ANALYSIS OF MARKETING FACTORS INFLUENCING BANKS' CUSTOMER LOYALTY: A SURVEY OF COMMERCIAL BANKS IN NAIROBI, KENYA

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DECLARATION

I declare that this thesis is my original work and has not been presented in any other university.

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This thesis has been submitted for examination with our approval as university supervisors.

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Mr. James Mbebe

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DEDICATION

It is with great pride that I dedicate this work to my loving family, my children Joe and Connie and my best friend Moses.

ACKNOWLEDEMENT

It is with pleasure that I acknowledge my supervisor Simon Muriithi and James Mbebe for their guidance during this research study.

ABSTRACT

Customer loyalty is commonly cited as a requirement for providing effective service. Customers compare perceptions to expectations when judging a company's product and service quality. It may be tough to keep a customer in the banking business because it is so competitive and identical. Several banks have encountered problems that have caused consumers to switch to other banks and financial institutions. Therefore, this study aimed to establish the factors that influence customer loyalty on commercial banks in Nairobi, Kenya. Specifically, the study focused on influence of brand perception, price regimes, service quality and product variety influences customer loyalty on commercial banks in Nairobi, Kenya. The theory of Disconfirmation served as the foundation for this study. This study was hinged on expectancy disconfirmation theory, value-percept disparity theory and adverse selection theory. The study took the form of a descriptive survey. In Nairobi CBD's Tier 1, Tier 2, and Tier 3 bank branches, the target population was 1199327 bank customers (retail and corporate). Stratified and simple random selection was used to select 384 persons for the study. A self-administered semi-structured questionnaire was used to collect data. Prior to administering the questionnaire, the respondents' permission was asked. After that, the researcher organized the data, coded, revised, and tabulated it to guarantee accuracy and completeness before saving it in the appropriate format. For all quantitative variables, descriptive statistics were produced using frequencies, percentages, mean score, and standard deviation, and the data was presented in tables. The qualitative data from the open-ended questions was processed and presented in prose using conceptual content analysis. Regression and correlation analysis were used to perform inferential data analysis. To determine the relationships between the independent and dependent variables, regression analysis was used. The Statistical Program for Social Studies (SPSS) version 28 was used to generate the statistical data output. The analysis' findings were presented in the form of a narrative, bar graphs, pie charts, and other visual aids. According to the study, bank employees are always willing to help, and the bank's services are dependable. According to the study, the bank has competitive loan interest rates. According to the report, the bank was also thought to be powerful and stable. The consumer is most satisfied with the bank's large selection of products. The study found that product diversity had the biggest impact on customer loyalty at Nairobi commercial banks, followed by service quality, price regimes, and brand perception, with brand perception having the least impact. Banks should focus on product quality, according to the report, in order to keep the loyalty of their quality-seeking clients. According to the survey, banks may boost their consumer image by participating in a variety of CSR projects that allow them to assist people seeking new opportunities.

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ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
EDT	Expectancy Disconfirmation Theory
KBA	Kenya Bankers Association
NSE	Nairobi Securities Exchange
SPSS	Statistical Programme for Social Studies
SSA	Sub-Saharan Africa

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Customer loyalty is frequently acknowledged as a precondition for providing good service. When rating a company's product and service quality, customers compare perceptions to expectations. As a result, in order for retail banks to succeed, both product and service delivery must be properly matched with client expectations. It has been argued that the antecedents of consumer happiness and loyalty are complex, evolving through time, and dynamic, and that the entire degree of the interrelationships among the factors that influence them is unknown (Singh & Anand, 2019).

Customer loyalty is regarded as a critical aspect in ensuring a company's long-term success and viability. Traditionally, building customer loyalty has been a goal aimed at increasing future purchase intent. The globalization of the banking industry has had a significant impact on the modern banking industry (Cheng et al., 2018). Banks should offer their clients something innovative and relatively inexpensive in order to survive in a competitive market. This is because a bank's competitive power is primarily determined by how well it adheres to customer loyalty. For competitive success in the information era, businesses require new competencies such as customer relationships, product innovation, tailored products, people, motivation, and information technology (Ali & Raza, 2017).

According to Evans (2018), customer awareness has increased as a result of globalization of competition, market saturation, and the development of information technology, and long-term success is no longer accomplished by optimum product price and quality. The concept of consumer loyalty has been around for a long time. It has become increasingly vital as the financial industry undergoes rapid change. Instead, businesses rely on long-term consumer relationships to succeed. Customer loyalty is one of the most important metrics used to evaluate the quality of services provided by a business in the United States, for example. As a result, developing customer loyalty becomes a primary goal for banking firms that choose to take a relationship marketing approach (Goodman, 2019).

Customers are eager to put their trust in companies that can provide better value than their competitors' offers. According to Salim (2014), loyalty is defined as the purchase of a service or product on a regular basis. As a result, each business should seek to keep loyal clients for as long as feasible. Because the banking business in South Africa has a high level of client connection, managers must grasp the elements that impact consumer loyalty to their particular institutions. Because attracting new consumers is always expensive, managers strive to identify ways to keep their current clients and focus on aspects that increase customer loyalty (Evan, 2018).

To boost customer loyalty, many firms throughout the world are focused on creating long-term connections with customers (Weinstein, 2016). Customer loyalty is vital since it not only encourages customers to stay with a service provider for a longer period of time, but it also leads to customers purchasing more from that service provider, increasing the organization's profitability by lowering advertising and other marketing costs. Customers that are loyal to a company benefit the company since they not only buy more from them, but they also suggest their friends to the company. Consumer loyalty is a strategy that helps both businesses and customers by establishing reciprocal benefits (So et al, 2016).

In Pakistan, for decades, banking has functioned in a reasonably stable atmosphere. Though, in today's deregulated economy, the business is up against a ferociously competitive atmosphere. Pakistan's government has privatized a number of banks, resulting in increased rivalry and complexity among banks. As a result of recent competition and laws, traditional banks have lost a considerable percentage of their domestic business to essentially nonbank rivals. Competition will undoubtedly become much more important in the future (Ali & Raza, 2017). Commitment, customer satisfaction and service quality will be crucial differentiators for any bank's success in future, given the country's spectacular population growth and rising demand for financial services. Banks know that no single bank could provide all goods and be the leader bank for all consumers. They must seek out new sources of competition and raise the quality of their own goods and services (Shabbir et al., 2018).

Regionally in South Africa, In today's increasingly competitive banking climate, customer loyalty has the potential to be an effective instrument for banks to acquire a strategic edge and survive (Petzer et al., 2017). This is owing to the banking industry's demonstrated capacity to contribute to local and national economic growth. One of the functions of the banking industry is to keep money in bank accounts, fixed deposits, clearing, and other forms of savings, as well as to provide loans to the customers. The two components that organize partnership and interdependence among each other are the bank and society (Morgan & Govender, 2017).

The financial services sector in Nigeria has undergone significant changes over the last decade; as a result, the market is marked by fierce rivalry, slow growth in primary demand, and increasing deregulation (Solomon et al., 2017). It is always costly to acquire a new customer, thus financial institutions must increase their efforts to attract loyal consumers to their products/services. These realities drove corporate decision-makers and executives to look for novel and imaginative ways to maintain their present clients loyal to their products/services while also expanding their customer base (Obioha & Garg, 2018).

The Ghanaian financial system has undergone substantial changes and is continuing to improve thanks to new regulations and standards aimed at ensuring stability. As a result, the number of players in this industry has increased significantly. There are currently 23 licensed banks in the city, with 11 commercial banks, 6 merchant banks, and 8 development banks, all of which are involved in the same basic activities: accepting public funds and investing them to generate returns (Bank of Ghana, 2016). The banking sector branch network is still growing, with over 700 locations nationally. However, most of these banks' market share has dropped, forcing them to hustle to improve client satisfaction and retain existing ones othe than allocating further resources to pursuing novel potential clients (YuSheng & Ibrahim, 2019). Due to bureaucracies, bank costs (least balance condition and banks' operations expenses), and insufficient and bad banking facilities, banking in the Wa Municipality of Ghana's Upper West Region can be frustrating (like a small banking hall, inadequate number of tellers, and a lack of dependable Automated Teller Machines), all of which have a negative impact on the quality of services provided by Municipality banks. These factors exacerbate customers' negative attitudes toward banking, limiting banks' ability to mobilize additional savings for aspiring entrepreneurs, thereby promoting local and national economic growth and development (Adams et al., 2016).

In Kenya, a battle for consumers has intensified amongst the country's approximately forty-four banks, particularly in the retail and small and medium company industries. And it looks that the road to these markets is becoming increasingly paved with branches. However, the company's use of Nairobi as a launching pad for its assault on the regional market is not entirely uncommon. Many organizations recognize the need of maintaining current customers as markets become more competitive, and some have implemented a number of actions to enhance customer loyalty. It may be tough to keep a customer in the banking business because it is so competitive and homogeneous (Mang’unyi et al., 2017).

Since liberalization, Kenya's commercial banking system has been in constant flux, resulting in the emergence of new sources of risk. More leadership is always required when there is more change. As a result, the leadership challenge is to mobilize commitment among internal and external stakeholders to hold alteration and adopt plans that will place the firm to overcome the obstacles that will arise as a result of the transformation. Regulatory and competitive dynamics have wrought significant changes in Kenya's banking business. The advent of private banks, fast technical improvements, and a shift in the customer's attitude, which has become more demanding, are just a few of the revolutionary changes that have occurred (Rorio, 2015). As a result, banks have become more sensitive to their clients' requirements. At the government level, there have been developments such as the government's rapid execution of economic reforms, the freedom of the economy and markets, the removal of price restrictions, privatization, and commercialization.

The central bank is working on numerous security procedures in light of technology improvements, such as the supervision of digital money, which necessitates technological management know-how as well as backup copies of holdings. Blockchains are the ultimate back-up and also act as central stores of information (Singh & Anand, 2019). A blockchain can alternatively be defined as a collection of records that have been linked together using encryption. However, it is vital to note that, in the case of actual money, blockchain departs from the central bank's objective. On the contrary, no one has power over the blockchain, and no data is altered (Cheng et al., 2018). Over time, the technology has grown to become known as an openly distributed ledger. It synchronizes all transactions between various parties in real time. Verification takes occur as soon as money is transferred from one person to another. Nonetheless, the fact that digital money rely on technology necessitates financial network integration. Block chains address this need by providing a protocol that allows information to be exchanged between nodes. The adoption of block chain technology, particularly the crypto currency wing, is gaining traction in Kenya. Bitpesa, a digital payment solution that converts Bitcoin to Kenyan Shillings, is currently in use (Mang'unyi et al., 2017). The Kenyan Central Bank has been considering developing a centralized block chain that will be publicly utilized in records and trade, however this has yet to materialize. The Central Bank of Kenya, however, has not given Kenyans permission to use crypto currencies such as Bitcoin, Zcash, Monero, and Kringle coin, among others, as legal money.

However, the company's use of Nairobi as a launching pad for its assault on the regional market is not entirely uncommon (Daniel, 2016). In April 2008, the approximate lending interest rate was 12.76 percent, and banks prefer raising their rates to keep up with inflation, which is presently at 29.26 percent (Central Bank of Kenya [CBK], 2016). There are several banks in Mombasa. For example, KCB, the coast's oldest bank, dates back to 1896, when its precursor, the National Bank of India, established a branch in Mombasa. Eight years later, in 1904, the Bank expanded its operations to Nairobi, which had become the headquarters of the growing railway line to Uganda. The Bank's second big transformation occurred in 1958. The National and Grindlays Bank was formed when Grindlays Bank and the National Bank of India amalgamated. Following independence, the Kenyan government purchased a 60% stake in National & Grindlays Bank in order to extend banking to the majority of Kenyans. In 1970, the government purchased 100 percent of the shares in Kenya's largest commercial bank, giving them complete control. Kenya Commercial Bank replaced National and Grindlays Bank (Rorio, 2015).

Customer loyalty is one of the most critical metrics used to measure an organization's service quality. As a result, gaining customer loyalty becomes a top priority for banking institutions. During the last one to two decades, the Kenyan banking industry has experienced tremendous growth. Commercial banking is a service industry that provides consumer services. A satisfied and loyal customer is also seen to be the ideal person to produce positive word of mouth for a commercial bank. Despite this notion, customers in Kenya's banking business have been switching to other banks. This is due to consumer loyalty, which has caused some customers to seek services from other financial institutions. Commercial banks have been forced to enhance their infrastructure, such as mobile banking, e-banking, and call centers (Magasi, 2016). The question is what factors influence customer loyalty with reference to the case study of commercial banks in Kenya.

1.2 Statement of the Problem

New actors, such as global banks and alternative sources of funding, such as microfinance institutions, Saving and credit cooperative societies, and other types of financial service providers, are putting pressure on banks. As a result, they try harder to make their clients feel valued and to provide high-quality service that encourages customer loyalty. Loyalty development is establishing and maintaining a relationship with a consumer that leads to the purchase of items or services on a regular basis over a duration (Johnson, 2016).

The battle for customers among Kenya's about 40 banks has increased competitiveness, notably in the retail and small and medium-sized business industries. And the road to these markets appears to be getting increasingly paved with branches. Many organizations recognize the need of maintaining current customers as markets become more competitive, and some have implemented a number of actions to enhance customer loyalty. It may be tough to keep a customer in the banking business because it is so competitive and homogeneous (Mang'unyi et al., 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 services for banking via electronic channels (e-channels), such as ATMs, internet banking, and mobile banking, which have given a more convenient way to obtain banking services (Rorio, 2015).

Several banks have faced challenges that can make customers switch to other banks and other financial institutions. 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 elements that made the customers stay put even in the face of such adversities in their banks (Macharia, 2017).

Numerous studies have been done in relation to banks' customer loyalty. For instance, in Pakistan, customer loyalty in was studied by Abbassi et al. (2016), who discovered a positive association between customer happiness, customer association, image of products, trustworthiness, and loyalty of customers, however this study will specifically focus on how customer loyalty is affected by brand perception, price regimes, service quality and product variety. Rorio (2015) also did a research on element influencing the loyalty of customers in Kenyan commercial banks in Mombasa, however this study will emphasis on commercial banks in Nairobi CBD. In addition, Kabira (2015) studied the factors that influence customer loyalty in Kenyan commercial banks at Family Bank Kenya; however this study will be based on various commercial banks. Moreover, Maduku (2013) did a study on customer loyalty determinants in Kenya retail banking sector. It was revealed that customers were probable to shift from banks that did provide them satisfactory services. These studies established that huge bank charges are unsatisfying hence affect customer loyalty. Moreover, none of these studies focused on factors influencing customer loyalty across banks in various tiers. As a result, this study aimed to close the gap in terms of the characteristics that influence customer loyalty in tiers one, two, and three.

1.3 Purpose of the Study

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

1.3.1 Objectives

The specific objectives included;

i. To determine the influence of brand perception in customer loyalty on commercial banks in Nairobi, Kenya.
ii. To assess the influence of price regimes on customer loyalty in commercial banks in Nairobi, Kenya.
iii. To examine the influence of service quality on customer loyalty in commercial banks in Nairobi, Kenya.
iv. To determine how product variety influences customer loyalty in commercial banks in Nairobi, Kenya

1.4 Research Hypothesis

The study sought to test the following research hypotheses;

H_{01}: Brand perception does not influence customer loyalty in commercial banks in Nairobi, Kenya

H_{02}: Price regimes does not influence customer loyalty in commercial banks in Nairobi, Kenya

H_{03}: Service quality does not influence customer loyalty in commercial banks in Nairobi, Kenya

H_{04}: Product variety does not influence customer loyalty in commercial banks in Nairobi, Kenya

1.5 Justification of the Study

Since 1986, Kenya has had banking troubles, culminating in severe bank failures (37 failing banks as of 1998) as a result of the crises of 1986-1989, 1993-1994, and 1998. The banking business is currently exceedingly competitive and uniform, making customer retention challenging. Thus this study is very important. This study could be of value addition to the bank in designing its products and provision of its products that they be customer oriented. This study could help the banks to increase its competitiveness while maintaining its customers by increasing customer relationship. To avoid existing clients transferring to a competitor bank, commercial banks might develop customer-centric service ways to engage with customers.

1.6 Limitation of the Study

This study was limited to just four independent variables. These variables are not the only ones which determine customer loyalty on commercial banks in Nairobi, Kenya, as indicated by the strength of the regression model in chapter four. The study was once again limited by boundaries of Nairobi County whereas the banks have branches in the entire country. The researcher told them that their identities would be kept private and that the findings would only be utilized for academic purposes. This was also overcome by giving a letter of introduction from the university as well as an authority letter.

The study was limited in its data collecting due of COVID-19 pandemic protocols, which are currently affecting the world. To solve this issue, the researcher used study assistants to administer questions physically and used online questionnaires when possible, all while adhering to Ministry of Health norms and protocols.

1.7 Delimitation of the Study

This study focused on analysis of factors influencing banks' customer loyalty in commercial banks in Nairobi, Kenya. Specifically, the study focused on influence of brand perception, price regimes, service quality and product variety influences customer loyalty on commercial banks in Nairobi, Kenya. The study targeted Tier 1, Tier 2 and Tier 3 commercial bank branches in Nairobi Central business district (CBD). The key respondents of this study will be 1199327 walk in and walk out bank customers in Tier 1, Tier 2 and Tier 3 commercial bank branches in Nairobi CBD. This study was undertaken in the months of June, July and August.

1.8 Significance of the Study

1.8.1 Practitioners

Academics and practitioners in various industries have given the topic of customer loyalty a lot of thought and attention and thus this research aims to present fresh policy recommendations for Kenyan banking professionals by examining the determinants of customer loyalty from the banking customer's perspective. Banking practice shows that achieving a reasonable degree of customer loyalty is a challenging task for a bank and that it is a continual process with variable results.

1.8.2 Bankers

Kenya Bankers Association and the Institute of Customer Service and stakeholders will find this study useful in providing new knowledge on emerging recommendations to mainstream the best practice for the banks to deliver customer loyalty. The study findings will be useful to commercial banks in formulation of strategies that would enhance high standards in customer loyalty.

1.8.3 Academicians

Being able to generate consumer loyalty is viewed as a significant aspect in gaining market share and developing a lasting competitive advantage in increasingly competitive marketplaces and this study aims to act as a reference point for future research work. Thus this study is significant as it adds knowledge to academicians on the determinants of customer loyalty.

1.8.4 Customers

A pleased client is expected to be a loyal customer, and loyalty is demonstrated by a higher degree of extra purchases when compared to dissatisfied consumers. The study will also give customers insights on various reasons why they should be loyal to their banks and the benefits that come with continued loyalty.

1.9 Assumptions of the Study

The study assumed that there were no significant changes in the target population's makeup that would alter the study sample's effectiveness. The respondents in this study were also expected to be honest, cooperative, and objective in their responses to the research instruments.

1.10 Operational Definition of Terms

Brand perception refers to the brand image as the circumstance in which the name is linked with the organization as a whole rather than a specific product. Furthermore, corporate image is the result of an organization's continuous communication activity in order to build an identity that represents its value and reputation.

Commercial Bank refers to a financial institution that accepts public deposits and makes loans for personal consumption and profit.

Corporate reputation refers to a signal of company’s qualities, capturing a set of associations related to the company. It requires nurturing, but also provides the company an excellent leverage for future actions such as acquisition of funding, sales negotiations or recruitment.

Customer loyalty it is the result of a consistent positive emotional experience, physical attribute-based contentment, and the perceived value of an encounter, which includes the goods or services.

Marketing Factors are factors are under the same control by internal and external factors in the whole business environment and interact with one another significantly.

Price regimes refer to the price that the customer has to pay for the services offered by the bank. The pricing is an attempt to elicit potential buyers' readiness to purchase based on a range of prices set by the seller.

Product Variety is a supplier's number and variety of brands or products. They are products that serve a wide range of customer needs.

Service quality refers to the evaluation of how well a service given meets the client's expectations. Service quality could be defined as an overall evaluation of a single service firm based on a comparison of that firm's performance.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In this chapter theoretical framework and empirical review are both reviewed and more particularly, their relevance to the study shown. Other studies that have been done in regard to this topic are also reviewed; in addition, the chapter also gives the research gaps to the study.

2.1 Theoretical Review

This study was hinged on expectancy disconfirmation theory, value-percept disparity theory and adverse selection theory.

2.1.1 Expectancy Disconfirmation Theory

This study has its underpinning on the theory of Disconfirmation which was advanced by Henard (2001). According to the Disconfirmation Theory, the amount and direction of the disconfirmation experience that takes place as a result of associating service delivery to prospects is related to client loyalty and satisfaction. In a meta-analysis, they discovered that the disconfirmation paradigm is the most accurate predictor of consumer loyalty. Walker et al. (2018) cite customer loyalty, according to Oliver's new formulation of the disconfirmation theory, is the guest's fulfillment response. It's a conclusion that a product or service feature, or the product or service itself, provided (or continues to provide) a pleasurable level of consumption-related satisfaction, encompassing levels of under- or over-fulfillment.

Filtenborg et al. (2017) discuss how the disconfirmation hypothesis, which claims that the size and direction of the disconfirmation experience has an impact on loyalty when service performance is compared to expectations, is one of the most prevalent customer loyalty theories. Customer loyalty is based on firsthand experiences with products or services, and it is measured by comparing perceptions to a benchmark (expectations). According to research, the way in which a service is provided is more important than the service process's outcomes, and disloyalty toward a service is frequently the result of a guest's perceptions failing to match their expectations. This theory is supported by Ding (2018) organizational capacities and behaviors of market-based businesses are studied using evolutionary theory. The firms in their evolutionary theory are portrayed as profit-driven and on the lookout for new ways to boost profits, but their behaviors are not believed to be profit-maximizing over well-defined and exogenously given choice sets. The theory of evolution stresses the behaviour of highly profitable firms to drive the low profitable firms out of business. Expectancy Disconfirmation Theory (EDT), which is refered as a theory for assessing customer loyalty based on perceived product or service quality, is discussed in this study for measuring customer loyalty. The evolution of "EDT" demonstrates that this theory can be used to assess the quality of services and information offered by commercial banks from the perspective of their customers (Hossain, 2018).

Customers of retail banks who had positive service quality judgments were more loyal, and so customer loyalty mediates the effect of service quality on loyalty. According to Hossain (2018), when it comes to developing a bank's relationship with its customers, emotions play a big role. These feelings are developed during the bank's conversation with the customer and are not based on the customer's rational deliberations. They are persistent and have a good association with the length of the customer relationship (the stronger and better such feelings are, the longer this customer's relationship will last).

According to Hossain (2018), EDT is proposed as a useful hypothesis for determining customer loyalty based on perceived product or service quality (expectation or desire) and (expectation or desire) is two well-known variables in EDT (experience or perceived performance). These variables are defined during the course of two time periods. Prior to making a purchase, a customer's first expectation or desire for a specific performance, like product or service quality, is referred to as (anticipation or wish). Experience refers to the time period following the purchase of a product or service during which the client gets an experience after noticing a genuine performance, like the quality of that product or service.

Ding (2018) further states that the anticipation or want misinformation refers to the gap between initial expectation or desire and perceived experience or performance. As a result of this distinction, dissatisfaction with an expectation or want might be either positive or negative. Positive disconfirmation happens when a customer's perceived performance about the quality of a product or service exceeds the customer's expectation or desire. Similarly, when a customer views the quality of a given product or service to be worse than what they expected or desired, negative disconfirmation emerges.

According Hossain (2018), positive disconfirmation leads to client loyalty, but negative disconfirmation indicates that the perceived value of the items or services is insufficient to generate consumer loyalty. Therefore, the study selected to use EDT theory as a psychological nature that may assess customer loyalty based on presented information on the first level and presented product and service quality on the second and third levels. Hence from the Expectation Disconfirmation Theory perspective, when individuals' uses a certain bank service or product, they accept and use the service, and as a result, they acquire opinions regarding its quality. Johnson (2016) states that loyalty is a customer's state of mind and emotional attitude toward products and services, as well as a rational evaluation of prior business relationships. Because of the constant influx of new respondents in promising industries, it is increasingly vital to analyze factors affecting consumer loyalty in expanding markets like Kenya's banking business. This theory is relevant as it links the brand perception and customer loyalty on commercial banks in Nairobi, Kenya.

2.1.2 Value-percept Disparity Theory

Using the Value-percept disparity theory, this study tries to determine the elements that influence customer loyalty at commercial banks in Kenya. A cognitive-evaluative process in which one's perceptions of (or thoughts about) an item, action, or condition are compared to one's ideals produces loyalty or disloyalty, according to Locke (1967). The smaller the gap between one's perceptions of an object, activity, and one's values, the more favorable the appraisal and the greater the formation of positive emotion associated with goal achievement, i.e. customer loyalty. In contrast, the stronger the value-percept mismatch, the lower the appraisal, the lower the positive effect generation, and the higher the generation of negative affect linked with goal frustration, i.e. dissatisfaction (Bing & Wahid, 2016).

Kumar (2015) claims that the Value-percept disparity theory technique just requires three components: (1) a conscious or subconscious evaluation of the relationship between one's perceptions and one's values; (2) one or more value standards held by the customer; and (3) one or more perceptions of elements of a product, institution, or marketplace conduct. Because customers seek the attainment of values rather than the fulfillment of expectations, it is proposed that views of products, institutions, or marketplace behaviors are simply assessed in terms of how well they fit the consumer's values. While items may deliver more of a desired attribute or result, this has no bearing on customer loyalty unless this element prevents the attainment of another goal. In 1996, Kano and his colleagues modified and expanded on this concept. The model classifies attributes as perceived by the customer and how they impact on the consumer’s loyalty. Expected attributes, performance attributes, and joy attributes are the three attributes that make up this model (Iddrisu, 2017).

Customers' expectations are expressed through performance qualities. The anticipated attributes are those that go without saying, but the joy attributes are those that go above and beyond what the client expects. Consumer loyalty is not proportionate to the functionality of a product or service, according to the Kano model. This indicates that great quality does not always imply complete loyalty for all product or service needs (Iddrisu, 2017). Customer loyalty, according to Iddrisu (2017), is a critical variable in service offering that influences the formation of long-term partnerships. According to various scholars, personal values (as opposed to object economic values) are crucial precursors to client loyalty. Personal values have a key role in explaining customer loyalty to services, as services are frequently used to achieve these objectives. Customers who see a sense of belonging as a significant value in their life, for example, may strive to achieve this value through services that need or promote membership.

Despite the obvious relevance of value in a tight economic context, banks are now more than ever seeking to understand how customers perceive service quality, and even more so how these views convert into customer loyalty and behavioral intentions, according to this study. As a result, the study chose to use this theory because it is necessary to identify the satisfaction traits that drive value for money in order for Kenyan commercial banks to be more targeted in their approach to satisfying their clients.

According to the survey, a high level of client loyalty is one of the most important markers of a company's future success. Customers that are satisfied become loyal, ensuring a steady financial flow for the company in the future. Furthermore, delighted clients are generally described as less price sensitive, and they are more inclined to spend more on things that they have previously tried and evaluated. This paper uses value-percept disparity theory to claim that due to intense competition and increased consumer expectations, client loyalty in banking has been a key worry for practitioners. Customer loyalty is regarded as an important link and goal for organizational success, profit, and company performance. Consumers who are most loyal to a product or service activity are more likely to repurchase and spend more money. One of the strategies to improve customer loyalty in banking in Kenya is to focus on providing outstanding services and addressing the needs of customers. This theory is relevant since it explains the influence of service quality and product variety on customer loyalty in commercial banks in Nairobi, Kenya.

2.1.3 Adverse Selection Theory

The notion of adverse selection was developed by Stieglitz and Weiss (1981). The hypothesis is based on two primary assumptions: Lenders are unable to discern between borrowers with varied degrees of risk, and loan linkages are restricted. This study is limited to involuntary default, assuming that borrowers return their loans when they have the financial means to do so. A company should invest a lot of effort into figuring out who its top clients are and how to attract new ones who will be equally loyal and profitable.

In a world with simple loan interactions between risk-neutral borrowers and lenders, the presence of borrowers' limited liability communicates a preference for risk among borrowers and a comparable aversion to risk among lenders, according to Stieglitz and Weiss (1981). Because borrowers' liability is limited, lenders are responsible for all downside risk. Borrowers, on the other hand, receive all profits over the loan payback requirement. Raising interest rates would have a disproportionately negative impact on the profitability of low-risk borrowers, prompting them to drop out of the applicant pool. Every bank has the potential to attract customers who are untrustworthy of the institution.

Excess demand in the lending market may persist despite competition and changing interest rates, according to Richard (2016). In periods when loanable funds are scarce, it’s possible that the interest rate won't rise high enough to ensure that all loan applicants are approved, according to the adverse selection theory. Borrowers with more wealth to put up as collateral generally get cheaper borrowing and are motivated to work more and earn more money as a result. The operation of the credit market projects and possibly magnifies existing asset inequalities within the borrowing class into the future, a process that may result in the persistence of poverty. Banks can increase their understanding of applicants' qualities and behavior by exchanging information about them, so loyalty and respect are at the heart of any partnership. This theory forms a foundation on the influence of price regimes on customer loyalty in commercial banks in Nairobi, Kenya.

2.1.4 Customer Loyalty Model

Peppers and Rogers (2014) came up with the concept. In order to develop closer one-to-one relationships with clients, firms should follow the four steps outlined in this model (Appendix VIII): identify, differentiate, interact, and customize. Businesses identify who their customers are and gain a thorough understanding of them. At all points of contact inside the organization, names, addresses, and purchase information must be recorded (Ling, 2017). It may appear that gathering information is simple and apparent; yet, information is frequently dispersed across departments and not arranged in such a manner that it can be instantly associated to each particular consumer (Peppers & Rogers, 2016). Each consumer has a varied level of importance to the business. The aim here is to discover each client's various wants, estimate each customer's value and importance, and personalize the business offer to each customer (Bagdoniene & Kazakeviciute, 2009).

Each engagement with the firm through the "touch-points" should continue to get knowledge about preferences; data that may assist them tailor and carry on providing measurable value to clients, such as not having the most valuable clients wait in any service queues (Peppers &

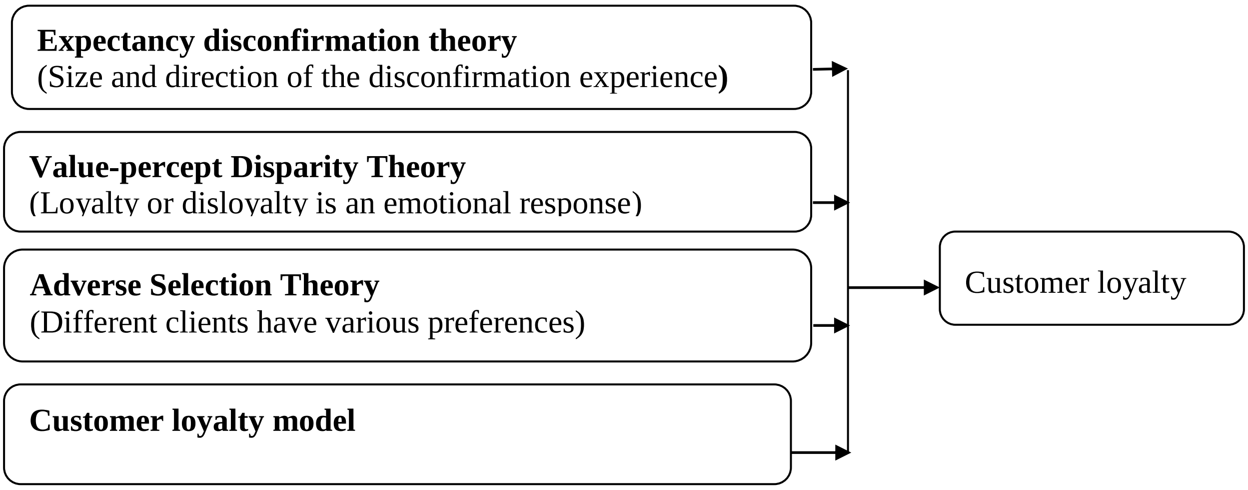
Rogers, 2016). This model lays the groundwork for hotels to identify, differentiate, interact with, and adapt their offerings to clients in order to increase customer loyalty. As a result, this theory is most adapted to explain how the independent factors (brand perception, price regimes, service quality, and product diversity) influence the dependent variable customer loyalty. This model is relevant is explaining the dependent variable customer loyalty.

2.1.5 Theoretical Framework

The Figure 2.1 shows the various theories applied in the study.

Figure 2.1

Theoretical Framework



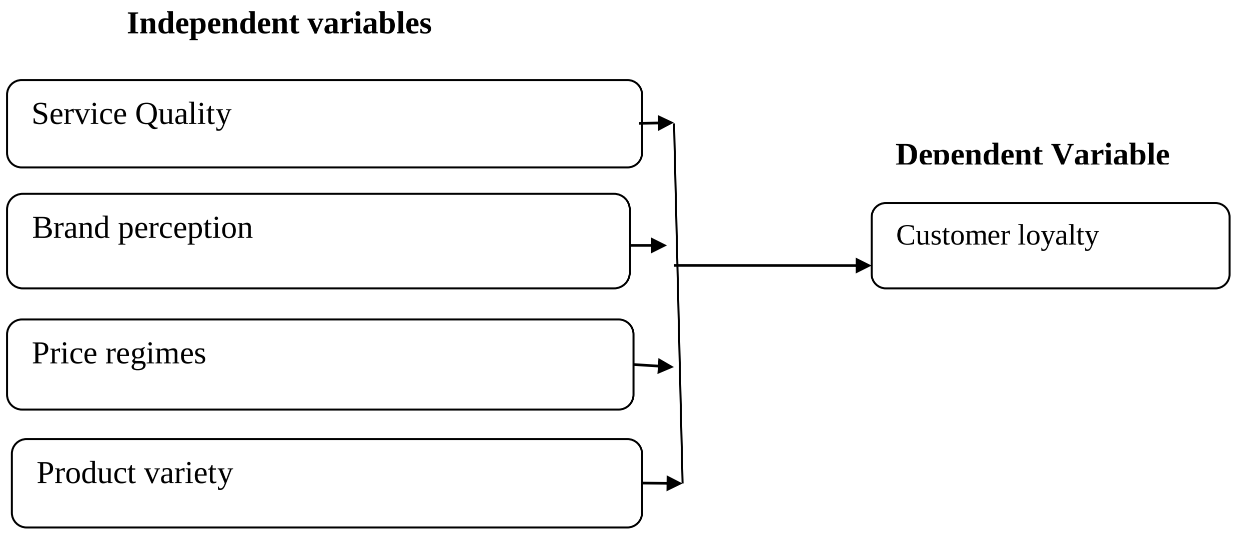
The research generalizes all the theories into a single model, which will be utilized to providing testable conditions to evaluate and establish the factors that influence customer loyalty on commercial banks in Nairobi, Kenya. All these theories point to the fact that when it comes to clients' engagement with banks, the extent to which a response is followed by a reward strengthens it either positively or negatively. Reward also leads to a judgment that the attaining was satisfactory, and therefore has the potential to influence brand beliefs, satisfaction levels, and attitudes. If there are good effects in the act of purchase, use of the unit, and vice versa, the likelihood of engaging in a similar buying act will be raised.

2.2 Conceptual Framework

The conceptual framework of this study will focus on four independent variables namely; brand perception, price regimes, and service quality and product variety. The dependent variable of this study is customer loyalty with reference to the case study of commercial banks in Kenya. Figure 2.2 shows how the various independent variables influence the dependent variables.

Figure 2.2

Conceptual framework



Service quality determines how satisfied the customers and hence loyalty since customers tends to be loyal to organization that offer satisfying products. Brand perception refers to the brand image that the state in which the name is linked with the business as a whole rather than a specific product. Price regimes refer to the price that the customer has to pay for the services offered by the bank and product variety offers customers different products accessible at the bank. Finally customer loyalty stems from a consistent positive emotional experience, physical attribute-based satisfaction, and the perceived value of an experience, which includes the product or services, and is influenced by service quality, brand perception, pricing regimes, and product variety.

2.3 Empirical Review

This section reviews various literature from previous studies on the relationship between the study variables. Literature is reviewed under the themes of customer loyalty, service quality, brand perception, price regimes and product variety.

2.3.1 Brand Perception

According to Rahi (2016), understanding customer loyalty necessitates first knowing the client's loyalty. Their study focuses on the link of customer pleasure and loyalty. The four types of loyalty (cognitive-cognitive, emotive, conative (with the need to act), and decisive) were studied in depth by the writers. The brand reflects the entire product experience that customers have, and it protects both the buyer and the manufacturer from rival firms who try to sell products that look the same (Chao et al., 2015).

Customer loyalty, according to Saleem et al. (2015), has a cognitive and active component. Expectations and perceived performance make up the cognitive component, which is then translated into positive or negative pleasure. According to the authors, satisfaction of customers and their loyalty research have revealed that satisfaction, market position, service reliability, and effectiveness all impact consumer loyalty and readiness to pay much for services and suffer flaws in those services. A positive business image encourages people to buy by making decision-making easier for them. A strong brand can provide market leadership, a consistent or durable competitive edge, worldwide reach, a platform to grow operations, and long-term profits for a company. The image remaining in the mind of customers due to cumulative experience, attitudes, feeling and idea, memory kept, changed into positive or negative implying retrieved to develop an image and remembered in the motioning of that firm name is heard or comes to a person's mind is the image (Abosag & Farah, 2014).

According to Esmaeilpour (2015), a brand is a distinctive title or sign, like a logo, trademark, or package design, used to classify and differentiate the goods or services of a seller from those of rival companies. The brand reflects the entire product experience that customers have, and it protects the buyer and the manufacturer from rival companies who try to sell products that look the same (Esmaeilpour, 2015). A brand name is an ethereal representation of a physical object that serves as a surrogate for the unique features of products or services, and is more closely linked to the company's reputation than to the products it sells. The establishment of brand equity and the branding process are both supported by a strong brand name. In traditional brand measurement, attitudes and knowledge are the most important factors (Krystallis & Chrysochou, 2014).

According to Cheng et al. (2018), the perception on the superiority of a product, fortitude of a person, bonding socially, and their synergistic influences all play a part in eventual customer loyalty. Further examination of Oliver's thesis leads to the conclusion that loyalty is a feature of commitment known as the attitudinal or emotional component of commitment, rather than a commitment itself (Daniel, 2016). Customers' expectations and, as a result, contentment with a product or service are frequently influenced by a brand's image. A firm’s image is a vital variable that positively affects marketing operations. It refers to the perspective or mental picture a client has of a brand and is developed by his or her response, if reasoned or emotional. Customers' perceptions of the goods and services given are thought to be influenced by image (Rorio, 2015). As a result, customer buying behavior will be influenced by image. The goal is to elicit a favorable emotive reaction in customers, so that they purchase brands based on their physical qualities and functions, as well as the symbolic connotations connected with the brand, product, or service. The image will be influenced by the customer's experiences, feelings, and trust during its construction. According to Magasi (2016), firm image is linked to its physical and behavioural features, like the name, architecture, product/service diversity, and the perception of excellence conveyed to clients by each employee who interacts with them. Brand reputation has been defined in the marketing literature of goods as a sense of quality linked with the name.

Corporate image was highlighted as a vital aspect in the evaluation of service and firm early on literature in service marketing. According to Johnson (2016), to be able to attract novel and maintain the present customers, many firms five compound and loud information environment like public relations, adverts and direct marketing in addition to image as a factor of build-up of purchase/usage experiences for some time. Anticipated quality derived from consumer wants, communication in the market and word of mouth) and known quality derived from function and technical quality are the two components of the perceived quality model). The services types given and telecommunications networks used can be used to segment the mobile telecommunications industry (Mang'unyi et al., 2017).

2.3.2 Price Regimes

The amount of money a firm charges in relation to the quality of the product might have an impact on brand loyalty. From the viewpoint of a consumer, something's monetary cost is what is surrendered in order to get a commodity (Iddrisu, 2017). As a result, price is frequently conceptualized and branded as a sacrifice in studies on related themes. The idea of pricing has three parts: goal price, supposed non-monetary price, and sacrifice (Pérez & Rodriguez del Bosque, 2015).

According to Steenkamp (2017), price is one of the most variable marketing mix elements that may be modified fast once specific product and service attributes have changed. Furthermore, price selections are most effective when they are coordinated with other marketing mix aspects such as product or service, location, and promotion. In terms of the price-loyalty link, research has revealed that pricing is one of the factors of client loyalty

(Esmaeilpour, 2015). Customers consistently examined the amount charged for the service when asked about the value of services given. It was often since they lacked a price reference that consumers did not consider pricing when making judgments about the quality of service.

According to Rahi (2016), the effective starting of a business is the creation of a product or service, its sale, and promotion, and the optimal pricing determination ensures income. Similarly, many scientists believe, and Means (2017) confirms, that service price is the only marketing mix ingredient that generates revenue for a company. A happy customer is crucial to the bank's success. Maintaining a loyal customer takes five times little effort, time, and money than acquiring a novel one. Such a consumer is prepared to pay high costs, acts as free advertisement for the bank, and is more likely to buy more goods (Petzer et al., 2017).

Customers who are loyal are usually willing to pay a greater price and are more understanding when things go wrong. According to Morgan and Govender (2017), reliability demonstrates the service provider's being able to provide dependable and accurate services. Furthermore, it entails getting it right the first time, and it is a critical customer service element (Obioha & Garg, 2018). It is stated that being dependable is an extremely crucial attribute to possess, particularly in the banking profession (YuSheng & Ibrahim, 2019). In order to improve service quality, reliability must be improved. This is due to the fact that when a company is unreliable, it communicates a lack of interest in what consumers care about. Consumers can create a poor impression of the company and will quickly shift to a rival (Kabira, 2015).

Customer loyalty is commonly defined as a deliberate assessment of the ratio on price/quality, as well as a readiness to pay a higher price, or as price indifference. Many types of service firms find it difficult to maintain a higher level of dependability on a daily basis. Customers see, experience, and rate service industry blunders as soon as they interact with the company (Rorio, 2015). When it comes to services, there is a lot of variation in this industry. Because each employee differs from the others in personality, abilities, and attitudes, it is a challenge for providers of services to control the alterations (Macharia, 2017). Giving services as vowed, reliability in managing customer services concerns, completing services correctly, and preserving error-free documentations are all essential parts of reliability (Richard, 2016).

There is little evaluation of theoretical creation of perception of price in services (Walker et al., 2018). This research reveals that in each trade transaction, the sense of price fairness is critical. The gain-loss ratio experienced by the sides in the exchange determines the impression of fairness. The benefit for the consumer is the product that will be obtained, while the loss is the money that will be paid. Perceived negative pricing disparity occurs when a customer pays a greater price, or when they obtain a lower-quality product than expected. Positive price inequity, conversely, might arise from getting a huge or improved product than those who paid the same price a similar price, or paying a lesser price but getting a similar product.

Pricing plans are on the basis of price decisions created by top leaders in order to enhace the organization's position and profitability (Rorio, 2015). The buyers' bargaining power is determined by effects of sunk investments, awareness on substitutes, end benefits, total expenditures and cost sharing, which are all influenced by the company image, geographic location, sensitivity on price, discounts and discrimination in terms of price. Top management, on the other hand, is in charge of developing price strategies. They must take into account the effects of price service on structure of marketing, technology, and other alterations in the external environment.

2.3.3 Service Quality

Customer loyalty is based on the level of service provided. Delivering great services to clients is critical in today's world since it allows for achievement and existence in the competitive financial industry. Customer satisfaction is defined by its relationships with the conceptions of quality and loyalty (Amin, 2016). Many banking clients identify quality with zero flaws and first-time proper delivery, making it a predictor of customer satisfaction, according to the report. Providing high-quality services allows businesses to deal with competition, this allows customers to be satisfied, making customer loyalty a better predictor of customer retention (Kaura et al., 2015).

According to Kiran and Diljit (2017), service quality is another component of customer loyalty since it allows consumers' expectations to be realized. Situational variables, future intentions, complaint handling, and service characteristics are all aspects that affect loyalty. The attitude of bank personnel toward clients' financial demands has a substantial impact on overall customer loyalty. Feelings that customers have while dealing with a commercial bank have a big impact on loyalty, according to Izogo and Ogba (2015).

According to Kasiri et al. (2017), intangibility of service makes consumers' quality ratings more challenging than for tangible things. This viewpoint is based on people's natural aversion to evaluating things they can't touch. Because services are intangible, they are a far more subjective product. Quality is a reflection of how we feel and our personal preferences. Because of this reliance on subjective feelings, what constitutes high-quality service may change from person to person. Overall e- banking service quality is highly related to overall consumer loyalty in New Zealand banks, according to Ngo and Nguyen (2016). They went on to say that providing high-quality online services is necessary to maintain or improve the banks' customer loyalty.

Customer loyalty is used to determine the efficacy of the service delivery process by determining the quality of service and offering exceptional consumer service (Izogo, 2017). Customer satisfaction measurement, according to Kiran and Diljit (2017), provides rapid, meaningful, and objective respond on consumer prospects. Vital consumer actions, like financial services cross-buying, positive word-of-mouth, readiness to pay a premium price, and a propensity to consider one's bank as a link bank, are crucial in gauging client loyalty, according to Bakar et al. (2017).

Age, gender, income, education, and experiences with bank services, according to Meesala and Paul (2018), are moderators of client loyalty in a variety of financial service industries. Age, gender, education, and income levels are also mentioned as major variables related with bank services and loyalty in the banking business. Kiran and Diljit (2017), for example, conducted research on the gender-related variables of retail bank choice in Nigeria. The findings revealed some disparities in the parameters considered by male and female clients when choosing a retail bank to patronize. Men, for example, are more likely to risk love than women.

The quality of a company's service is an important metric to use when evaluating its performance. In the telecommunications industry, service quality has primarily been studied in terms of technological and/or business strategy (Shabbir et al., 2018). The service quality instrument created by Petzer et al. (2017) has become the dominant conception and measurement of service quality. The arithmetic disparities in customer prospects and insights across the 22 assessment items were used to identify service quality as a factor of perceived quality. Service quality is further condensed using factor analysis into tangible, reliability, assurance, and empathy characteristics, which are universal across service contexts. However, empirical tests were used by a variety of authors to evaluate the number of dimensions and item stability across various businesses. They came to the conclusion that none of the research samples supported the five-component factor structure. As a result, service quality criteria are context-sensitive and ought to be chosen to match the service environment under investigation. Solomon et al. (2017) questioned service quality's lack of consistency and suggested that expectation is neither sufficient nor essential, thus they developed a results-only metric called the service performance tool. Existing research on service quality reveal that service quality meanings in the mobile telecommunications sector are highly variable, and do not appear to fit into a particular model.

The discrepancy between consumer expectations for a service to be gotten and views of the service's results has been characterized as service quality (Obioha & Garg, 2018). Service quality was described as the extent to which it meets the demands of clients. It can also be consumer's overall assessment of the services' relative inferiority or superiority (YuSheng & Ibrahim, 2019).

In the literature, a variety of variables or determinants for measuring service quality have been found. Customers' perceptions, expectations, satisfaction, and attitude are all factors that Adams et al. (2016) consider when evaluating service quality. Despite the many approaches for assessing service quality, Mang'unyi et al. (2017) acknowledge that the SERVQUAL model is the most comprehensive attempt to conceive and quantify service quality. As a result, the SERVQUAL dimensions are used in this study to assess service quality among Kenyan commercial banks. The SERVQUAL aspects provide the foundation for measuring service quality: tangibles, dependability, responsiveness, assurance, and empathy (Singh & Anand, 2019).

2.3.4 Product Variety

Customers typically acquire things to match their financial expectations. So, businesses should price their products based on their quality, which will attract customers and maintain long-term relationships (Marakanon & Panjakajornsak, 2017). According to Steenkamp (2017), the company ought to make sure they are offering a full service which is comparable to worth of money. This would increase the customers number and preserve the consumer firm association for a period of time. Also, present customers would help attracting novel ones by providing or dissemination information regarding a financial institution's product diversity. Satisfaction means feelings of accomplishment that individual have after getting what they desire or wasn’t. It is a challenge to determine whether customer is satisfied with the product diversity that's available. So, giving client satisfaction is difficult, since numerous aspects ought to be taken into account.

Customers frequently seek value in complete services, which requires internal organization across departments with the duty for various areas of the offering, like the main product (goods or services), its delivery, product certification, and so on. As a result, businesses must learn a lot more about their customers than they did in the past. However, the organization ought to have the ability to create trust with customers so that feedback may be gotten easily. This is the manner products that are customer focused might be created (Martinelli et al., 2015).

Customer pleasure is fluid and ephemeral. Only the concept of "customer-centricity" can assist firms improve customer satisfaction and retention; conversely, when competitors enhance consumer satisfaction, corporate clients could be lost. The expectations of consumers out be put into account when boosting customer happiness (Iddrisu, 2017). Customer happiness is impacted directly quality of services, products and money value. Prior to gaining client happiness, employee satisfaction is also vital. Staff that have a favorable influence on consumer can be a significant part in increasing satisfaction of customers. Satisfaction is a fluid, changing aim that can change over time as a result of a variety of things. Satisfaction can be significantly variable dependent on where in the usage or experience cycle an individual is concentrating on, moreso when product usage or service experiences takes place across time (Rudawska, 2014).

Specific features of a product and perceptions of quality have an impact on satisfaction of customers. Customer satisfaction is also impacted by emotional responses, attributions, and equitable perception. Rise in the satisfaction of customers can lead to rise in the loyalty of customer, increase in the consumers life cycle, an extension of the life of items acquired by the consumer, and an rise in positive word of mouth communication. When a customer is satisfied with a product or service from a company, they is high possibilities to buy again and recommend the company's products or services to people. It is difficult for a company to grow if it disregards or consumer needs (Martinelli et al., 2015).

2.3.5 Customer Loyalty

Customer loyalty refers to a desired response to a service or a corporation. This comprises the chance of future service contract renewals, the possibility of the consumer changing their support, the possibility of positive word-of-mouth, and the probability of customers supplying voice. Management finds the firms incapacity to please its clients via two response ways: leave and voice, if true alternatives exist or switching barriers are minimal (Wu & Li, 2018).

According to Ozuem et al. (2016), a customer's overall judgment of an offering's success to date is characterized as customer loyalty. This complete satisfaction has a significant beneficial effect on customer loyalty intentions across a wide range of product and service categories (Wu & Li, 2018). Customer satisfaction is determined by a customer's interactions with a company's products, sales process, and after-sales service. The performance of the offer in accordance to the customer's expectations also influences whether the consumer is satisfied after purchase. Customers create their expectations based on previous purchasing experiences, recommendations from friends, and information and promises from marketers and competitors.

In service businesses, customer loyalty means a consumer's commitment to conduct business with a specific company, purchasing their products on a regular basis, and referring others to the company's offerings. According to Ali and Raza (2017), customer loyalty is the consequence of a firm providing a benefit to customers in order for them to continue or increase their purchases from the company. They claim that true loyalty is achieved when a customer becomes an advocate for the company without being compensated.

Long-term client retention in competitive marketplaces, according to Clark (2001), necessitates the supplier going beyond basic satisfaction to cultivate loyalty in order to protect against rival attack. According to Weinstein (2016), identifying and satisfying customer demands leads to increased customer retention. Due to fierce competition and greater consumer expectations, loyalty of customers in banking has been a key source of concern for practitioners. Customer loyalty is regarded as an important link and goal for organizational success, profit, and company performance. Consumers who are most loyal to a product or service activity are more likely to repurchase and spend more money. Consumers that are loyal not only boost the value of a company, but also allow it to keep costs low than those linked with obtaining novel customers (Bing & Wahid, 2016).

Many firms in Africa are focusing their efforts today on strategies to improve customer loyalty by tailoring goods and services to the needs of their clients. Measuring customer loyalty thus provides insight into how well a company is operating in terms of supplying products or services to its customers. Customers expect the highest possible quality from a product or service at the lowest feasible price. However, client group or industry perceptions of the best product or service and lowest pricing can differ greatly. A firm or organization must measure customer loyalty so that to get a complete picture of clients perception (Macharia, 2017).

According to Hill and Alexander (2017), profitable customers are maintained customers, and customer retaining rates might be linked to profitability. Client loyalty was discovered to be the driving force behind a higher rate of customer retention in many South African businesses. Other researchers discovered that customer satisfaction influenced purchase intent and customer loyalty. Consumers in the banking industry confront a huge challenge, according to Kabira (2015), with the times given for services delivered. They aren't adaptable; some only work on weekends. Aside from banking hours, customers find queuing at some banks to be inconvenient, especially when the institutions have promised faster service. This has a negative impact on client loyalty.

Customers in today's markets aren't as devoted to a single bank as they formerly were. As a result, Kenya's big banks are being forced to rethink how to build a strong consumer base that will not be jeopardized even in the face of fierce competition. Those banks who have a pool of consumers strive to keep them for long by assuring customer loyalty. Furthermore, gaining new clients and making large profits are still objectives to be met. This is only feasible if clients are pleased with the service provided (Kumar & Reinartz, 2018)

Customers choose banks for investing funds mostly because of their trustworthiness and reputation, according to Tabrani et al. (2018). Customers are frequently assured of security during transactions by banks. Customers will have more faith and trust if the desired service is provided by staff. Customer needs, total value of customers, and total customer cost, according to Bouma et al. (2017), influence the extent of expectations. Customers go through several stages while purchasing a product or service, according to researchers that study customer choice. The buyer's qualities have an impact on the purchasing choice. These include cultural, psychological, social and personal factors.

Customers of commercial banks, according to Bing and Wahid (2016), anticipate prompt responses to requests. As a result, they should not be ignored or postponed only because there are underlying difficulties. Some businesses give online help to customers, allowing them to get rapid answers to their questions. Email and phone requests ought to be evaluated on a case-by-case basis and answered to as needed (Bing & Wahid, 2016).

According to Rorio (2016), a firm and its employees ought to be prepared to answer to consumers' questions regarding the products and services they offer. Consumers want to interrelate with business people who are eager to answer quickly to questions regarding the product or service they are marketing or selling. This offers a bank a competitive edge over its competitors in terms of customer retention. It represents staff' preparedness and ability to service clients as quickly as possible. The methods used to keep customers informed when difficulties arise, according to So et al. (2016), can enhance or weaken the connection. Keeping clients up to date on what's going on can have long-term consequences for the connection. Firms miss an opportunity to develop customer connections with banks by letting customers sort out their difficulties and not being proactive.

According to Shabbir et al. (2018), no matter how proficient you are at work, you should always deliver great service to your consumers. These include responding quickly to consumer questions and inquiries, as well as keeping your clients informed. Customers' rapid comprehension of the firm is demonstrated by salutation them cheerfully, concerning them in determining what they have come for, and answering swiftly and precisely to enquiries. Failure to do so may result in lost business or a tarnished reputation for the bank. According to Maranga (2017), some stakeholders criticized regarding the service quality at KCB branches at the KCB Annual General Meeting. Even with the bank's better technology, some employees were unable to provide acceptable service. Furthermore, a growing number of KCB clients have recently been left stranded or severely disrupted as a result of a technological glitch. Angry clients have besieged the bank's Twitter account with concerns about account balances and bad service (Shabbir et al., 2018).

According to Salim (2014), a firm’s capacity to maintain present customers at a quicker rate than it attracts novels ones is critical to its financial success. As a result, competent managers should recognize that consumers are essential not only for recruiting novel consumers, but also for retaining present customers, pushing them to spend more, and encouraging them to suggest products and services to others. Customer loyalty could be separated into two types: attitudinal and behavioral loyalty (Ali & Raza, 2017). The term "attitudinal loyalty" refers to a consumer's attitude toward loyalty as measured by consumer preference, purchasing intent, supplier prioritizing, and inclination to suggest. Behavioral loyalty, on the other hand, is linked to buy shares and frequency. There is evidence that a higher connection commitment leads to recurrent purchases from customers.

Evans (2018) defined behavioral loyalty is a compound metric based on a customer's acquiring frequency and quantity spent at a retailer in comparison to other stores from whom the consumer purchases. Shabbir et al. (2018) discovered substantial links between a buyer's link assurance and his acquiescence, likelihood to depart, and collaboration, all of which could be considered relationship behavioral outcomes.

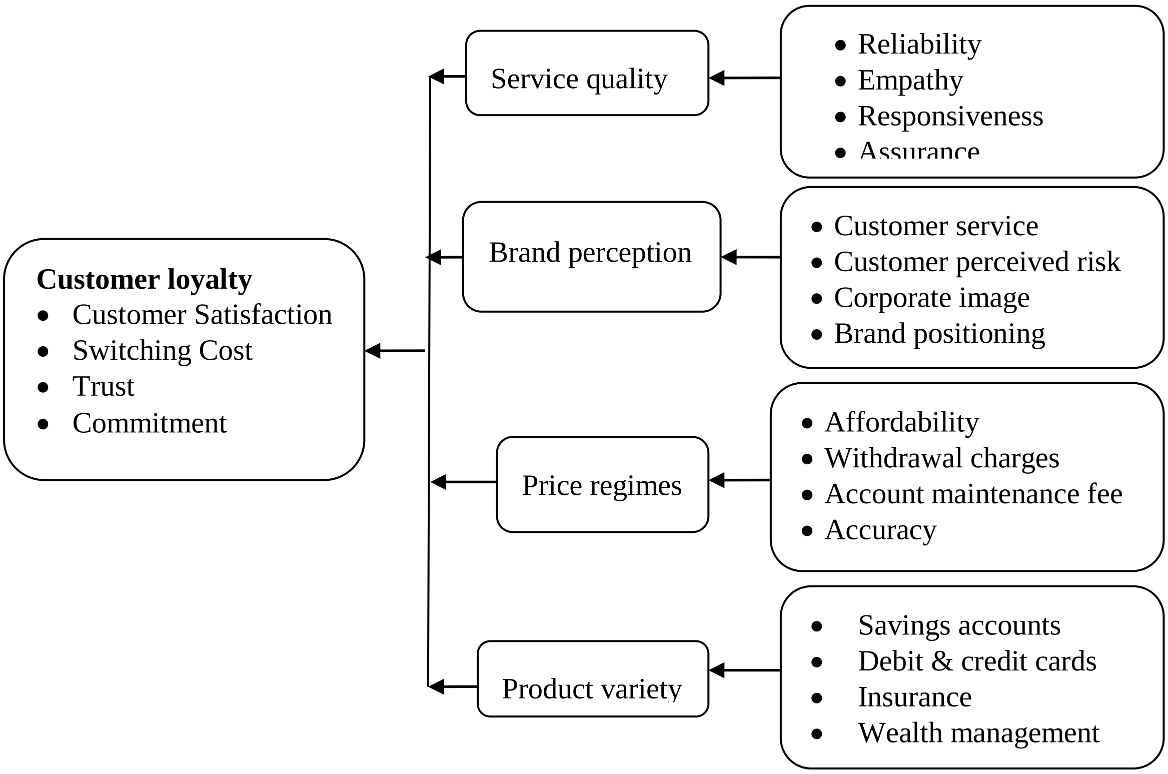
2.4 Operationalization

The Figure 2.3 shows the various operationalization of the study variables.

Figure 2.3

Operationalization Framework adopted from Kabira (2015).

Statistics/Parameters **Independent variables** **Dependent Variables**



2.5 Summary

This chapter analyzed other scholars' and researchers' work on the issue of the elements that influence client loyalty in Nairobi, Kenya's commercial banks. It began by going over the study's theories where it looked at the expectancy disconfirmation theory, value-percept disparity theory and adverse selection theory. The study also discusses the conceptual framework and later operationalized it.

Moreover an empirical literature review is conducted where the literature revealed that in the banking industry's highly competitive, complicated, and dynamic environment, minor variances in financial services and products, along with a more demanding customer, have resulted in a significant transformation. This requires that the banks do more if it is to increase the level of their customers' satisfaction and improve their chances of continued transacting. This has resulted in the introduction of banking services via electronic channels (e-channels), such as ATMs, personal computer banking, and phone banking, which have given a more convenient way to obtain financial services. Therefore, leading to the study focus on the influence of brand perception, price regimes, service quality and product variety influences customer loyalty on commercial banks in Nairobi, Kenya.

2.6 Research Gap

The study looked at what other scholars had to say about the primary study objectives by reviewing literature linked to them. Several studies have been carried out in relation to banks' customer loyalty. For instance, customer loyalty in Pakistan was studied by Abbassi et al. (2016), who discovered a positive link in customer happiness, trustworthiness, and consumer loyalty. The study however was done in a different country while the current study was based in Kenya. Kazi (2009) looked into the factors that influence loyalty of customer to retail banks in Kenya, where it was found that service quality and consumer loyalty are of paramount importance. This study however just looked at on bank while the current study looked at all commercial banks. This case was also similar to that of Mwaura (2015) who focused on factors affecting customer loyalty at cooperative bank of Kenya and Kabira (2015) who investigated that factors influencing customer loyalty between Kenyan Commercial Banks at Family Bank Kenya. Moreover, Maduku (2013) evaluated aspects of customer loyalty in Kenya's retail banking sector and discovered that the quality of services provided to consumers has a significant impact on their commitment to their banks. The study however did not have various variables that were studied in the current research. Also, the study used the correlational research design. It is as a result of these gaps that this study focused on the elements influencing customer loyalty in tier one, two and three.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This section describes the research approach that was used to conduct the study. Research design, demographic, sample size and sampling strategy, data collection method, and data analysis and presentation are all included.

3.1 Research Design

The descriptive survey design was used in this investigation. According to Lewis (2015), the primary goal of descriptive research is to describe the current situations. It is a method of acquiring data in which a group of individuals is interviewed or given a questionnaire. According to Creswell and Creswell (2017), when utilizing this design, the researcher made sure to write questions that elicited the required information, identify the people who were surveyed, identify the survey methodologies, and summarize the findings in a way that supplied the descriptive information that was intended.

This study incorporated both qualitative and quantitative methods. Quantitative research is based on determining the quantity or amount of something. It's useful in research when data needs to be expressed numerically. On the other hand, qualitative research is concerned with facts relating to or concerning quality or kind. It's very beneficial for figuring out what people's true motivations and desires are (Gorard, 2013).

3.2 Target Population

The population of this study was commercial banks in Tier 1, Tier 2 and Tier 3 bank branches in Nairobi CBD where Tier 1 has 5 banks, Tier 2 had 13 banks and Tier 3 had 18 banks. The study focused on commercial banks in Nairobi because majority of the commercial banks in Kenya have their headquarters in Nairobi hence easier to access that any other county in the country. The study targeted the banks customers since they are in position to assess their own loyalty to the banks. The unit of analysis was customers (retail and corporate) from Tier 1, Tier 2 and Tier 3 commercial banks branches in Nairobi CBD were 1199327 as shown in Table 3.1.

Table 3.1

Target Population

	Target population	Percent
Tier 1	286075	23.8
Tier 2	336421	28.1
Tier 3	576831	48.1
Total	**1199327**	**100**

Source: CBK Banking Supervision Section Survey report (2020)

3.3 Sampling Procedures

Sampling is the deliberate selection of a group of people from which conclusions can be drawn about a larger group that these people represent (Meyers et al., 2016). The sample size refers to a portion of the population that is assumed to reflect the total population. This study used a mix method of sampling. In this case the study selected banks from Tier 1, Tier 2 and Tier 3 commercial banks branches in Nairobi CBD using census. Stratified r and simple random sampling were used to select customers from each of the banks. Stratified random sampling is an unbiased sampling approach that divides a heterogeneous population into homogeneous subsets and then selects from each subset to ensure representativeness. Then simple random sampling was used to pick respondents from each stratum. The sample was distributed among the strata as shown in Table 3.2. The ration in Table 3.2 was computed as follows:

384/1199327= 0.00032

In this study, the sample size was calculated using the Krecjie and Morgan table of sample size determination as shown on Appendix VII to guide the selection of respondents. This was done according to the Krejcie Model. According to Krejcie Model:

$$n = \frac{X^2NP(1-P)}{d^2(N-1) + X^2P\,(1-P)}$$

Where: n = desired sample size

N = Target population

P = Population proportion

d = degree of accuracy expressed as a proportion

$X^2 = 3.841$ at 95% confidence level

The formula suggests that the sample size is 384 for a population more than 10,000. Therefore, the target population for this study was 384 as shown in Table 3.2.

Table 3.2

Sample Size

	Target Population	Ratio	Sample size
Tier 1	286075	0.00032	92
Tier 2	336421	0.00032	108
Tier 3	576831	0.00032	184
Total	**1199327**		**384**

3.4 Data Collection Instruments

Self-administered questionnaires were utilized to obtain primary data. The questionnaire includes both open-ended and closed-ended questions about the factors that influence customer loyalty at commercial banks in Nairobi, Kenya. The open-ended questions were designed to encourage the respondent to give a personal response without feeling constrained, whereas responses to closed-ended questions were based on a limited set of options. According to Yin (2017), open ended or unstructured questions allow respondents to give more detailed responses, but closed or structured questions are easy to analyse. Because they were ready to use right away, the questionnaires were used to save time and money while also making analysis easier.

The questionnaire constituted two main parts. Part one enabled the researcher to gather demographic characteristics of the respondents like gender, bank duration as a customer, respondents' age, and the highest educational level achieved. Part two constituted the research questions based on the four research objectives and questions. The questions sought the views of respondents on the factors that influence customer loyalty on commercial banks in Nairobi, Kenya.

3.5 Data Collection Procedures

Once the project was accepted by the university's academic body, the researcher began collecting data by receiving an introduction letter from the university, which she showed to each responder in order to obtain the information she needed. Relational skills such as creating rapport, persuading respondents to disclose essential data, and asking clarifications when necessary were taught to research assistants who administered questionnaires. The drop and pick method was used in administering questionnaire as it gave respondents adequate time to give responses which are well thought as was observed by Wang (2015). Once the respondents were done with the questionnaires, they would drop them at the customer care desk. Only respondents who had been banking with the banks for while would participate in the study.

3.6 Pilot Study

Pilot testing is putting the research questions to the test on a study group that is identical to the one under investigation (Kumar, 2014). The questionnaire was used to undertake pilot testing of the research instruments with 38 respondents, accounting for 10% of the total sample size. The goal of the pilot test was to determine the study instrumentation's validity and reliability, as well as to improve face validity. Reliability and validity were assessed based on the pilot results. Personal interviews, according to Sekaran and Bougie (2010), should be used to conduct questionnaire pre-so that to observe the respondent's reactions and attitudes. Pre-testing was done on all areas of the questionnaire, including the content, language, sequencing, question difficulty, form and layout and instructions. Before it was presented to the study respondents, the input was used to develop the questionnaire.

3.6.1 Validity

Personal interviews, according to Sekaran and Bougie (2010), should be used to conduct questionnaire pre-tests in order to see the participant’s reactions and attitudes. Pre-testing was done on all areas of the questionnaire, including the content, language, sequencing, form and layout, instructions and question difficulty. The response was used to improve the tool before it was given to the study respondents. The factor analysis was used to assess the validity.

3.6.2 Reliability

The degree to which a study tool generates identical outcomes under similar settings on different occasions is referred to as instrument reliability. It refers to how consistently it measures what it is required to determine. The question of if a study's outcome are reproducible is resolved by reliability. It is generally considered acceptable to have a build total reliability co-efficient (Cronbach's alpha (α) of 0.7 or above (Silverman, 2016). In this study, a co-efficient of 0.7 or above was judged sufficient for all constructs. Cronbach's alpha (α), which is calculated as follows, was used to determine the study instrument's reliability coefficient:

$\alpha = k/k\text{-}1 \times [1\text{-}\sum (S2)/\sum S2sum]$

Where: α = Cronbach's alpha

k = Number of responses

$\sum (S2)$ = Variance of individual items summed up

$\sum S2sum$ = Variance of summed up scores

3.7 Data Analysis

The most recent version of the Statistical Package for Social Sciences (SPSS Version 28) was adopted to analyse data. For all of the quantitative variables, descriptive statistics like frequencies, percentages, mean score, and standard deviation were calculated, and the data presented in 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 open-ended questions' data was analysed by use of conceptual content analysis and presented in prose.

Regression and correlation analysis were used to perform inferential statistics. To establish the relationships between the predictor and response variables, regression analysis was performed. Since the approach involves two or more predictor variables to forecast a response variable, regressions were used. The following equation was assumed in the study regression model;

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

Where: Y= Customer loyalty

β_0=constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficients

X_1= Brand perception

X_2= Price regimes

X_3= Service quality

X_4= Product variety

ε=Error Term

3.8 Ethical Considerations

This work followed proper research processes and, to the extent practicable, recognized all sources of information. The respondents' consent was requested and provided before the questionnaire was conducted. The respondents were informed that they had the option of declining to participate in the poll. When dealing with questionnaires, complete secrecy was maintained, and the respondents' identities were kept secret and discreet.

Personal data was solely used for the purposes of this study, and the names of the respondents were never shared with anyone else. Any possible constraints to the confidentiality of any data provided were made clear to respondents. In all study materials, processes were present to preserve the confidentiality of data and the anonymity of the respondents. The study's findings were made available to the respondents.

Prior to beginning field work, the researcher must first get a research permit from NACOSTI. The study also requested a letter from the banks requesting permission to conduct research and stating that the study is just for academics. For the objectives of this proposed study, the researcher will use an informed consent form from Kenya Methodist University. The researcher will ensure that the respondents understand that their participation in the study is voluntary and that they have the ability to withdraw at any moment by using the permission form.

The researcher will follow the principle of confidentiality by ensuring the respondents that the information they provide will be kept private and will not be shared with anyone outside the study team. The researcher will ensure that the study's findings are solely used for scholarly purposes. In order to maintain anonymity, the researcher will disclose findings using non-identifiers and pseudonyms. The researcher will make the study findings available at the University of Nairobi Library and the County Government Department of Health, as well as the study respondents, through a validation workshop.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter explains how to understand and present the results of the field research. The background information of the respondents is presented in this chapter, as well as the outcomes of the analysis on the basis of the study's objectives. The study's findings were discussed using descriptive and inferential statistics.

4.1.1 Response Rate

Only 278 of the 384 questionnaires distributed by the researcher were returned fully completed. This represented 72.4% which was within what According to Creswell & Creswell (2017), a response rate of 50% is appropriate for analysis and reporting; a rate of 60 percent is good, and a rate of 70% or more is exceptional. The response rate was rated excellent based on the assertion. The results are indicated in Table 4.1.

Table 4.1
Response Rate

	No. of Respondents	Percent
Responded	278	72.4
Did not respond	106	27.6
Total	**384**	**100.0**

4.1.2 Validity Analysis

Golafshani (2003) defines validity as the accuracy and importance of interpretations gotten from study results. One of the main objectives for carrying out the pilot study is to ensure the questionnaire's validity. The researchers used both face and content validity to establish the survey's validity. The content validity of a large domain of items equivalent to those on the exam is inferred using test scores. The sample population's representativeness is a concern for content validity. The knowledge and abilities of the test items ought to be representative of the larger realm of information and capabilities.

The validity of the questionnaire was determined using exploratory factor analysis. The fundamental constructs were expected to account for the biggest percentage of variance explained by the share of variables. Table 4.2 provides the communalities.

Table 4.2

Communalities

	Initial	**Extraction**
The services provided by my bank are reliable	1.000	.687
The bank responds promptly to my complaints	1.000	.788
The personnel in my bank understands my needs and are friendly and ready to assist	1.000	.808
The bank employees are always willing to help	1.000	.889
The bank systems are highly reliable	1.000	.827
The bank assures that the customers deposits are insured	1.000	.826
The banks ensures that the services are offered at affordable costs	1.000	.838
My bank strives to charge favorably on cash withdrawals	1.000	.897
My bank doesn’t charge maintenance fee for various types of accounts.	1.000	.900
The bank charges competitive interest rates on loans	1.000	.878
There is accuracy on the fee amount charged on deposits, withdrawals and account activation	1.000	.659
My bank is known for offering the best customer service	1.000	.800
My bank has a strong strategy for conducting sales promotions	1.000	.665

I view my bank to be the best while conducting my banking transactions	1.000	.872
My bank is perceived to be strong and stable	1.000	.628
My bank has a strong brand positioning strategy where they identify themselves with their customers	1.000	.859
My bank has a high quality of customer experience	1.000	.742
I am most satisfied with the multitude of products in my bank	1.000	.836
My bank usually offers a variety of saving accounts which meets my banking needs	1.000	.868
My bank makes it possible to have both debit and credit cards	1.000	.903
The bank have insured the customers deposits with KIDC	1.000	.668
The bank offers insurance services on top of other banking services	1.000	.910
The banks mainly focuses on wealth management	1.000	.777

Table 4.2 shows the communalities that indicate the amount of variance in each variable that is accounted for. The initial communalities are estimates of the variance in each variable that all components or factors can account for. The extraction communalities are estimates of the variance accounted for by the components in each variable. Table 4.2 shows that all of the communalities are high, indicating that the extracted components well describe the variables. That example, if the communalities of a variable are low (between 0.0 and 0.4), it may not load considerably on any component. Because all of the variables in Table 4.2 have values more than 0.4, it may be concluded that they are all significant.

Table 4.3

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	8.111	35.264	35.264	8.111	35.264	35.264
2	3.028	13.164	48.429	3.028	13.164	48.429
3	2.113	9.189	57.617	2.113	9.189	57.617
4	1.547	6.726	64.343	1.547	6.726	64.343
5	1.372	5.965	70.308	1.372	5.965	70.308
6	1.287	5.596	75.904	1.287	5.596	75.904
7	1.069	4.646	80.550	1.069	4.646	80.550
8	.827	3.597	84.147			
9	.732	3.184	87.331			
10	.594	2.581	89.912			
11	.445	1.936	91.848			
12	.391	1.702	93.550			
13	.288	1.254	94.804			
14	.268	1.167	95.971			
15	.222	.967	96.938			
16	.180	.781	97.719			
17	.144	.628	98.347			
18	.111	.485	98.831			
19	.094	.410	99.241			
20	.088	.384	99.626			
21	.045	.196	99.822			
22	.021	.093	99.915			
23	.020	.085	100.000			

Principal Component Analysis retrieved 7 factors with an Eigen value of at least 1 from 23 input parameters. These seven factors are thought to be powerful, as evidenced by the component matrix. The 23 variables included in the table account for 80.550 percent of the total variation.

Table 4.4

Component Matrix

	Component						
	1	**2**	**3**	**4**	**5**	**6**	**7**
The services provided by my bank are reliable	**.704**	.103	.135	.336	.153	.162	.000
The bank responds promptly to my complaints	.489	.134	**.589**	.166	.168	.282	.219
The personnel in my bank understands my needs and are friendly and ready to assist	**.670**	.003	.576	.089	.105	.085	.001
The bank employees are always willing to help	.107	.094	.035	**.894**	.046	.009	.259
The bank systems are highly reliable	**.868**	.085	.045	.109	.064	.049	.215
The bank assures that the customers deposits are insured	.103	.224	.575	.087	.220	**.594**	.162
The banks ensures that the services are offered at affordable costs	.146	**.864**	.149	.042	.029	.215	.016
My bank strives to charge favorably on cash withdrawals	.457	.066	.416	**.643**	.231	.053	.201
My bank doesn’t charge maintenance fee for various types of accounts.	.402	**.819**	.148	.063	.021	.123	.162
The bank charges competitive interest rates on loans	.226	**.833**	.044	.021	.004	.293	.211
There is accuracy on the fee amount charged on deposits, withdrawals and account activation	.411	.084	.110	.176	.410	.044	**.519**
My bank is known for offering the best customer service	.008	.014	.087	**.743**	.081	.481	.040
My bank has a strong strategy for conducting sales promotions	.314	**.512**	.476	.159	.221	.038	.044
I view my bank to be the best while conducting my banking transactions	.406	.166	.254	.380	.114	.257	**.626**
My bank is perceived to have a strong be stable	**.723**	.153	.090	.059	.082	.222	.116
My bank have a strong brand positioning strategy where they identify themselves with their customers	.418	.067	.015	**.667**	.165	.409	.200
My bank has a high quality of customer experience	.058	.233	.356	.299	.381	**.553**	.129
I am most satisfied with the multitude of products in my bank	**.742**	.011	.440	.102	.260	.104	.054

My bank usually offers a variety of saving accounts which meets my banking needs	**.824**	.082	.290	.054	.229	.185	.092
My bank makes it possible to have both debit and credit cards	.065	**.862**	.062	.053	.375	.082	.039
The bank have insured the customers deposits with KIDC	**.759**	.091	.061	.180	.191	.103	.008
The bank offers insurance services on top of other banking services	.013	.082	.113	**.904**	.259	.008	.076
The banks mainly focuses on wealth management	.276	.055	.345	.133	**.648**	.353	.127

Extraction Method: Principal Component Analysis.

a. 7 components extracted.

The findings made it possible to identify which of the variables fall under each of the seven main factors extracted. Dependent on the proportion of variation it clarified the complete variability of every factor, each of the 23 parameters was examined and put to one of the 7 factors. Because all of the variables exceeded the stipulated threshold of 0.40 in the component analysis, they all indicate good construct validity (Saunders et al., 2012).

4.1.3 Reliability Analysis

Cronbach's Alpha, which assesses internal consistency by determining if certain items on a scale measure the same construct, was then used to conduct a reliability analysis. The results of the reliability analysis are shown in Table 4.5.

Table 4.5

Reliability Analysis

	Cronbach's Alpha	**N of Items**
Service quality	.872	6
Price regimes	.730	5
Brand perception	.747	6
Product variety	.834	6

Following that, a reliability examination was performed using Cronbach Alpha, which examined internal consistency by determining if each item on a scale assesses a similar concept. The study's benchmark was revealed by Bell (2010), who set the Alpha value criterion at 0.7. The Table shows service quality had the greatest reliability (α= 0.872), the product variety (α=0.834), brand perception (α=0. 747) and price regimes (α=0.730). As their dependability values exceeded the stipulated criterion of 0.7, this shows that all four variables were trustworthy.

4.2 Demographic Information

This section focuses on respondents' demographic information including gender, bank duration as a customer, respondents' age, and the highest educational level achieved.

4.2.1 Gender of the Respondent

The researcher required to know the respondents' gender. The findings were as shown in Table 4.6.

Table 4.6

Gender of the Respondent

	Frequency	**Percent**
Male	162	58.3
Female	116	41.7
Total	**278**	**100.0**

The outcomes indicate that 58.3% of the participants were male while the rest were female as shown by 41.7%. As both genders were represented in the data gathering, this implies that the researcher was not biased.

4.2.2 Duration as A Customer with The Bank

The respondents were asked to indicate how long they had been customers in the bank. The results were as displayed in Table 4.7.

Table 4.7

Duration as a Customer with the Bank

	Frequency	Percent
Less than 2 years	56	20.1
2 to 5 years	103	37.1
6 to 10 years	51	18.3
11 to 15 years	24	8.6
16 years and above	44	15.8
Total	**278**	**100.0**

The outcomes reveal that 37.1% of the respondents had been customers at the bank for 2 to 5 years, 20.1% had been customers below 2 years, 18.3% had been customers for 6 to 10 years, 15.8% had been customers for a period of 16 years and above while 8.6% had been customers for a period of 11 to 15 years. This is an indication that many of the respondents had been customers long enough and could give reliable data on the subject of the study.

4.2.3 Age of the Respondent

The respondents were further required to indicate their ages. The findings were shown in Table 4.8.

Table 4.8

Age of the Respondent

	Frequency	Percent
30 years and below	38	13.7
31 to 40 years	40	14.4
41 to 50 years	77	27.7
51 to 60 years	72	25.9
61 years and above	51	18.3
Total	**278**	**100.0**

The outcomes indicate that the vast majority of those who responded as shown by 27.7% were of the age 41 to 50 years, 25.9% were of the age 51 to 60 years, 18.3% were 61 years and above, 14.4% were of the age 31 to 40 years while 13.7% were aged 30 years and below.

This is an indication that the respondents were mature enough and hence could comprehend and give the information being sought.

4.2.4 Highest Education Level of the Respondent

The study aimed to know the respondents' highest education level. Table 4.9 shows the results.

Table 4.9

Highest Education Level of the Respondent

	Frequency	**Percent**
Certificate	46	16.5
Diploma	124	44.6
First degree	43	15.5
Masters and above	65	23.4
Total	**278**	**100.0**

From the results, 44.6% of the respondents noted that they had accomplished a diploma, 23.4% had attained Masters and above, 16.5% had accomplished a certificate and 15.5% had achieved a first degree. This indicates that the majority of the respondents were well-educated, and as a result, they were able to comprehend the topic at hand and provide a coherent response without difficulty.

The respondents were also asked to show the factors that impact customer loyalty in a bank where they indicated that satisfaction with services, trust and commitment, the quality of services offered and switching costs. The respondents further indicated whether they had banks accounts in other banks. The outcomes were as shown in Table 4.10.

Table 4.10

Respondent Having Banks Accounts in Other Banks

	Frequency	**Percent**
Yes	100	36.0
No	178	64.0
Total	**278**	**100.0**

From the Table, 64.0% indicated they did not have other bank accounts in other banks while 36.0% noted that they did. This means that many of the respondents were loyal to the bank.

4.3 Factors that Influence Customer Loyalty on Commercial Banks in Nairobi, Kenya.

The study aimed to establish factors that influence customer loyalty on commercial banks in Nairobi, Kenya. Specifically, the study focused on influence of service quality, price regimes, brand perception and product variety on loyalty of customers in commercial banks in Nairobi, Kenya.

4.3.1 Brand Perception

The study aim was to evaluate the effect of brand perception on customer loyalty on commercial banks in Nairobi, Kenya. The researcher asked the respondents to show their perception of the bank's image. The findings are as shown on Table 4.11.

Table 4. 11

Perception of the Bank's Image

	Frequency	**Percent**
Very good	85	30.6
Good	111	39.9
Poor	27	9.7
Very poor	55	19.8
Total	**278**	**100.0**

The findings show that most of the respondents as represented by 39.9% indicated that the bank's image was good, 30.6% indicated that it was very good, 19.8% indicated it was very poor while 9.7% indicated it was poor. This implied that the bank's image was good.

The respondents were further asked to rank the elements in order of its importance to customer loyalty at the bank. Table 4.12 displays the findings.

Table 4.12

Elements that Affect Customer Loyalty

	Frequency	**Percent**
Customer service	109	39.2
Employees	6	2.2
Facilities	32	11.5
Cost	131	47.1
Total	**278**	**100.0**

The results reveal that 47.1% of the respondents noted that price regime as the element that affects customer loyalty at the bank, followed by customer service as represented by 39.2%, facilities as shown by 11.5% while employees was the least as shown by 2.2%. This implied that cost was the cause of customer loyalty at the bank. The respondents were required to show their agreement level on the statements relating to corporate image. This was as indicated in Table 4.13.

Table 4.13

Level of Agreement on Aspects of Corporate Image

	Mean	Std. Dev.
My bank is known for offering the best customer service	3.95	1.311
My bank has a strong strategy for conducting sales promotions	4.12	1.044
I view my bank to be the best while conducting my banking transactions	3.83	1.644
My bank is perceived to have a strong be stable	4.32	1.082
My bank have a strong brand positioning strategy where they identify themselves with their customers	3.90	.958
My bank has a high quality of customer experience	3.82	1.082

The findings show that the respondents strongly agreed that the bank is thought to be solid and reliable as demonstrated by (m = 4.32) and the bank has a strong strategy for conducting sales promotions as demonstrated by a (m= 4.12). The respondents also agreed that the bank is known for offering the best customer service as shown by (m = 3.95); the bank has a strong brand positioning strategy where they identify themselves with their consumers as indicated by (m = 3.90); the bank is the best while conducting banking transactions as indicated by (m = 3.83) and the bank has a high quality of customer experience as indicated by (m = 3.82). This conforms to Esmaeilpour (2015) who affirms that a branding reflects the entire experience customers have with items and shields the purchaser and the manufacturer from competitors trying to sell products that look the same.

4.3.2 Price Regimes

The study aimed to evaluate the influence of price regimes on customer loyalty on commercial banks in Nairobi, Kenya. The participants were required to rate the price regimes for services and products in the bank. The outcomes indicate that 34.9% of the respondents indicated that the price regimes for services and products in the bank were very fair, 30.2% indicated fair, 23.0% indicated unfair while 11.9% indicated very unfair. This implied that price regimes for services and products in the bank were very fair. The study also required to determine the level to which the respondents agreed on statements associated to service cost. Table 4.14 shows the results.

Table 4.14

Level of Agreement on Aspects of Service Cost

	Mean	**Std. Dev.**
The banks ensure that the services are offered at affordable costs	4.29	.800
My bank strives to charge favorably on cash withdrawals	4.48	.719
My bank doesn't charge maintenance fee for various types of accounts.	4.23	.714
The bank charges competitive interest rates on loans	4.51	.605
There is accuracy on the fee amount charged on deposits, withdrawals and account activation	4.36	1.092

From the outcomes, the respondents indicated that they strongly agreed that bank charges competitive interest rates on loans as indicated by (m= 4.51); the bank strives to charge favorably on cash withdrawals as indicated by a (m = 4.48); there is accuracy on the fee amount charged on deposits, withdrawals and account activation as indicated by (m = 4.36); the banks ensure that the services are offered at affordable costs as indicated by (m = 4.29) and the bank doesn't charge maintenance fee for various types of accounts as indicated by (m = 4.23). These finding are in accordance with Petzer et al. (2017) who argued that keeping a current client loyal takes five times fewer efforts, time, and money than acquiring a novel one, thus delighted customers are extremely important to the bank. Like consumer is prepared to pay greater costs, acts as free advertisement for the bank, and is more likely to buy more goods.

4.3.3 Service Quality

The study aimed to find out the influence of quality services on loyalty of customers. The respondents were requested to rate the service quality in the bank. The outcomes show that a large number of the respondents as shown by 40.3% rated the service quality of the bank as good, 39.6% rated it as excellent, 12.6% rated it as very poor and 7.6% rated it as poor. This implied that the service quality of the bank was good.

The researcher also asked the respondents to show whether the service quality affects the loyalty in the bank. From the results, 60.8% of the respondents were of the opinion that service quality affected the loyalty in the bank while 39.2% indicated that service quality did not affect their loyalty. This implied that service quality affected the loyalty in the bank. The researcher further required to know whether the following elements of service quality influenced client loyalty in the bank. The Table 4.15 shows the results.

Table 4.15

Elements of Service Quality

	Frequency	**Percent**
Empathy	52	18.7
Reliability	48	17.3
Responsiveness	55	19.8
Assurance	123	44.2
Total	**278**	**100.0**

The results show that 44.2% of the respondents showed that assurance influenced customer loyalty in the bank, 19.8% indicated responsiveness, 18.7% indicated empathy while 17.3% indicated reliability. The respondents were further requested to show the level to which they agreed on statements relating to service quality. This was presented in Table 4.16.

Table 4.16

Level of Agreement on Aspects of Service Quality

	Mean	Std. Deviation
The services provided by my bank are reliable	4.51	.768
The bank responds promptly to my complaints	4.50	.836
The personnel in my bank understands my needs and are friendly and ready to assist	4.40	.649
The bank employees are always willing to help	4.56	.732
The bank systems are highly reliable	4.45	.743
The bank assures that the customers deposits are insured	4.20	.991

The findings show that the respondents were in strong agreement that the employees at the bank are always willing to assist as indicated by a m = 4.56; the services provided by the bank are reliable as shown by a mean of 4.51; the bank responds promptly to complaints as indicated by m = 4.50; the bank systems are highly reliable as indicated by (m = 4.45); the personnel in the bank understand needs and are friendly and ready to assist as indicated by (m = 4.40) and the bank assures that the customers deposits are insured as demonstrated by (m = 4.20). These outcomes are in conformity with Kaura et al. (2015) who note that provision of high-quality services allows businesses to deal with competition; this also allows customers to be satisfied, making customer loyalty a better predictor of customer retention.

4.3.4 Product Variety

The study aimed to know how product variety influences customer loyalty on commercial banks. The research asked the respondents to indicate whether they were satisfied with services and product variety given by the bank. The results reveal that 64.0% were happy with the services and product variety given by the bank while the rest as shown by 36.0% were not. This implies that the services and product variety offered by the bank satisfied most of the customers. The respondents also indicated their agreement level with the statements relating to loyalty of customers. The outcomes were displayed on Table 4.17.

Table 4. 17

Level of Agreement with Aspects of Product Variety

	Mean	Std. Dev.
I am most satisfied with the multitude of products in my bank	4.51	.735
My bank usually offers a variety of saving accounts which meets my banking needs	4.32	.698
My bank makes it possible to have both debit and credit cards	4.71	.662
The bank have insured the customers deposits with KIDC	4.05	1.140
The bank offers insurance services on top of other banking services	4.07	.712
The banks mainly focuses on wealth management	4.41	.844

The results reveal that the respondents strongly agreed that the bank makes it possible to have both debit and credit cards as indicated by (m = 4.71); the customer is particularly delighted with the bank's wide range of products as indicated by (m = 4.51); the bank mainly focuses on wealth management as indicated by (m = 4.41); the bank usually offers a variety of saving accounts which meets banking needs as indicated by (m = 4.32); the bank offers insurance services on top of other banking services as indicated by (m = 4.07) and the banks have insured the customers deposits with KIDC as shown by a mean score of 4.05. This relates to Martinelli et al. (2015) who noted that if a consumer is happy with a company's product or service, they are more likely to buy from them again and to suggest their products or services to others.

4.3.5 Customer Loyalty

The research aimed at determining the level of respondents agreement with statements that related to customer loyalty between the commercial banks in Kenya. The responses were indicated on Table 4.18.

Table 4.18

Level of Agreement with Aspects of Customer Loyalty Among the Commercial Banks in Kenya

	Mean	Std. Dev.
I am happy with all of the services provided by the banks.	4.17	.972
I rarely switch from one bank to another	3.90	.924
I am committed to my bank regardless of the economic situation	3.67	1.340
I trust the bank with savings and deposits accounts	3.94	.850
The bank's goods are useful and fulfill my requirements.	4.00	.940
Banks take the effort to understand their customers' needs and deliver appropriate goods.	4.03	.925

From the outcomes, it was evident that the respondents strongly agreed that the consumers were pleased with all the services provided by the banks as indicated by m = 4.17; the banks take the effort to understand their customers' needs and deliver appropriate good indicated by (m = 4.03) and the bank products are relevant and meet their needs indicated by (m = 4.00). The respondents also agreed that the customers trust the bank with savings and deposits accounts as shown by a mean of 3.94; the clients rarely shift from banks as shown by a mean of 3.90 and the clients were committed to the bank regardless of the economic situation indicate by (m = 3.67).

4.4 Inferential Statistics

Both a Pearson correlation and a multiple regression analysis were performed by the researcher. The predictor and dependent variables were linked using regression analysis, and the degrees of relationship between the variables were measured using correlation.

4.4.1 Pearson Moment Correlation Results

The purpose of this study was to determine the degrees of relationship between the variables. A Pearson moment correlation is a value between -1 and +1 that indicates how closely two variables are related. A positive correlation number indicates a positive link, whereas a negative correlation value indicates a negative or inverse link. The Pearson moment correlation data are indicated in Table 4.19.

Table 4.19

Correlation Coefficients

		Customer Loyalty	Service Quality	Price Regimes	Brand Perception	Product Variety
Customer Loyalty	Pearson Correlation	1				
	Sig. (2-tailed)					
Service Quality	Pearson Correlation	.789**	1			
	Sig. (2-tailed)	.000				
Price Regimes	Pearson Correlation	.743**	.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 portrays a positive coefficient (r= 0.789, with p = 0.000). It means that the outcome is significant at $\alpha = 0.05$ and when the service quality rises it would positively influence on customer loyalty on. The correlation results between price regimes and customer loyalty also shows that ($r = 0.743$, $p = 0.000$) which is significant at $\alpha = 0.05$

The outcomes further point to a positive link between brand perception and customer loyalty on commercial banks in Nairobi where ($r = 0.651$, $p = 0.000$). Also, the outcome indicate a positive link between product variety and customer loyalty on commercial banks in Nairobi ($r = 0.800$, $p = 0.000$). Nonetheless, the positive association implies that when the elements are in place, client loyalty to Nairobi's commercial banks grows.

Overall, Product diversity had the biggest impact on customer loyalty at commercial banks in Nairobi, followed by service quality, price regimes, and brand perception, with brand perception having the least impact on customer loyalty at commercial banks.

4.4.2 Multiple Regression Analysis

To estimate the relative importance of each of the predictor variables, a multiple regression model was used 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 4.20, 4.21 and 4.22.

Table 4.20

Model Summary

Model	R	R Square	Adj. R Square	Std. Error of the Estimate
1	0.822	0.675	0.670	0.977

The outcomes of Table 4.20 indicate that adjusted R^2 value (coefficient of determination) is 0.670 which means that the predictor factors (service quality, price regimes, brand perception, product variety) explain 67.0% of the variations in the response factor (customer loyalty). This means that there exist other aspects that affect the customer loyalty on ascribed to 23.0% unexplained.

Table 4.21

ANOVA Results

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Regression	547.849	4	136.962	141.873	.000
Residual	263.55	273	0.965		
Total	**811.399**	**277**			

The p-value was 0.000, and the calculated F was 141.873, as indicate in Table 4.21. The total model was statistically significant because the value of p was < 0.05 and calculate F more (2.405).

Model coefficients are a set of coefficients that are unstandardized and standardized that are used to describe the regression model direction and determine the importance of the study variables. Table 4.22 summarizes the findings.

Table 4.22

Regression Coefficients

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	3.438	0.911		3.774	0.000
Service Quality	0.743	0.048	0.671	15.479	0.000
Price Regimes	0.721	0.05	0.647	14.420	0.000
Brand Perception	0.592	0.26	0.549	2.277	0.024
Product variety	0.628	0.156	0.617	4.026	0.000

The equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$) becomes:

$\mathbf{Y}= 3.438+ 0.743\mathbf{X_1} + 0.721\mathbf{X_2} + 0.592\mathbf{X_3} + 0.628\mathbf{X_4}$

The outcomes indicated that if all factors (service quality, price regimes, brand perception and product variety) were held constant at zero, customer loyalty on commercial banks would be 3.438. Taking all other independent variables to zero, the data suggest that a unit rise in service quality results to a 0.743 rise in customer loyalty scores for commercial banks in Nairobi. Because the p-value of 0.000 was below 0.05, this variable was significant. This in line with Amin (2016) who state that providing high-quality services to consumers is critical for achievement and existence in the present competitive financial industry.

The outcomes also indicate that a unit rise in the value of price regimes leads to a 0.721 rise in the score of customer loyalty on commercial banks in Nairobi. Prices was significant because $0.000<0.05$. This agrees with Walker et al. (2018) states that the gain for the consumer is the product that will be obtained, while the loss is the money that will be paid. Perceived negative pricing disparity occurs when a customer pay a greater price more than others, or in situations where a customer obtains a lower-quality product than expected. Positive price inequality, conversely, can occur from getting a huge or improved product than those who have paid a similar price, or pay lesser but getting a similar product as those who paid the same price.

Further, the findings show that a unit rise in the value of brand perception would cause a 0.592 significant upsurge in the score of loyalty customer's on commercial banks in Nairobi as p-value (0.024) was lower than 0.05. This is linked with Saleem et al. (2015) who note that a strong brand can provide market superiority, a consistent or durable competitive edge, worldwide reach, a platform to grow operations, and long-term profits for a company.

It was also revealed that a unit rise in value of product variety would significantly cause a 0.628 increase in customer loyalty on commercial banks in Nairobi since p-value of 0.000

was less than 0.05. These outcomes are in line with Steenkamp (2017) who argues that the company must make sure that they are giving full services that is comparable to their value of money in order to raise the level of clients and preserve a long-term association with them. Also, existing clients will help in appealing novel consumers by offering or sharing information regarding a financial institution's product diversity.

Generally, product diversity had the biggest impact on customer loyalty at commercial banks in Nairobi, followed by service quality, price regimes, and brand perception, with brand perception having the least impact on customer loyalty at commercial banks.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter the summary, conclusions and recommendation based on factors that influence customer loyalty on commercial banks in Nairobi.

5.2 Summary of the Findings

The study aimed to determine the influence of service quality on loyalty of customer's on commercial banks. The study found that the service quality affected the loyalty in the bank. Moreover, the study found that the bank staff is usually ready to assist, the services provided by the bank are reliable, and the bank responds promptly to complaints. The study also found that the personnel in the bank understand needs and the bank assures that the customers' deposits are insured.

The research sought to assess the influence of price regimes on loyalty of customer's on commercial banks. The study found that the price regimes for services and products in the bank were very fair. The study also found that that bank charges competitive interest rates on loans. Moreover, the bank strives to charge favorably on cash withdrawals, there is accuracy on the fee amount charged on withdrawals and account activation; the banks ensure that the services offered at affordable costs and the bank doesn't charge maintenance fee for various types of accounts.

The study also aimed to determine the influence of brand perception on loyalty of customer's on commercial banks in Nairobi, Kenya. It was found that the bank's image was good and that price regime was the cause of customer loyalty at the bank. He research also established that the banks are perceived to be strong and stable and the bank has a strong strategy for conducting sales promotions, the bank is known for offering the best customer service; the bank has a strong brand positioning strategy where they identify themselves with their customers; the bank is the best while conducting banking transactions and the bank has a high quality of customer experience.

The study sought to establish how product variety influences customer’s loyalty on banks in Nairobi, Kenya. It was noted that that the bank makes it possible to have both debit and credit cards; the consumer is most pleased with the bank's wide range of products; the bank mainly focuses on wealth management; the bank usually offers a variety of saving accounts which meets banking needs; the bank offers insurance services on top of other banking services and the banks have insured the customers deposits with KIDC.

The study further revealed that the customers were happy with all the services offered by the banks; the banks take the effort to understand their customers' needs and deliver appropriate goods and the bank products are relevant and meet their needs. It was also established that the customers trust the bank with savings and deposits accounts; the customers rarely switch from one bank to another and the customers were committed to the bank regardless of the economic situation.

5.3 Discussion of the Findings

The study found that the service quality of the bank was good. This is in line with Amin (2016) who stated that loyalty of customer’s is on the basis of quality service and the present world, providing quality services to customers is critical since it allows for achievement and existence in the competitive financial industry.

The study established that the services provided by the bank and the bank systems are highly reliable. This is in line with Kaura et al. (2015), who state that providing high-quality services allows businesses to respond to competition, which in turn allows customers to be satisfied, making customer loyalty a better predictor of customer retention.

The study also recognized that the bank staff is usually ready to assist; the bank responds promptly to complaints; the personnel in the bank understand needs and are friendly and ready to assist and the bank assures that the customers' deposits are insured. This relates to Kiran and Diljit (2017) who according to them, customer loyalty is also influenced by service quality, which allows consumers' expectations to be fulfilled. Situational variables, future intentions, complaint handling, and service characteristics are all elements of customer loyalty.

The study also found that price regimes for services and products in the bank were very fair. This finding agreed with Steenkamp (2017) who stated that price is one of the most variable marketing mix elements that may be modified fast once specific product and service attributes have changed. The study also found that the on loans, the bank offers competitive interest rates and the bank strives to charge favorably on cash withdrawals. This is in line with Walker et al. (2018) who state that the gain-loss ratios experienced by each side in the exchange determine the impression of fairness. The achievement for the consumer is the product that will be obtained, while they lose the money that will be paid.

The study found that there is accuracy on the fee amount charged on deposits, withdrawals and account activation; the banks ensure that the services are offered at affordable costs and the bank doesn't charge maintenance fee for various types of accounts. According to Richard (2016), price is thought to be favorable. Inequity might arise from getting a huge or improved product than individuals paying a similar price, or from advancing a lesser price but getting the similar product as those who paid the same price.

The study found that the bank's image was good. Saleem et al. (2015) concur with the findings as they stated that a positive business image encourages purchases by making customers' decision-making processes easier. The study also established that price regime was the cause of customer loyalty at the bank and that the bank is seen to be strong and stable and the bank has a strong strategy for conducting sales promotions. Esmaeilpour (2015) stated that the branding reflects the entire experience customers have with items and protecting the client and company from competition who try to sell products that look the same.

The study also found that the bank is known for offering the best customer service; the bank has a strong brand positioning strategy where they identify themselves with their customers; the bank is the best while conducting banking transactions and the bank has a high quality of customer experience. Abosag and Farah (2014) report that loyalty of customers' and inclination of paying for more services, as well as to accommodate flaws in the services, are influenced by customer satisfaction, efficiency, position in the market and reliability of services.

The study found that that the bank makes it possible to have both debit and credit cards and the variety of products offered by the bank satisfy the consumer the most. This is as Martinelli et al. (2015) note that satisfaction of a customer with the product or service from a company; they are highly likely to buy from them again and to suggest their products or services to others.

The study also established that the bank mainly focuses on wealth management and the bank usually offers a variety of saving accounts which meets banking needs. The findings concur with Marakanon and Panjakajornsak (2017) who noted that pricing should be based on the quality of the product that attracts customers and keeps them loyal for a long time.

The study also found that bank offers insurance services on top of other banking services and the banks have insured the customers' deposits with KIDC. Marakanon and Panjakajornsak, (2017) agrees that customers frequently seek worth in the complete service, which dictates inside collaboration between departments with roles for various areas of the offering, like the main product (goods or services), product delivery, and product certification.

5.4 Conclusions

The study concluded that service quality has a strong and significant impact on customer loyalty at Nairobi commercial banks. The study deduced that delivering high-quality services allows businesses to compete, which in turn allows customers to be satisfied, making customer loyalty a better predictor of customer retention.

The study discovered a positive relationship between price regimes and customer loyalty in Nairobi commercial banks. It was concluded that a company's price in relation to its quality has an effect on brand loyalty. Loyal customers are frequently willing to pay a higher price and are more understanding when things go wrong.

The research deduced that brand perception had a positive and significant impact on consumer loyalty to commercial banks. It was concluded that branding reflects the full experience that customers have with merchandise and protects both the consumer and the company from competitors attempting to sell closely related products.

According to the study, there is a positive and significant relationship between product variety and customer loyalty at commercial banks in Nairobi. The study concluded that individual product characteristics and quality perceptions have an impact on consumer satisfaction. When a customer is satisfied with a company's product or service, they are more likely to purchase from them again and recommend their products or services to others.

5.5 Recommendations

5.5.1 Recommendations on Research Findings

Product quality is the most important factor in developing customer loyalty. Quality-seeking clientele are more advantageous to the organization in the long run. As a result, the study suggests that commercial banks in Nairobi should focus on product quality in order to keep their quality-seeking customers loyal. The banking industry's management should update and increase the quality and innovation of the banks' products.

The commercial banks in Nairobi should, according to the study, offer a variety of products to meet the needs and expectations of various sorts of bank customers. According to the report, banks should design products that meet customers' diverse financial needs in order to meet their expectations.

In order to alleviate communication channel issues caused by having to queue for customer service representatives while on hold, the researcher suggests that commercial banks in Nairobi should increase the number of channels of communication available to customers by maintaining an active online presence and offering services such as SMS call centers.

According to the survey, commercial banks in Nairobi should attempt to improve their customer image by engaging in a variety of CSR programs that allow them to assist people looking for new opportunities. Banks must invest in branding, such as corporate colors and logos, to appeal to and entice clients. Banks must maintain appealing purpose and vision statements, as well as align their methods with those objectives.

To effectively communicate with clients, banks must build a corporate culture that encourages employees and provides a pleasant working environment. The commercial banks in Nairobi should also make sure that it takes steps to improve its reliability in terms of service delivery to its customers.

According to the research, the commercial banks in Nairobi should upgrade its technology infrastructure to increase the speed with which it responds to customer enquiries and to ensure that services are delivered in a timely and efficient manner. The commercial banks in

Nairobi should design products that are personalized to the needs of their customers in order to get a competitive advantage.

Commercial banks in Nairobi should also teach their employees about service quality attributes to encourage high-quality service delivery and boost customer satisfaction. The commercial banks in Nairobi should ensure that it invests in recruitment and hiring policies to ensure the hiring of competent and qualified staff. To increase customer loyalty, the bank should provide a friendly environment for its customers.

5.5.2 Recommendations for Further Research

The study suggests that a related study be done across all other financial institutions in the country other than Nairobi. This will enable the generalization of the study. The study further suggests that a study be done on the factors influencing performance of commercial Banks in Kenya. There is also need to determine other factors that constituted of 23.0% that was not explained by this study.

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APPENDICES

Appendix I: Consent Form

Research Consent Form

Serial No………………………

My name is Priscilla Nyawira Kibui, university registration BUS-3-0662-1/2017. I am a Master's student in Business Administration at Kenya Methodist University. Kindly fill this questionnaire to enable me collect data for this study. The questionnaire is meant to collect information on the factors that influence customer loyalty on commercial banks in Nairobi, Kenya.

Please answer the questions by writing a brief statement or ticking in the boxes provided as will be applicable. The information provided will be treated as strictly confidential and at no instance will your name be mentioned in this research.

This research is intended for an academic purpose only.

Appendix II: Research Questionnaire

Introduction: For the Bank Clients

This structured questionnaire is meant for the clients of the banks to collect information on the factors that influence customer loyalty on commercial banks in Nairobi, Kenya. It is my request that you please answer the questions by writing a brief statement or ticking in the boxes provided as will be applicable.

Section I: Profile

1. Gender of the respondent?

   Male [ ] Female [ ]

2. For how long have you been a customer with this bank?

   Less than 2 years [ ] 2 to 5 years [ ] 6 to 10 years [ ] 11 to 15 years [ ]
   16 years and above [ ]

3. Age in years?

   30 years and below [ ] 31 to 40 years [ ] 41 to 50 years [ ]
   51 to 60 years [ ] 61 years and above [ ]

4. Highest education level?

   Certificate [ ] Diploma [ ] First degree [ ]
   Masters and above [ ]

What factors influence customer loyalty in a bank?

……………………………………………………………………………………………

…………………………………………………………………………………………

Do you have banks accounts in other banks? Yes [ ] No [ ]

Section II: Service quality

1. How would you rate the service quality in this bank?

   Excellent [ ] Good [ ] Poor [ ] Very poor [ ]

2. Does the service quality affect your loyalty in this bank? Yes [ ] No [ ]

3. Do the following elements of service quality influence customer loyalty in this bank?

   Empathy [ ] Reliability [ ]
   Responsiveness [ ] Assurance [ ]

4. To what extent do you agree on the following statements relating to service quality? Where [1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree]

Statement	5	4	3	2	1
The services provided by my bank are reliable					
The bank responds promptly to my complaints					
The personnel in my bank understands my needs and are friendly and ready to assist					
The bank employees are always willing to help					
The bank systems are highly reliable					
The bank assures that the customers deposits are insured					

Section III: Price regimes

1. How would you rate the price regimes for services and products in your bank?

   Very fair [ ]   Fair [ ]   Unfair [ ]   Very unfair [ ]

2. To what extent do you agree on the following statements relating to service cost? Where [1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree]

Statement	5	4	3	2	1
The banks ensures that the services are offered at affordable costs					
My bank strives to charge favorably on cash withdrawals					
My bank doesn't charge maintenance fee for various types of accounts.					
The bank charges competitive interest rates on loans					
There is accuracy on the fee amount charged on deposits, withdrawals and account activation					

Section IV: Brand perception

1. How do you perceive the image of this bank?

   Very good [ ]   Good [ ]   Poor [ ]   Very poor [ ]

2. Which of the following elements affect customer loyalty at your bank? [rank in order of importance]

   Customer service [ ]   Employees [ ]

   Facilities [ ]   Price regime [ ]

   Others – specify………………………………… [ ]

3. To what extent do you agree on the following statements relating to corporate image? Where [1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree]

Statement	**5**	**4**	**3**	**2**	**1**
My bank is known for offering the best customer service					
My bank has a strong strategy for conducting sales promotions					
I view my bank to be the best while conducting my banking transactions					
My bank is perceived to have a strong be stable					
My bank have a strong brand positioning strategy where they identify themselves with their customers					
My bank has a high quality of customer experience					

Section V: Product variety

1. Are you satisfied with the services and product variety offered by this bank?

Yes [ ] No [ ]

To what extent do you agree on the following statements relating to customer loyalty? Where [1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree]

Statement	**5**	**4**	**3**	**2**	**1**
I am most satisfied with the multitude of products in my bank					
My bank usually offers a variety of saving accounts which meets my banking needs					
My bank makes it possible to have both debit and credit cards					
The bank have insured the customers deposits with KIDC					
The bank offers insurance services on top of other banking services					
The banks mainly focuses on wealth management					

Section VI: Customer Loyalty

What extent do you agree with the following statements that relate to customer loyalty among the commercial banks in Kenya? Use a scale of 1 to 5 where 1 is strongly disagree and 5 is strongly agree where [1-Strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly agree]

Statement	5	4	3	2	1
I am satisfied with all the services offered by the banks					
I rarely switch from one bank to another					
I am committed to my bank regardless of the economic situation					
I trust the bank with savings and deposits accounts					
The bank products are relevant and meet my needs					
The bank companies take time to understand customer needs and provide suitable products					

Thank You for Participating

Appendix III: List of Commercial Banks

TIER 1

1. Kenya Commercial Bank
2. Equity Bank
3. Barclays Bank
4. Stanbic Bank
5. Cooperative Bank

TIER 2

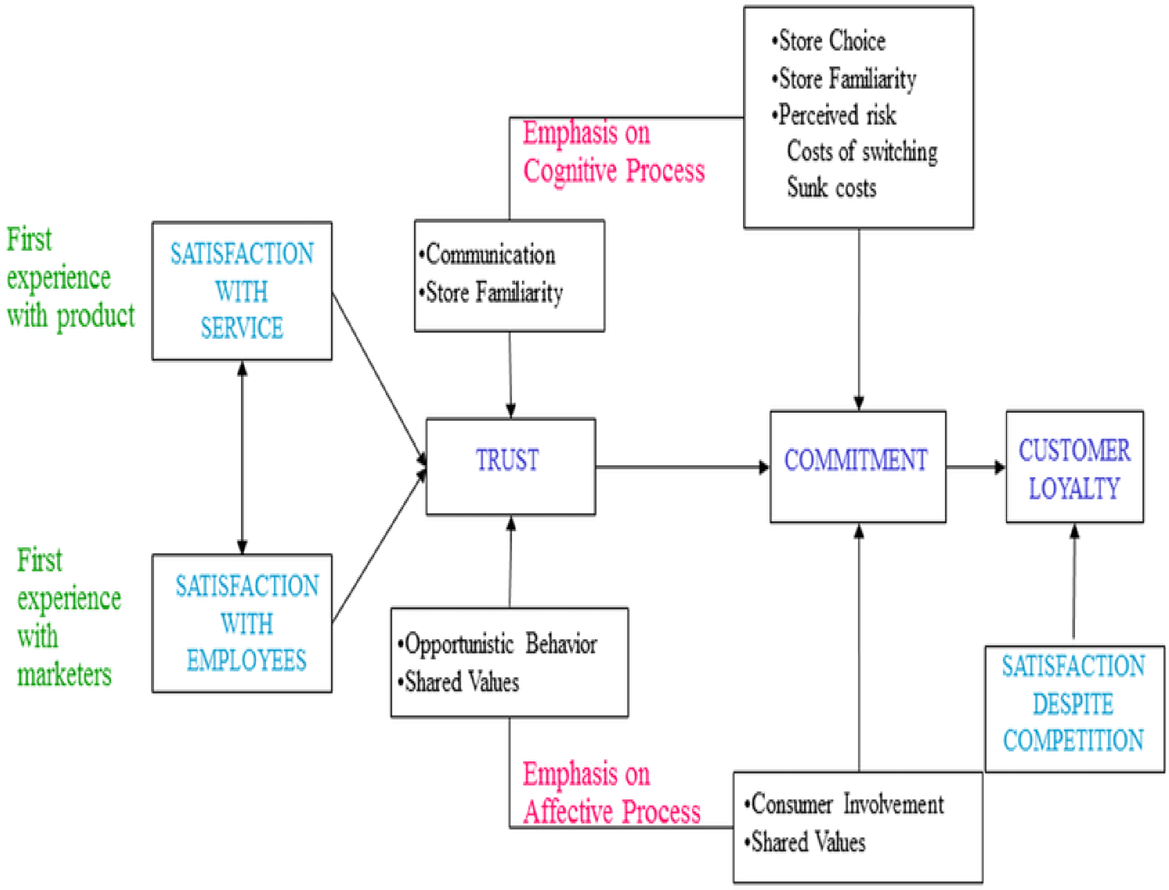
6. Citibank
7. National Bank
8. Bank of Africa
9. Family Bank
10. Diamond Trust Bank
11. Ecobank
12. I&M Bank
13. Housing Finance
14. CFC Stanbic Bank
15. Bank of India
16. NIC Bank
17. Prime Bank
18. Bank of Baroda
19. Guaranty Trust Bank

TIER 3

20. SBM Bank
21. Development Bank
22. Paramount Universal Bank
23. ABC Bank
24. Jamii Bora Bank
25. Credit Bank
26. Spire Bank
27. Guardian Bank
28. Victoria Bank
29. Middle East Bank
30. Giro Bank
31. Oriental Commercial Bank
32. Trans-National Bank
33. Habib Bank
34. First Community
35. UBA
36. Gulf Bank
37. Consolidated Bank

Source: CBK (2020)

Appendix IV: Customer Loyalty Model



Source: Aburayya, Marzouqi, Alawadhi, Abdouli and Taryam (2020)

Appendix V: Krecjie and Morgan table of sample size determination

N	*S*	*N*	*S*	*N*	*S*
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	162	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	1000000	384

Note.—*N* is population size. *S* is sample size.

Source: Krejcie & Morgan, 1970

Appendix VI: Letter of Data Collection

Kenya Methodist University

P. O Box 267 - 60200, Meru, Kenya, Tel: (+254-020) 2118423-7, 064-30301/31229 Email: info@kemu.ac.ke , Website: www.kemu.ac.ke

July 19, 2019.

TO WHOM IT MAY CONCERN

RE: KIBUI NYAWIRA PRISCILLA BUS-3-0662-1/2017

This is to confirm that the above named is a student in the Department of Business Administration, in this university, pursuing a Master of Business Administration.

As a requirement, the student is expected to undertake an independent **primary research** in their area of specialization.

The purpose of this letter is therefore; to introduce the student to you and request you to allow her undertake the research in your organization.

The student has been advised to ensure that all data and information from the organization is treated with utmost confidentiality and only used for academic purposes unless otherwise stated.

Any assistance accorded to her will be highly appreciated.

Yours faithfully,

19 JUL 2019

Dr. Peter Kihara, PhD.
Registrar -Academic Affairs

Nairobi Campus: Koinange Street, P.O. Box 45240-00100 Nairobi - Tel: +254-20-2118443/2248172/2247987/0725-751878 • Email:nairobicampus@kemu.ac.ke
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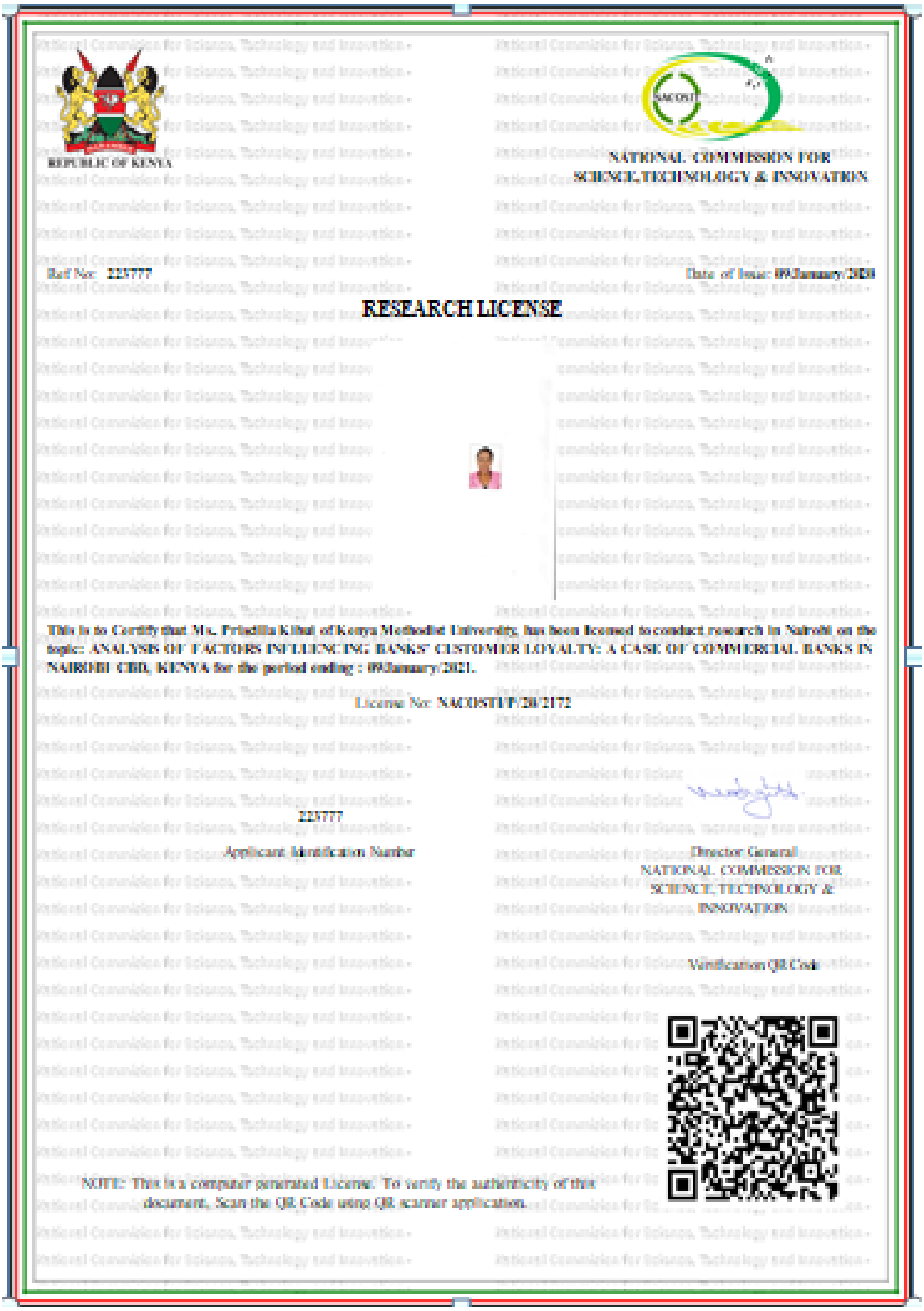
Mombasa Campus: Former Oshwal Academy, P.O. Box 89983, Mombasa. Tel: +254 - 041-2495945 / 8 • Email: mombasacampus@kemu.ac.ke
The Future is Here!

Appendix VII: Research Permit



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