where the correlation coefficient is 0.651, with a p-value of 0.000. Further, the result shows that there is a positive association between product variety and customer loyalty on commercial banks in Nairobi where the correlation coefficient is 0.800, with a p-value of 0.000. Nevertheless, the positive relationship indicates that when the practice of the factors is in place the levels of customer loyalty on commercial banks in Nairobi increases.

Overall, product variety had the greatest effect on customer loyalty on commercial banks in Nairobi followed by service quality, then brand perception while price regimes had the least effect on the customer loyalty on commercial banks in Nairobi.

A multiple regression model was applied to determine the relative importance of each of the independent variables with respect to customer loyalty on commercial banks in Nairobi. Customer loyalty was regressed against service quality, price regimes, brand perception and product variety. The findings for regression analysis were presented in Table 2, 3 and 4.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.822[a]	.675	.670	.98254

The outcome of Table 2 found that adjusted R-Square value (coefficient of determination) is 0.670 which indicates that the independent variables (service quality, price regimes, brand perception, product variety) explain 67.0% of the variation in the dependent variable (customer loyalty on commercial banks in Nairobi). This implies that there are other factors that affect the customer loyalty on commercial banks in Nairobi attributed to 23.0% unexplained.

Table 3: ANOVA Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	547.849	4	136.962	141.873	.000[b]
	Residual	263.550	273	.965		
	Total	811.399	277			

The results shown in Table 3 revealed that p-value was 0.000 and F-calculated was 141.873. Since the p-value was less than 0.05 and F-calculated was greater than F-critical (2.405), then the overall model was statistically significant.

Model coefficients provide unstandardized and standardized coefficients to explain the direction of the regression model and to establish the level of significance of the study variables. The results are captured in Table 4.

Table 4: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.438	.911		3.773	.000
Service Quality	.243	.048	.371	5.116	.000
Price Regimes	.221	.050	.247	4.438	.000
Brand Perception	-.092	.040	-.149	-2.268	.024
Product Variety	.428	.075	.478	5.714	.000

The equation ($Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \varepsilon$) becomes:

$$\mathbf{Y} = 3.438 + 0.243\mathbf{X_1} + 0.221\mathbf{X_2} - 0.092\mathbf{X_3} + 0.428\mathbf{X_4}$$

The findings showed that if all factors (service quality, price regimes, brand perception and product variety) were held constant at zero, customer loyalty on commercial banks in Nairobi will be 3.438. The findings presented also show that taking all other independent variables at zero, a unit increase in the service quality would lead to a 0.243 increase in the scores of customer loyalty on commercial banks in Nairobi. This variable was significant since the p-value of 0.000 was less than 0.05. This in line with Amin (2016) who state that delivering quality services to clients is essential since it creates room for success and survival in the competitive banking environment.

The findings also show that a unit increase in the score of price regimes would lead to a 0.221 increase in the score of customer loyalty on commercial banks in Nairobi. This variable was significant since 0.000<0.05. This concurs with Walker, Lee and VanRyzin (2018) states that from the consumer's perspective, the gain is the product to be received, whereas the loss is the money to be paid. When a consumer pays a higher price than others do, or when a consumer receives a lesser product than anticipated (either in terms of quantity or quality), perceived negative price inequity occurs. On the other hand, perceived positive price inequity may result from either receiving a larger or better product than others, who paid the same price, or paying a lower price but receiving the same product.

Further, the findings show that a unit increase in the scores of brand perception would lead to a 0.092 significant decrease in the score of customer loyalty on commercial banks in Nairobi since p-value (0.024) was less than 0.05. This is in line with Saleem, Rahman and Umar (2015) who note that a strong brand can deliver for a company market leadership, a stable or sustainable competitive advantage, international reach, a platform from which to expand activities and long-term profit.

The study also found that a unit increase in the score of product variety would significantly lead to a 0.428 increase in the score of customer loyalty on commercial banks in Nairobi since p-value of 0.000 was less than 0.05. these findings are in line with Steenkamp (2017) who argues that the organization should make sure that they are providing full service, equivalent to their monetary value as it will increase the number of customers and holds the long-term relationship between the customer and the organization. And the existing customer will help to attract the new customers by providing or sharing the information about the product variety of a financial institution.

Overall, it was established that product variety had the greatest effect on the customer loyalty on commercial banks in Nairobi, followed by service quality, then price regimes brand perception had the least effect to the customer loyalty on commercial banks in Nairobi.

CONCLUSION

The study concluded that service quality had a strong and positive significance on customer loyalty on commercial banks in Nairobi. The study concludes that delivering high quality services enables companies to respond to competition, which in turn enables customer satisfaction and this makes customer loyalty a stronger predictor for customer retention.

The study concluded that there was a positive correlation between price regimes and customer loyalty on commercial banks in Nairobi. The study concluded that a company's price in relation to the quality affects the level of brand loyalty. Loyal customers are typically willing to pay a higher price and more understand when something goes wrong.

The study concluded that brand perception has a positive and significant influence on influence customer loyalty on commercial banks in Nairobi. The study concluded that a brand reflects the complete experience consumers have with products and protects both the customer and the producer from competitors who would attempt to provide products that appear to be identical.

The study deduced that product variety and customer loyalty on commercial banks in Nairobi have a positive association and significant. The study concluded that customer satisfaction is influenced by specific product features and perceptions of quality. When the customer is satisfied with the product or service of the company, it can make the customer to purchase frequently and to recommend products or services to potential customers.

RECOMMENDATIONS

Quality of the product is the most important factor in increasing customer loyalty. Quality seeking customers are more profitable for the business in the long run. So the study recommends that the banks should be focused on the quality of the product in order to sustain the loyalty of their quality seeking customers. The management of the banking industry would update and improve product qualities and product innovation of the banks.

The study recommends that the bank provides diversified products that will meet the needs and expectations of the different categories of customers at banks. The study also recommends that

bank should innovate products that address the different financial needs of the customers in order to meet their expectations.

The study further recommends that the bank increases the number of communication channels by maintaining an active online presence as well as providing services such as SMS call centres so as to improve the communication channel problems that results from having to wait for customer care attendants while on hold.

The study recommends that the banks should strive to improve its image among the consumer by participating in various CSR projects that will enable them to offer support to people seeking growth opportunities. Banks need to invest in brandings such as through the corporate colours and its logo so as to be attractive and entice customers. The banks need to maintain a captivating mission and vision statements as well as align its strategies in line with the vision and mission.

The banks need to adopt a corporate culture that will motivate its employees and provide them with a good working environment and thus they will relate well with the customers. The bank should also ensure that its puts up measures in place that will see it become more reliable to the customers in terms of service delivery.

The study recommends that the bank improves its technological infrastructure so as to be able to improve the rate of response to the customers' queries and also ensures delivery of services in a fast and efficient manner. The banks should develop products that are fit to the needs of its customers and other customers in the banking industry so as to gain a competitive advantage.

The banks should also ensure they train their employees on the attributes of service quality so as to be able to promote high quality service delivery and enhance customer satisfaction. The

bank should also ensure that it invests in the hiring and recruitment policies so as to ensure that the bank hires qualified staff that are competent. The bank should provide a conducive ambience for its customers so as to improve it's the level of customer loyalty.

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