# DEBT COLLECTION STRATEGY, INDUSTRY RIVARLY AND CUSTOMER SATISFACTION IN FINANCIAL INSTITUTIONS IN SOMALIA

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**A RESEARCH THESIS SUBMITTED IN PARTIAL FULFILLMENT FOR THE REQUIREMENTS OF THE CONFERMENT OF DOCTOR OF PHILOSOPHY DEGREE IN BUSINESS ADMINISTRATION AND MANAGEMENT (STRATEGIC MANAGEMENT) OF KENYA METHODIST UNIVERSITY**

**AUGUST, 2023**

## DECLARATION

I declare that this research thesis is my original work and has not been presented in any other in this or any other institution for any award.

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# COPYRIGHT

## DEDICATION

This thesis is dedicated to my dear Mother; in appreciation of your motivation and support throughout the study period, I posthumously dedicate this research paper to you.

## ACKNOWLEDGEMENTS

To begin, I would like to express my gratitude to ALLAH the All-Powerful for bringing me this far and providing me with the strength, knowledge, wisdom, and vitality necessary to complete this research thesis. Second, I'd like to express my gratitude to my friends and family for their moral support and encouragement. I would not have gotten this far without their belief in my abilities throughout the dissertation period.

I'd like to thank Prof. Thomas Senaji and Dr. Clemence Niyikiza, my supervisors, for their guidance, selfless dedication, and encouragement in making this dissertation a reality. Sincere gratitude goes to Dr. Wilson Muema for his assistance in making this thesis a reality. Last but not least, I'd like to thank the rest of the Kenya Methodist University community, particularly the faculty at the school of business and economics and the library, for supporting and contributing to the creation of this research thesis. You are all blessed by ALLAH.

## ABSTRACT

Customer satisfaction is an important indicator of an organization's performance. Customer satisfaction with financial institution’s products, services, and procedures is crucial because performance is central to strategic management. However, while customer service in financial institutions in Somalia is generally high, the customer satisfaction is very low as per the existing service statistics. Banks in Somalia have been experiencing low bill collection and increase in bad debts. Although the problem of customer satisfaction and increase in bad debts continue to persist in financial institutions in Somalia, Studies focusing on customer satisfaction and debt collection strategies are scanty.

The purpose of this study therefore was to determine how a debt collection component of an operational strategy affects customers' satisfaction within Somalia's financial institutions. Although the operations strategy of the financial institution is operationalized through the use of debt collection practices, it was unknown how these strategies affected customer satisfaction in Somalia's financial institutions. This study looked at how the relationship between customer satisfaction and financial institutions in Somalia was moderated by debt collector behavior, proactive and reactive debt collection strategies, and industry competition. A cross-sectional survey research design was employed in this study. Primary data were gathered from 215 Somalian employees of a financial institution through the use of a structured questionnaire. To determine the relationship between the debt collection strategy and customer satisfaction, all hypotheses were tested using inferential statistics derived from correlation and regression analysis at the 5% level of significance ($p=0.05$). Inferential statistics involved the use of binary logistic regression. Descriptive statistics involved the use of frequencies percentages and cross tabulations. Reactive debt collection and the behavior of debt collectors were significantly correlated with customer satisfaction, but not with a proactive debt collection strategy. In logistic regression analysis, it was also found that the behavior of debt collectors and reactive debt collection positively influenced customer satisfaction (p 0.05). However, proactive debt collection did not significantly affect customer satisfaction ($p>0.05$). In addition, competition in the industry had little effect on the relationship between debt collection strategy and customer satisfaction. In light of the findings of this study, it is recommended that financial institutions in Somalia improve their responsive obligation collection procedures and practices for better execution. Future studies should focus on other strategies that can enhance customer satisfaction in financial institutions in Somalia other that debt collection strategies.

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| | |
|---|---|
| 5C | Five method of credit analysis |
| AAOIFI | Accounting and Auditing Organization for Islamic Financial Institutions |
| BSC | Balanced scorecard |
| CS | Customer Satisfaction |
| CE | Customer Empowerment |
| CFA | Component Factor Analysis |
| DCS | Debt collection strategy |
| IFSB | International Financial Services Board |
| IR | Industry rivalry |
| KMO | Kaiser Meyer Oklin |
| MFI | Micro financial institutions |
| RBT | Resource Based Theory |
| VIF | Variance Inflation Factor |

# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the Study

The primary goal of strategy is to identify an organization's fundamental goals, boost performance, and allocate resources to achieve those objectives. Kasera (2017) asserts that an organization's essential course of action in order to achieve its goal is defined by strategy. Strategic management, as defined by Gabow (2019), entails putting plans into action and directing staff efforts toward specific organizational performance goals. This is done to make it more likely that the company will succeed. Since performance is at the heart of strategic management, it is essential to investigate the degree to which customers are pleased with the services or products provided by banks. Consequently, this is especially true considering that the customer's perspective on execution is crucial to the banks' manageability. Hill (2016) asserts that it is essential to strike a balance between the debt collection strategy and the client's happiness while the company maintains a sustainable good performance.

Kiran (2017) says that managers place a high value on having a common understanding of strategy because it helps an organization prepare for a future that is unknown. Having a common understanding of strategy is one of the reasons managers place such a high value on it. An unmistakable structure to guide activities and navigation, as well as fostering a sense of direction within the organization, can all be accomplished with the assistance of managers using an evident approach. These benefits, according to Chadhiq and Yusroni (2021) can be achieved by organizations led by competent managers who use strategy effectively.

Strategy for Daily Operations in the Financial Sector A lot of businesses that make goods and services depends on a strategy that makes the most of their people, resources, and processes to be successful.

Many businesses place a high value on ensuring that the system is working properly and contributing to the accomplishment of the organization's overarching objectives (Gabow, 2019). Planning processes and activities and aligning those plans and activities with your organization's more overarching goals may be made much simpler by implementing an operations strategy Karbhari et al. (2020) claim that the smooth transition from loan acquisition to debt collection while keeping customer satisfaction in mind throughout the process may be the reason for the importance of operations strategy in the banking sector, particularly in the debt collection department.

Karbhari et al. (2020) brought to light the distinctions between the three levels of strategy, the corporate level, the business level, and the functional or operation level strategy. At the corporate level, strategy focuses primarily on the businesses to which the organization provides value as a corporate parent. In order for the business to live up to the expectations of its numerous stakeholders, the company's strategic planning should place the overarching goal of the business and its scope front and center. The application of generic strategies like cost leadership, differentiation, and focus, on the other hand, is the primary focus of company-level strategy, which focuses on how to compete in the chosen market. Each of these is an illustration of a general strategy. The operations strategy is the third and final level of strategy. It discusses the organization's essential day-to-day operations, which are essential to its operation. Because they are so closely linked to the company strategy that was chosen, it is possible to classify these activities as operations. This category includes things like speed, adaptability, quality, and providing excellent customer service.

These procedures are sometimes referred to as competitive priorities or critical success elements. It has been expressed that to accomplish ideal organization execution, there should be areas of strength for a between the exercises of practical key preparation and the methodology of the opposition. Within the scope of his study, Rhee and Mehra (2006) investigated the ways in which organizations' performance is affected by the banking industry's operations, marketing, and competitive strategies.

Businesses frequently employ this procedure in functional areas like marketing, finance, and production due to the fact that a functional system is actually a strategy that operates on a practical level. An effective revenue collection strategy must include revenue collection because it is a significant operation or activity that mobilizes resources for the organization's success. Debt collection and a strategy centered on building relationships with customers should be part of this plan. Using debt collection methods, the operational strategy is operationalized and evaluated within the scope of this study (Hill, 2016). From activities methodology standpoint, it is possible for the methods that organizations use in their day-to-day responsibility collection tasks to either be effective or ineffective in enhancing the exhibition.

In order for banks to meet their customers' needs in today's highly competitive banking industry, modern bankers offer a wide range of deposit products to their clients, including "Save," "Top-up," "Manage," and "Gift of Life" accounts. Since having satisfied customers is essential to sustaining a high level of performance over time, this study uses customer satisfaction as a performance indicator. Safe deposit lockers, safe custody of valuable items, standing instructions, credit cards, merchant banking, guarantee issuance, gift cheques, and teller systems are among the other essential services provided by banks. Additional ancillary services include personal tax assistance, unit sale, execution, and trustee services (Adam, 2014). Another essential function is the transfer of cash through a variety of means, including demand drafts, postal transfers, telegraphs, telex transmissions, and SWIFT transfers.

There is access to both deposits that generate returns that are dependent on the rates of foreign currencies and "International" accounts that are denominated in either US dollars or Euros. The bank also developed organized ATM administrations. Using the bank's mobile app, customers can open any of these accounts online by following the on-screen instructions. The bank can give an expansive assortment of credits to clients, including individual advances, credits for little organizations, and advances for bigger associations. These choices include loans and mortgages for a wide range of properties, loans for varying sums over varying periods of time, loans of varying sizes, and loans with varying terms. Discounts and even free services are available to customers who make regular purchases and use credit or debit cards. Additionally, the bank has launched web-based services that give customers access to a wide range of financial services, including the ability to transfer assets, make payments, and withdraw cash. Customers were given access to these services (Mbama & Ezepue, 2018)

Adam (2014) says that mobile banking is a free service that lets people send money to their phones via text message, get information about their cards, and see what they've done on their phones. Furthermore, versatile banking empowers clients to remotely see their equilibriums and make installments. Online banking allows customers to make payments for mobile services and utilities, obtain comprehensive account information, and even open brand-new deposit accounts. Auto payment is another service that ensures that all utility bills are paid on time. It allows customers to pay their bills whenever they want and with the credit card of their choice (Adam, 2014).

Financial institutions operate in an area of the economy where buyers and sellers frequently interact. It is of the utmost significance to work toward the establishment of a connection that is based on confidence and trust and that endures over time. In particular, banks rely heavily on customers to provide them with relevant information in order to effectively meet their criteria when deciding whether or not to lend money. Because good relationship building can have a significant impact on the level of customer satisfaction, as well as the rates of customer loyalty and retention, improved performance may be advantageous to financial institutions like banks. Kotler and Keller (2016) says that small businesses and banks typically have trouble forming fruitful relationships because of their different backgrounds, experiences, and characteristics. However, the most successful businesses are those that combine customer relationship management (CRM) with efficient debt collection strategies. This is due to the fact that these businesses are better able to both grow their customer base and keep the customers they already have. In today's highly competitive world, and especially during difficult economic times, businesses must examine their debt collection strategies and customer relationships to see if they are producing the desired results.

Prioritizing collection efforts based on the amount owed, number of days past due, and possibility of payback, utilizing tools to develop good relationships with borrowers, and utilizing tools to foster positive connections with debtors are the initial steps in effective debt collection methods. Beginning with an assessment of the client's circumstances and continuing with regular contact throughout the duration of the debt, extensive involvement with the client is required throughout the debt collection process. When all collecting operations are recorded, it is much simpler to monitor and ensure that agreed-upon commitments are being followed through on. Offering payment options that are not only convenient but also on time is crucial. The banking industry in Somalia struggles to meet customer demands because of the prevalence of Direct Banking systems in the country, which require customers to endure lengthy wait times and pay high bank fees. Furthermore, Alam et al. (2020) discovered that mathematical issues could arise, necessitating laborious account reconciliation.

**Financial Institutions in Somalia**

Customers have a right to anticipate that the banking services they get from their respective financial institutions will be honest and of a high quality in today's highly competitive market. Banks are largely responsible for making it possible to fulfil this expectation. Banks are a sort of financial intermediary that take deposits from consumers and then utilize the capital markets to lend money from those deposits to customers either directly or indirectly. They bring together clients who are short on funds with those who have an abundance of money in their possession. Since the establishment of the Central Bank of Somalia in 2009, the financial industry in Somalia has undergone a transition from one that is more permissive of market forces to one that is more strictly controlled. It's possible that the Central Bank of Somalia is the one responsible for this change in tactic.

On the other hand, the term "microfinance institution" refers to a business that assists individuals with low incomes with their financial matters and is run by an organization. They collaborate with their clients by extending loans to financial institutions such as credit unions, commercial banks, insurance companies, and banks that are amenable to their terms. Commercial banks in Somalia, on the other hand, play the most important part in the country's network of microfinance institutions (Adam, 2014). Through their commercial accounts, Somali banks are involved in a diverse spectrum of different kinds of economic activities. As part of these operations, letters of credit are produced, savings and current accounts are handled, and a broad variety of bank guarantees are supplied. There are many different types of bank guarantees, but some examples are performance bonds, shipment guarantees, and payment guarantees. The great majority of financial institutions provide clients with a wide range of supplementary services, some of which include financing for projects, financing for equipment, financing for real estate, financing for trade, and financing for vehicles, amongst others.

According to Adam (2014), the financial products offered by each of the fifteen banks are compliant with the Islamic banking principles. In a murabaha transaction, the seller will add a profit margin to the price of an item that they are about to sell to another party before actually selling the item. This sort of sale is a common example of how Islamic finance may be put to use. As a consequence of this, murabaha is not an interest-only loan; rather, it is a transaction in which a good is sold for a price that may either be paid immediately or at a later date. The word "musharakah" refers to a joint venture in Islamic law. In this kind of business, the partners split both the profits and the losses according to the amount of money that was given by each partner

A mudarabah is a kind of commercial contract in which one party provides financial assistance to another partner so that the latter might invest it in a business venture. This kind of financing is seen as an attractive alternative to interest-based financing due to the fact that it has the potential to have a substantial influence on the manufacturing and distribution of the product. The first partner, also known as "Rab-ul-Maal," is the one who is responsible for supplying the firm with investment funds. The second partner, also known as "Mudarib," is the one who is responsible for managing and running the company. A predefined ratio is used to decide how the profits are split up among the shareholders. One example of a "istisna" transaction is the purchase of a product or service that has not yet been delivered to the customer. A client and a manufacturer may reach this form of agreement in order for the consumer to have the ability to request that the manufacturer create a certain product. After receiving an order from a client, the manufacturer makes the things in question by making use of the manufacturer's very own resources. Ijarah is the Arabic word for "renting," and it is used to describe a financial arrangement in which a client leases equipment, buildings, or other facilities from a bank in return for a predetermined monthly rental charge.

This kind of arrangement is known as an ijarah banking arrangement. According to Adam (2014), the contemporary economic system is comprised of a large number of distinct organisations. Commercial banks, microfinance institutions (also known as MFIs), money transfer firms (also known as MTBs), mobile network operators (also known as MNOs), mobile network operators that offer mobile money services, and the central bank are all examples of the types of organisations that fall under this category (Kaura et al., 2014)

**Customer Satisfaction**

Satisfaction of one's customers Because the fundamental goal of strategic management is to guarantee that an organization's performance is sufficient in a competitive environment, it is vital to put a primary focus on monitoring performance from a number of viewpoints. This is because the primary purpose of strategic management is to ensure that an organization's performance is adequate in a competitive environment. For the purpose of this research, the reasonable scorecard (also known as a BSC), which was developed for the clients, is being used to undertake performance evaluations. A performance indicator that is used in strategic management and is known as a "balanced scorecard" is used to assess performance from four unique viewpoints. These perspectives include the business process, customer service, learning and development, and the financial component of the organisation. Because of this, a more accurate assessment of the performance is possible.

In addition, service providers deliberately conduct customer satisfaction surveys with the goal of furnishing clients with the data and materials necessary for them to make well-informed choices about the product or service that is being supplied. According to Tien et al, (2021) customer satisfaction is the degree to which a customer is happy with a service or product when both their criteria and expectations have been fulfilled or surpassed. This

definition describes the degree to which a customer is satisfied with a service or product.

According to Leninkumar (2017), the term "customer satisfaction" may also be used to refer to the mental and emotional condition of a consumer at the time when they have the perception that their expectations have been satisfied. Leninkumar (2017), investigates the concept of customer satisfaction by concentrating on the factors that contribute to a person experiencing a good emotional reaction in response to an event. In addition, Kotler and Keller (2016) investigated the concept of customer satisfaction and defined it as the degree to which a customer is happy with the performance of a product in comparison to what the customer had anticipated. In other words, customer satisfaction is the degree to which a customer is satisfied with the performance of a product in contrast to what the customer had expected. Customers who are disappointed will report that they are dissatisfied both below and beyond expectations, while customers who are pleased to the maximum degree will report that they are satisfied above and beyond expectations. As a direct consequence of this, there will be a steady increase in contentment.

Customers are the single most crucial factor in the success of any company, no matter where in the globe that company is located. It is essential to the success of the company to meet the requirements and requirements that have been set out by the clients. According to Alsukri et al (2022), definition of customer satisfaction, the fundamental component that determines the amount of enjoyment a customer has with a transaction is the degree to which a customer's expectations about a product or service are met. This is the case regardless of whether or not the consumer is happy with the product or service itself. In addition, according to Leninkumar (2017 customer satisfaction is the favorable picture that consumers have of a company when their expectations are fulfilled or surpassed during the lifespan of the product or service. This definition describes the positive image that customers have of a company. This is the case irrespective of whether the consumer buys the product.

The degree of contentment experienced by a client is proportional to the degree to which the product or service in question lives up to the standards set by that customer. The client will be unhappy with the service if it does not live up to their expectations; on the other hand, the customer will be ecstatic if the service lives up to their expectations or even surpasses them. In order to maintain the long-term health of the firm and the development of profits, the primary emphasis of marketing strategies needs to be on ensuring that consumers are satisfied with the goods or services given by the company. According to Kotler and Keller (2016), in light of the ever-increasing global competition in today's ever-changing and complex business environment, which necessitates customer satisfaction in all aspects of an organization's operations, the company ought to assess whether or not the services it provides satisfy the requirements of its customers before deciding whether or not to continue providing those services. This should be done before the company makes a decision regarding whether or not to continue providing those services.

It is crucial to have an understanding of the link between the qualities of service delivered and the level of satisfaction a client experiences. Individuals whose number one goal is to maximize the return on investment (ROI) of their money. In view of the increasing degree of competition in the market, it is impossible to place too much emphasis on the significance of delivering services that are of a high grade.

According to an investigation of the degree of service quality as well as the level of customer satisfaction that was carried out in the banking business in Karachi in 2018 by Ajmal and collegues, the aspects of service quality that were investigated for this research include its perceptibility as well as its responsiveness, assurance, understanding, and reliability. According to the findings of the research, a customer's degree of pleasure has a positive correlation with a product's tangibility as well as empathy and certainty.

According to the results, financial institutions are obligated to cultivate long-term connections with the customers they serve. The results of this research on the level of happiness and quality of service experienced by banking customers may be useful for debt collection managers looking to preserve good relationships with their clients.

Nguyen and colleagues evaluated the customer loyalty, service quality, customer happiness, and switching costs of commercial bank online banking customers in a study that was conducted in 2020. Each of the five aspects of e-banking service quality—reliability, responsiveness, service capacity, empathy, and tangibility— had a positive correlation with customer satisfaction, with service capacity having the greatest impact. The level of customer satisfaction would rise significantly if banks improved these five aspects of debt collection.

Nguyen et al. (2020) also agree that there is a positive correlation between customer satisfaction and loyalty. On the off chance that clients of a bank are happy with the bank's web based financial administrations, they will keep on utilizing them and may try and prescribe them to other people. There is a positive correlation between switching costs and customer loyalty. If switching is more difficult, customers may decide to remain with their current financial institution.

Administration of debt collection agencies may be able to use the findings to boost customer satisfaction at branch locations.

Most banks are moving away from a "product-centered approach" and toward a "client-centered approach," according to the most recent trends. This is due to the fact that banks serve as intermediaries, accumulating reserve funds from the general population and lending them as advances to those who are deemed trustworthy. To put it another way, a bank's two main customers are those who make deposits and take out loans. Each client believes should work with a monetary establishment that can take care of their singular necessities. Because they were working for the government and receiving regular wages and benefits, bank employees did not have to worry about the operation of their banks prior to the outbreak of the Somali Civil War in 1991. However, in the wake of the new millennium and the year 2000, a large number of new private banks entered the Somali banking market with cutting-edge financial products, cutting-edge technology, and client-centered services. As a direct consequence of this, a new era has begun in Somalia's banking industry, resulting in a significant number of modifications to how customers obtain services.

A company's operations should all be guided by a clear understanding of what makes customers happy. What makes it so crucial? A saying goes that customers tend to remember the quality of the service they received for a lot longer than the amount they spent. Even though this might not be the case for every customer or situation, it shows how important it is to provide excellent customer service and how much of an impact it can have. PwC's study found that the vast majority of consumers in a variety of industries are willing to pay up to 16% more for excellent customer service (Yudanegara, 2023). The contentment of one's customers may provide a significant advantage over one's rivals, allowing for immediate growth and an increase in the profitability of one's business. Receiving moral and financial support from content customers is extremely helpful during times of crisis for the business. Word-of-mouth advertising from satisfied customers opens up new market opportunities, and satisfied customers buy more goods and services. Businesses will save money by making regular purchases. Your products will fetch higher prices. As a result, you'll earn more money.

Omoregie et al. (2019) claim that, content clients are more than willing to call or visit potential new customers. This is on the grounds that there are various motivations behind why they will invest the energy and exertion. They want to begin by expressing their appreciation for the assistance they received. Second, they want others to learn from their positive experience. Finally, they want to profit from your company's expansion.

Word-of-mouth advertising and influence are extremely potent. It has more credibility; because it passes through fewer perceptual filters, it can improve the product more effectively than any sales communication. In point of fact, even the most successful advertising and sales campaigns can be derailed by a single negative review. Fulfilled clients are more ready to share their item use encounters, which cultivates effective innovativeness and development. Not only do they accept dealers, but they also encourage them to visit their facilities, talk to their staff, and learn more about what they do with your products and services. This open-door communication and exchange is very important for new product innovations. It allows your R&D department to communicate with customers while developing new technologies. One of the principal reasons a development succeeds (Omoregie et al. 2019).

In the early stages of technology development, it has been recognized as customer input. In point of fact, clients' engineering departments lead the development of novel products across a variety of industries, frequently leading to global patents. However, the customer decides to use one of his preferred vendors for the new discovery or design because he does not want to lose his business. Numerous factors, such as substitute materials, support services, and process technology, demonstrate this to be true. Additionally, a company's ability to weather a storm is limited by the level of customer satisfaction. This is due to the fact that satisfied customers are more likely to assist a business in times of need. The most effective defense against potential issues for a business is probably the contentment of its customers.

Sadly, many businesses operate under the false assumption that representatives of the customer service department are the only ones accountable for ensuring that customers are satisfied. While it may be acceptable to split labor in some aspects of business management, customer service is one area where this practice is not only improper but also potentially harmful. In today's society, the proliferation of digital platforms such as social media, e-commerce websites, and review websites such as Yelp, Yahoo!, makes it simpler for customers to express their dissatisfaction with businesses (Omoregie et al. 2019; Yudanegara, 2023).

This demonstrates that negative feedback has the potential to significantly impact an organization's reputation and profitability. Punsala and Abeysekera (2020) asserts that when customers are dissatisfied with a company's goods or services, it may result in a significant amount of negative press and feedback. The content, as stated by Kotler and Keller (2016), suggests that a variety of variables can be utilized to infer customer satisfaction. Positive feedback or comments about the product, continued usage of the product, and minimal complaints or criticisms of the product or service are some of these factors. Other factors include customers' willingness to try new services, their likelihood of switching to other products, and their loyalty to the product.

Customers ought to always come first on any priority list because of how crucial they are to an organization's success. Companies need to make sure that the goods and services they offer make their customers happy in order to achieve this. It is a common misconception that acquiring a new client is more expensive than maintaining an existing client. As a direct consequence of this, it is absolutely necessary for businesses to continue doing business with previous clients after successfully converting them. Once a firm has decided that one of its key goals is to please its customers, the company has a duty to guarantee that it satisfies all of the unique requests and expectations of those consumers. For instance, in order to fulfill the requirements of their clientele, financial organizations such as banks need an extensive knowledge of, and the ability to implement, a number of different methods. When there is a lot of competition in a market, a company's growth and profitability are closely correlated to the level of contentment that its consumers feel they have received from the company's products or services. It is general knowledge that one of the most important aspects of running a successful company is offering high-quality service to one's clientele. According to the findings of Rahaman et al.(2020), a company's capacity to develop a favorable reputation, increase its market share, and seek to enhance the quality of its services may all contribute to increased profitability.

The research conducted by Rahaman et al. (2020) places an even greater emphasis on the myriad of operational contexts that are now confronted by banks. In order for the banks to expand in the face of severe competition, globalization, increased consumer demand, and a rise in their exposure to credit risks, they are being pushed to develop innovative methods for offering exceptional customer service. This is necessary for the banks to do in order for them to be successful. This is done so that financial institutions may progress even if they are more susceptible to the dangers associated with credit.

In a market where there is a lot of competition, financial institutions need to put into action a comprehensive plan that will offer them a long-term competitive edge so that they may continue to expand while maintaining their profitability. The company's ability to successfully execute its business, operational, and corporate strategies is directly influenced by a number of factors, including the organization's goals, the company's customers, and the company's resources. The most essential thing that a business should focus on is determining the most effective strategy to manage its consumers in order for the firm to be successful in achieving its objectives. "from strategic fit to customer fit" is the name of one technique that practices may use to increase their effectiveness despite the changing organizational circumstances in which they operate. Chen and Liu, (2017) portrays that this phrase originates in the study of strategic management and refers to the process of shifting from one kind of fit to another. to maintain command of developing technology, global markets, one's own organization, one's capacity to provide superior service to one's clients, and the quality of one's goods.

As a direct result of this, financial institutions needed an effective strategy that would meet the expectations of their clients and ensure the proper amount and quality of banking services. In other words, they needed a plan that would guarantee adequate quantity and quality. According to service providers who engage with consumers and collect money from them, the performance of financial institutions is contingent on their ability to attract and maintain the appropriate people with the right skills and training for the right roles. This is essential to the success of financial institutions. Without this, monetary institutions would be doomed to failure. As a consequence of this, the plan for the approach that the operations department will take to debt collection activities should both effect and be affected by the strategy for raising the level of satisfaction experienced by customers. This research investigates the ways in which debt collection procedures and customer satisfaction at Somalian financial institutions are affected by business strategy, proposing that these two factors are interrelated (Fida, et al., 2020)

**Debt Collection Strategy**

Method for the Collection of Past Due Amounts Banks are able to fulfill the financial requirements of communities of different sizes, ranging from tiny villages to huge metropolitan regions, because of the significant services that they provide. The opening of savings and checking accounts, as well as the acceptance of credit card payments, are examples of the types of operations that are included in the category of center financial activities (Atandi & Kirui, 2022). Banks also lend money to both private individuals and commercial enterprises. In order to ensure that market-oriented behaviors are absorbed and turned into good results that would result in customer satisfaction inside the bank, it is essential that managers be given the responsibility to create debt collection techniques and build the proper culture. Managers should also be given the authority to establish the suitable culture. As a direct consequence of this, market-oriented behaviors will be absorbed and then converted into good results, which will ultimately lead to satisfied customers.

Hamzah et al. (2020) commissioned research to determine how the market orientation of an organization influences the proactive assistance provided and the display of business-to-business transactions. Using social cognitive theory and the competing values framework, the research investigated how corporate culture influences a company's orientation toward the market as well as its proactive service conduct.

According to the results, a culture of adhocracy led to a rise in the quantity of information acquired while simultaneously leading to a decrease in the strategic coordination of responses to proactive service behavior. It has also been established that mass sharing of knowledge is harmful to proactive service behavior in cultures that value rationality. This was proved using rational cultures. Having a strong focus on the market makes it easier to generate lucrative sales, keep existing customers happy, and provide proactive support.

According to Musyoki and Kadubo (2011), private people, corporations, and even national governments are all able to legally possess bank accounts. The conclusions of this research will allow managers to establish debt collection techniques, instill the proper culture to internalize market-oriented behavior, and deliver exceptional outcomes that will delight bank clients. These goals may be accomplished by using the study's findings. Examining the payments made by creditors is a part of the process of collecting overdue debts. Debtors might come in the form of individuals or corporations. Collection agencies are also known by their more common moniker, debt collectors. The methods of debt collection are the topic of investigation in this paper. By using these tactics, it may be possible to optimize the management of accounts receivable, so saving time and avoiding any legal complications. An organization's capacity to properly identify the most critical factors of successful debt collection and review its present policies is significantly improved when the company makes use of debt collection tactics. This includes concentrating on accounts, establishing an appropriate method of communication, gathering all of the necessary data to establish specific (Wakhungu, 2021).

Relationship with debtors, motivating customers rather than punishing them, having helpful discussions with debtors to address their reactions and reasons for non-installation, attempting not to panic during challenging times, and arranging verbal arrangements to ensure the best reimbursement possible (Cheptum, 2019).

Becker et al. (2020) conducted a research with the intention of discovering how businesses might simultaneously raise their revenues and decrease their expenses. The aforementioned study looked at cross-selling attempts and a wide range of various sorts of media in order to measure the impact that a PPS has on the amount of customers that leave a company and the number of service calls that come in. The results of a large-scale field experiment that was conducted in the industry of telecommunications offered proof of the overall efficacy of the PPS.

In spite of the fact that the study was carried out in the telecommunications sector, the results have substantial repercussions for the debt collection departments of financial institutions. It is important for financial institutions to actively engage in debtor-focused post-sale activities in order to increase customer satisfaction, cross- sell additional products to existing clients, and keep existing customers updated about the status of their loans. In recent years, proactive post-sale service, often known as PPS, has grown in popularity as a valuable method for averting service failures and the bad impacts that come along with them.

By utilizing an effective debt collection plan, one is able to collect money from one's clients without in any way offending those consumers, and one is also able to maintain a consistent flow of income. The process of debt collection may be improved in a number of ways, including by working with accountants, performing an audit of your present billing and invoicing systems, and gaining knowledge about the preferred payment methods of your clients. It is possible to provide your services to consumers before they have paid for them if the majority or all of your income originates from the provision of business-to-business (B2B) services. This strategy, despite its widespread use, is fraught with inherent problems due to the fact that customers who fail to pay their bills have an unpleasant effect on the amount of money brought in by your company.

As a direct consequence of this, there are inherent risks associated with this paradigm. As a direct consequence of this, you won't have nearly as much money available to pay for your bills as you had before. According to research conducted in the year 2020 and cited by Becker and colleagues, the presence of a reliable plan for debt collection makes it less probable that gaps of this kind would emerge. In addition, when you have a good debt collection plan in place, it is much simpler to communicate with both existing clients and potential new ones. In addition, collection tactics make life simpler for your customer by forcing you to explicitly describe the various payment alternatives and deadlines that are available to them. This makes life easier for your client. This is an additional manner in which your firm may make their life easier to manage.

Implementing techniques for debt collection allows a firm to accomplish its goals while also complying with the restrictions set out by the government. According to Kriebel and Yam (2019) the business must not only be aware of and abide by the regulations that govern the collection process, but it must also be able to communicate and negotiate with debtors in a manner that is both simpler and more likely to result in favorable outcomes. This is due to the fact that the success of the company is dependent on being knowledgeable about and adhering to the rules that regulate collecting. In order to establish a formal system for managing all collections, an organization has to first design a standard method, then put it into practice, and finally ensure that it is adhered to. Communication protocols, resource distribution, and the categorization and ranking of accounts are all components of this larger whole. When it comes to dealing with accounts that are overdue, it is vital, in Mori's opinion, to have a well-organized approach for debt collection that makes efficient use of both time and resources. Therefore, in order for the company to put this plan into action, they will need to pick certain operating methods and techniques. Within the confines of this research, we will investigate and assess the practices of debt collectors, as well as both proactive and reactive approaches to the collection of debts.

## Competitors in the Industry

Over time, a company's core competencies give it a competitive advantage. One strategy that could assist a business in maintaining its advantage over the competition is to provide customers with better value. Either by offering a product of higher quality at a lower price or by raising the price of the one being sold, this can be accomplished. A company's competitive strategy includes all of its efforts to acquire new clients, maintain a competitive edge, and bolster its market position.

According to Tanwar (2013) a competitive strategy is the purposeful execution of superior activities with the goal of separating oneself from other rivals in the business. This definition was derived from the book "Competitive Strategy." Global financial institutions today acknowledge the significance of competitive tactics in the process of creating and sustaining long-term client relationships.

This has a direct and positive effect on the profitability of the world's various financial institutions.

On the other hand, there are an increasing number of financial institutions in the market, which results in an increased degree of competition. There is a clear correlation between the organizational structure of a business and the degree of rivalry that exists within that sector. Customers' levels of contentment with a product or service are often used as a yardstick to measure how well a company's business strategy compares to that of its rivals in highly competitive market places.

According to Porter's model from 1980, the dynamics of the industry, in particular the level of competition, are what define the degree to which an organization must be aggressive in order to successfully implement its strategy. Businesses will adopt a wide array of methods in order to achieve their goal of gaining a competitive edge in the market over their rivals.
One of these strategies is to introduce new items, compete with existing ones in terms of pricing, and engage in advertising wars. This issue will grow more contentious if the organizations involved feel that they are under substantial pressure or that they have a strong chance to enhance their standing. To put it another way, anytime anything like this takes place, this disagreement becomes even more heated. According to Tanwar, the five components listed below are what contribute to the formation of an industry: When there is a lot of rivalry in an industry, consumers are more sensitive to how they are treated, and they have greater power as customers (payers) when there is a lot of competition. Threat posed by substitutes, the power possessed by buyers and sellers, rising levels of competition, and intense competition within the sector. This is particularly important to keep in mind if there is a great deal of rivalry inside the sector. There is an increased likelihood of customers switching service providers, Price wars, in which prices are lowered below the company's actual expenses, are one example of industrial competitiveness. Other examples include the introduction of new items to the market, technical innovation, and the distribution of misleading information about competitors.

According to Tanwar (2013) the term "competitive strategy" refers to the act of gaining an advantageous position inside an industry, which is the principal arena in which competition takes place. In addition to this, he made it abundantly obvious that the purpose of competitive strategy is to establish a position that is both lucrative and long-lasting while simultaneously working in opposition to the elements that drive rivalry within an industry. In order to do this, it is necessary to identify potential sources of competitiveness within a changing environment and devise strategies for adapting organizational strengths to changes in that environment. Other components of this technique include the following. According to the hypothesis that was presented by Thompson and Strickland (2012), a company has an advantage over its competitors when it is able to bring in and maintain consumers with more success than its competitors and when it is able to persevere despite the demands of the competition.

The five factors are the danger that new rivals may join the market, the strength of the customer, the strength of the provider, and substitute items. The relative importance of these characteristics varies considerably depending on the sector. On the other hand, grocery shops and restaurants face a considerable danger from new entrants. Highly complicated businesses, such as medicine and cutting-edge medical equipment, suffer a relatively low level of competition from new entrants. The degree to which different companies in a sector injure one another and lower the potential profitability of their own operations is a strong indicator of the amount of rivalry between those firms. When there is a lot of competition, businesses that are in the same industry must compete with one another for profits and market share. This has the effect of lowering the industry's prospective earnings across the board, which has repercussions for companies of varying sizes. The framework for Porter's five forces that was developed by Thompson and Strickland (2012) identifies corporate rivalry as one of the key variables that contribute to the competitive structure of an industry.

When thinking about competition from a conflict perspective, it could be helpful to understand the nature of rivalry. Even if there isn't any real physical aggression, every company uses a broad variety of tactics to boost their sales in order to compete in today's market. Because there are often only a limited number of consumers participating in any given market, expanding your market share virtually always necessitates ceding some of that share to a competitor. For example, if there is a lot of competition, it is likely that companies are aggressively pricing their goods and going after each other's markets. This sheds light on the possible expenses that every other player in the business faces in order to remain competitive.

**Microfinance services**

Bankers who are able to effectively provide extra services to their clients have a far higher chance of thriving in the famously cut-throat banking profession. This is because bankers are expected to offer a wide range of products and services to their consumers. The only things that banks are able to do in the modern world are accept deposits and make investments, but they need to do more. In order to cater to the requirements of its clientele, modern financial institutions provide a wide range of deposit alternatives, which may include "Save," "Top-up," "Manage," and "Gift of Life" accounts. A number of additional critical services, such as safe deposit vaults, the secure custody of precious objects, standing instructions, credit cards, merchant banking, guarantee issuance, gift cheques, and teller systems, are offered by financial institutions such as banks. Personal tax aid, the sale of units, execution services, and trustee duties are among the many ancillary services available (Adam, 2014). The movement of monetary resources may be accomplished by a number of channels, such as demand drafts, postal transfers, telegraphs, telex transmissions, and SWIFT transfers. This is an additional critical function.

In addition, the banking institution has begun offering services for pre-arranged ATM withdrawals; "International" accounts, which may be credited in either euros or dollars; and deposits that pay off dependent on how the value of foreign currencies fluctuates. Customers have the ability to open any of these accounts online using the bank's mobile app by simply following the steps that appear on the screen. The bank makes available to its customers a diverse selection of loans, such as personal loans, loans to businesses, and loans to corporations, from which they may make their selection. These options include loans and mortgages for a diverse selection of real estate properties, loans for varied quantities of money over varying time periods, loans of varying sizes, and loans with varying durations. Customers who make purchases often and use their credit or debit cards for those transactions are eligible for discounts and even free services in certain cases. Customers of the bank are now able to carry out a number of financial activities, including payments, cash withdrawals, and money transfers, by using the online services offered by the bank

According to Adam (2014), mobile banking is a free service that enables customers to see what they've done on their phones, obtain information about their cards, and pay money to their phones through text message. Additionally, customers may see their account balances and make payments from a distant location thanks to the capabilities of mobile banking. Customers have the ability to make payments for mobile services and utilities, access complete account information, and even create brand-new deposit accounts when they do their banking online. Another option that assures timely payment of all utility bills is auto payment, which may be set up online. Customers are able to make bill payments whenever it is convenient for them and using the credit card of their choosing (Adam, 2014). Financial institutions are active in a sector of the economy that sees a high volume of interaction between purchasers and vendors. It is of the highest importance to strive toward the formation of a relationship that is founded on confidence and trust and that survives through time. This connection should be the focus of your efforts. Specifically, when it comes to making judgments regarding lending, banks place a significant amount of reliance on their clients to provide them with pertinent information so that the banks may successfully satisfy their requirements.

Improved performance may be beneficial to financial institutions like banks since the quality of the relationships that are built with customers may have a major influence not only on the levels of customer satisfaction and customer loyalty but also on the levels of customer retention and loyalty.

It may be difficult to build successful connections between small firms and banks because of the distinct differences in their histories, experiences, and traits. On the other hand, companies that successfully integrate customer relationship management (C.R.M) with effective techniques for debt collection are the most likely to enjoy sustained financial success. This is because these companies are better able to retain the clients they currently have as well as recruit new customers, which is the reason behind the phenomenon. It is recommended by Hamzah et al. (2020) that companies evaluate the quality of their customer connections and the strategies they use to recover debt in order to assess whether or not they are successful in meeting their objectives. This is of the utmost importance in the context of the current challenging economic climate and the highly competitive modern world.

In the year 2020, Hamzah and the other individuals made the discovery that techniques and processes may be used to acquire data. The first phases in the process of effectively collecting debt include setting priorities for collection efforts based on the amount owed, the number of days past due, and the likelihood that the debt will be paid back, using tools to cultivate positive connections with borrowers, and employing tools to cultivate positive connections with debtors. Throughout the whole of the process of debt collection, considerable participation with the client is essential. This involvement must begin with an analysis of the customer's current situation and continue with consistent communication throughout the life of the debt. When all of a company's collecting activities are documented, it is considerably easier to monitor and guarantee that the company is living up to the obligations that were made during negotiations. It is of the utmost importance to provide choices for payment that are not only practical but also prompt.

Due to the popularity of Direct Banking systems in Somalia, which compel clients to suffer long wait periods and pay hefty bank fees, the banking sector in that nation has a difficult time keeping up with customer demand. A long process of reconciling the accounts may also be required since there is a possibility that mathematical mistakes may develop.

Electronic banking presents a number of extra obstacles, some of which include unauthorized access to websites, website redirection, credit card fraud or theft, and problems with the network itself. In today's highly competitive market, providing excellent service to one's customers is very essential. According to Adam (2014), failing to satisfy the expectations of customers may lead to discontent as well as enmity, which highlights the need of providing timely and fair response to complaints.

## 1.2 Statement of the Problem

Few studies have examined the role of customer satisfaction in loan application and debt collection strategies, particularly in Somalia, despite the significance of debt management and customer satisfaction. In addition, there is a lack of data regarding the impact that various debt collection strategies have on the degree of contentment that customers in Somalian financial institutions have with a company's services. Empirical evidence indicates that a variety of external factors, including proactive debt collection, reactive debt collection, and debt collector behavior, influence customer satisfaction. However, the vast majority of researches on this topic have focused on single debt collection strategy instead of examining them collectively. Examples include those provided by (Ajmal 2018; Nguyen et al., 2020; Sarbabidya 2020) and others in Hanoi City, Vietnam, are all examples. Each of these studies was carried out in the nation in which it was conducted.

None of these studies has been conducted in Somalia. Because the previous research was conducted in a different location, it is impossible to apply the findings to the current study location because those previous studies do not reflect the current study location. The literature review conducted for this particular inquiry reveals that relatively few prior articles addressed both qualitative and quantitative aspects of the subject at hand. Additionally, none of the other studies examined focused on all four factors in the same way as this one does. In order to fill the void that has been left, this study evaluates the effects of various debt collection strategies on customer satisfaction in Somalia's various financial institutions. A number of financial products, such as debt financing, have recently been developed by financial institutions, including commercial banks, to serve customers in business, retail, personal, and SME banking. Individuals as well as small and medium-sized businesses are among these customers. However, despite the fact that Somalia's financial institutions typically provide excellent customer service, only a small percentage of customers are satisfied (Adam, 2014). Given that customer satisfaction has emerged as one of the primary drivers of business expansion, this is especially concerning.

The majority of Somalia's financial institutions have been having trouble getting paid, which has led to an increase in the number of unpaid bills each year. Both the banks' cash flow and profitability suffer as a result of this. Financial institutions, including banks and other types of financial institutions, have been developing strategies to control credit risks due to the frequent failure or unwillingness of customers to meet their obligations. In order to safeguard the banks' cash flow and improve customer service, they have implemented severe debt collection strategies, as a proactive strategy (before the loan) and a reactive strategy (after the debt is recorded). Both the proactive strategy (before the loan) and the reactive strategy (after the debt is recorded) are included in these methods. Sixty percent of individual borrowers and sixty-four percent of corporate borrowers do not apply for financing because the terms and conditions do not suit them. Instead, they rely on informal means like friends and family to meet their financial obligations.

Because of this, commercial banks may be reluctant to provide customers with credit due to the numerous obstacles they face from customers and the congested interactions that business customers have with banks due to the numerous restrictions they face when applying for loans. This is as a result of the numerous difficulties that customers present to commercial banks. As a result, it is necessary to come up with a solution that can meet the requirements of both parties. Sadly, customer satisfaction, which is the most important factor for any business, is impacted by the financial institution's operational strategy for debt collection in Somalia. As a result, it is necessary to investigate the actual requirements of the customer as well as suitable strategies that banks can employ to meet the financial requirements of the customer.

Despite this, there are still a lot of clients who are having issues. Customers continue to waste a significant amount of time waiting in line, there is still fraud and theft involving ATMs and credit cards, deposits have decreased, efforts to develop service have been wasted, and loan default rates have increased, according to the report that was presented at the 2019 KAMB Annual General Meeting. Financial institutions have been forced to put their banking operations and other services on hold as a direct result of the ongoing losses. However, in addition to Somalia, a significant amount of research has been conducted on debt collection and profitability in other East African nations. Although a number of studies have looked at financial success and debt collection, none have looked at how the methods used to collect debt affect how satisfied customers are.

There aren't many empirical studies that try to figure out how the different methods banks use to collect debt affect how happy their customers are. Empirical research has not been able to pinpoint the causes of the increasing number of banking customers who leave their institutions. It is abundantly clear that the primary goal of these studies was not to investigate how debt collection methods affected the financial performance of Somalia's financial institutions; however, this does not mean that these studies were not carried out. This study's objective is to fill this knowledge gap. This study aims to determine whether customers' level of satisfaction with Somalia's debt collection strategy is correlated.

As a direct consequence of this, there is a pressing need for research to be carried out in order to acquire a comprehension of the ways in which methods of debt collection influence the contentment of customers. Additionally, little empirical research has been conducted on the connection between debt collection strategies and customer satisfaction and the competitiveness of the industry.

## 1.3 Purpose of the Study

The overall goal of the study is to find out how debt collection strategy and competition between industry rivalries affects the customer satisfaction in Somali financial institutions.

## 1.4 Objectives of the Study

The broad and precise objectives of the research are as follows:

The study's broad or general Objectives.

The study's overarching objectives are to investigate the connection between Somalian financial institutions' debt collection practices and customer satisfaction, as well as the moderating effect of competition in the industry on this connection.

## 1.5 Specific Objectives

This research will be guided by the following goals:

i. To find out the influence of proactive debt collection strategy on customer satisfaction in financial institution in Somalia.
ii. To investigate the influence of reactive debt collection strategy on customer satisfaction in financial institution in Somalia.
iii. To assess the influence of debt collector behavior on customer satisfaction in financial institution in Somalia.
iv. To determine the moderating influence of industry rivalry on the relationship between debt collection strategy and consumer satisfaction among Somalia's financial institutions in Somalia.

## 1.6 The Research Hypothesis

A thought or explanation about something that hasn't been proven is called a hypothesis. It is an assertion regarding the world's nature. is a hunch; The research hypothesis can be tested in a variety of ways and consists of at least two variables. The following four hypotheses were developed by the study to answer the objectives. (Saunders et al., 2016)

i. HO1: There is no significant influence between proactive debt collection strategy and customer satisfaction in financial institutions in Somalia.
ii. HO2: There is no significant influence between reactive debt collection strategy and customer satisfaction in financial institutions in Somalia.
iii. HO:3 There is no significant influence between debt collector behavior and customer satisfaction in financial institutions in Somalia.
iv. HO:4 There is no moderating influence of industry rivalry on the relationship between debt collection strategy and consumer satisfaction among Somalia's financial institutions in Somalia.

## 1.7 Research Scope

The scope of the study includes the content, geographical, and theoretical aspects of scope. The strategy for debt collection and customer satisfaction in Somalia's financial institutions will be the primary focus of the study; the study will determine how much the debt collection strategy interferes with the company's external factors and affects moral and psychological customer satisfaction. According to the academic timeline, the research must be completed between December 2022 and July 2023. The capital of Somalia, Mogadishu, is home to the majority of licensed financial institutions. The research will be based on the four theories listed below: Examples of these include stakeholder theory, agency theory, relational theory, and system theory.

## 1.8 The Importance of the Study

The study may have a big effect on a lot of different social groups, like bank shareholders, CEOs of financial institutions, employees, customers, and researchers. This is because of the fact that, due to financial difficulties, a significant portion of the Somali population requires loans from financial institutions. The study will have a number of positive effects, some of which are listed below.

A commercial bank in Somalia: The study will be a challenge to Somalia's commercial banks, urging them to adapt their lending policies to the shifting requirements of buyers and dynamic economic environment. As a result, they will be able to effectively address the difficulties they encounter when financing small and medium-sized businesses.

The financial institution's management. The study will be used by the management of financial institutions, particularly those in higher positions, to learn how Somalia's microfinance institutions' debt collection strategies affect customer satisfaction.

Additionally, other public and private organizations will gain an understanding of the ways in which customer satisfaction is affected by debt collection strategies, which will ultimately have an impact on their debt collection policies and procedures.

In order to improve customer satisfaction, financial institutions' operational management must use the findings and recommendations to concentrate on specific departmental issues and delivery methods. As a direct consequence of this, there may be an increase in devoted customers who may actively promote the services provided by the organization to potential customers, thereby saving money on recruitment and marketing expenses (Kamal & Azizah, 2021).

Employees: Employees of banks, financing companies, and other financial institutions in Somalia may have a better understanding of how debt collection strategies affect customer satisfaction, which in turn may help them put debt collection strategies into action.

Customers: Customers may gain insight into the management of debt collection. By providing information on debt collection, customer satisfaction, and the relevant requirements that commercial banks must meet before they will extend credit to them, it will be beneficial to small and medium-sized business owners as well as individual customers (Wakhungu, 2021). Others in the field of research on strategic management. The findings of this study may be beneficial to strategic managers as they develop debt collection strategies that may increase customer satisfaction. The study's findings may be an important reference for developing theories and conducting subsequent research in strategic management, particularly with regard to debt collection strategies and customer satisfaction.

Other researchers can also learn about debt collection strategies and how they affect how satisfied customers in Somalia are with financial institutions by using this study.

## 1.9 The justification for the Study

In any business, it's important to have satisfied customers and good products or services. Since there is so much competition in the service sector, financial institutions are in the customer-centric service industry. In order to keep their current customers satisfied, banks are putting in a lot of effort to provide services of a high quality. The transition from traditional banking to modern banking has resulted in significant shifts in the elements and factors that contribute to customer satisfaction.

Proactive, reactive, and debt collector behaviors, as well as industry competition, have an impact on customer satisfaction in Somalia's financial institutions, according to this study.

## 1.10 The Structure of the Study

There are five chapters, each focusing on a different topic. The background section, research problem, research goals, and hypotheses are all included in the introduction, or first chapter. It also discusses the significance, scope, limitations, and structure of the study.

In contrast, the second chapter provides a theoretical framework for the investigation by conducting a literature review. It describes the significant subjects that were used in the study, such as customer satisfaction, debt collection, and industry rivalry, as well as provides the theoretical framework of reference and connections to pertinent empirical debates.

The chapter comes to a close by pointing out knowledge gaps and relating them to the subject under investigation. Chapter three of the study's research methodology provides in-depth coverage of the research design, data collection, sample size and selection, data analysis, research validity and reliability, and ethical considerations.

## 1.11 Limitations

The stage of data collection was difficult due to the limited information provided by respondents, the majority of whom believed that the research assistants might not maintain anonymity. The scope of the study was narrowed. They obtained approval from necessary authorities, including bank management, prior to collecting data. The researcher promised participants anonymity and requested that they not sign the study materials. This had an impact on the writing of the project because of the geographical spread of the respondents and the bureaucratic procedures of public organizations. The researcher employed research assistants to speed up and simplify data collection in order to avoid delaying the project's writing. The specialist was ultimately ready to acquire the suitable information for the examination, in spite of the best deterrent being the difference in project composing and information assortment. The researcher, on the other hand, had high hopes that everything would go according to plan. Another limitation was that there wasn't enough literature. The researcher put in a lot of effort to look over all of the previous research. The analyst also dealt with ongoing health issues and financial difficulties, some of which were made worse by the Coronavirus pandemic in 2020 and the beginning of 2021, which slowed down the proposal writing. The researcher, on the other hand, persevered through each and every one of these challenges to finish writing the thesis

## 1.12 Terms used in the Operational Context

**Customer satisfaction**: Customer satisfaction with a product or service depends on how well it meets their expectations. Put simply, when a company meets or exceeds the expectations of its customers throughout the life cycle of a goods or services, it creates a good perception and positive state of mind among clients known as customer satisfaction. In this study, we define customer satisfaction based on intention to purchase, trust and loyalty (Kotler, 2016).

**Industry rivalry**: the level to which businesses within an industry use a pressure on one another and shrink each other's ability to make profits. In this study we determine industry rivalry all institutions those provide financial service to their clients including banks, remittance companies, micro finance companies,

**Micro Financial institutions**: It is an entity that provides financial services to people with limited income, or low-income people. Almost they offer loans to their members and similar services, such as finance companies, investment banks, cooperative banks, credit unions, commercial banks, insurance companies.

**Operational strategy**; The five main operational performance strategy objectives are the day-to-day activities of an entity that ensure the organization performs satisfactorily; Important factors include speed, product quality, cost variety, operational adaptability, and performance dependability.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Introduction

The main goal of this study was to find out how the methods used to collect debts affected how satisfied customers of Somalia's smaller financial institutions were. In light of the information presented here, this chapter provides an overview of research studies on debt collection strategies and their impact on customer satisfaction. According to Ngechu (2004), conducting a literature review entails methodically searching for, locating, and evaluating sources that contain significant data on the topic at hand. The following chapter provides an analysis of previous studies on debt collection strategies, industry competitiveness, and customer satisfaction in Somalia's financial institutions. To get a full understanding of the subject and to identify any research gaps, the empirical studies that are crucial to this discussion have been analyzed and combined. Additionally, concepts that aid in a deeper comprehension of the dependent and independent variables have been presented in this section.

A theory is "a collection of accepted facts, propositions, or assumptions that aims to provide a sensible or logical explanation of the connections that exist between a set of observed phenomena (Ridder, 2017).

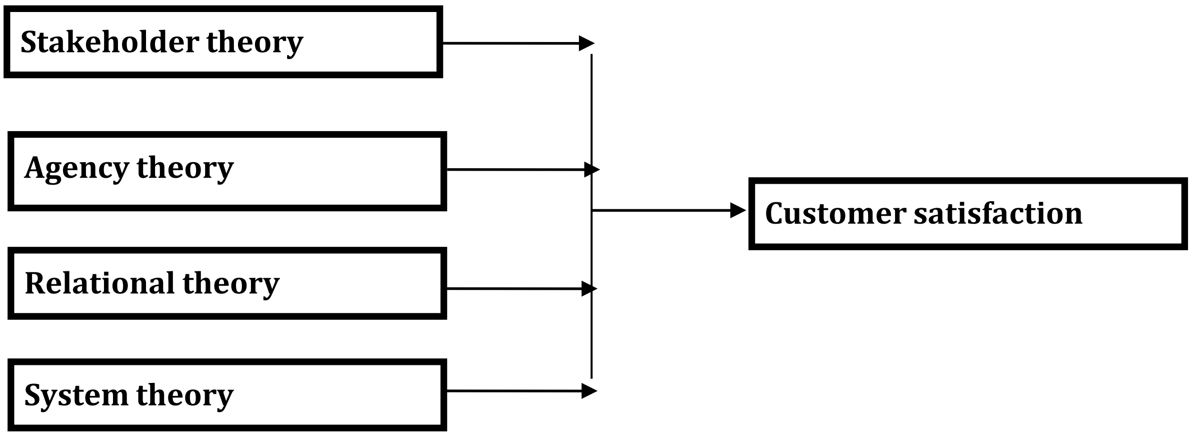
## 2.2 Theoretical Literature Review

"A collection of accepted facts, propositions, or assumptions that aims to explain the connections that exist between a set of observed phenomena" is the definition of a theory. Scholars are expected to have a solid understanding of relevant theories in their fields. According to Kombo and Tromp (2009), theory establishes crucial statistical connections, testable parameters, and instructions for future research. This is done as part of an investigation into a clearly stated problem statement. Due to the additional information they provide about independent and dependent variables, theories such as system theory, behavioral theory, stakeholder theory, and relational theory have been investigated. The asset- based theory served as the foundation for the evaluation, which was backed up by various hypotheses examined.

## 2.3 Theoretical Framework

**Figure 2.1:**

***Theoretical Framework***




The themes shown in figure 2.1 of the theoretical framework are discussed next.

### Resource Based Theory

Jay Barney's Resource Based Theory was a major contributor to the development of RBT in the 1990s, which eventually led to it becoming the standard framework for strategic planning. An organization's competitive advantage is based on its valuable, rare, and difficult-to-supply resources, according to a resource-based perspective (Barney, 2007). An organization's assets as per Barney, (2007) alludes to all resources, center capabilities, and inner practices, firm credits, data, and information that a firm claims. According to the Resource-Based Theory (RBT), a company's superior performance and competitive advantage are dependent on its unique, scarce, valuable, and non-substitutable internal resources and capabilities (Yang et al., 2022). To put it another way, a company's resources, such as its human capital, organizational structure, and both tangible and intangible assets, can help it maintain a competitive advantage and perform better.

RBT asserts that a company's unique and valuable resources and capabilities are primarily responsible for its competitive advantage and performance (Barney, 1991). In this way, bank's capacity to actually oversee and assign its assets in the obligation assortment division to help with obligation assortment methodologies can decidedly influence consumer loyalty. The RBT is relevant in a number of ways to the study on the banking industry's relationship between debt collection strategy, external factors, and customer satisfaction.

First, the theory can be useful in examining the strategic connection between customer satisfaction and debt collection strategies. This can be accomplished by determining the bank's internal resources and capabilities to improve customer satisfaction during debt collection. The RBT can be applied to the study of the relationship between debt collection strategies, external factors, and customer satisfaction. In general, the RBT provides a theoretical framework for comprehending the function that internal resources and capabilities play in enhancing firm performance.

### Stakeholder Theory

Stakeholder theory was developed by Freeman in 1984. This notion contends that a corporation will only really succeed when all of its stakeholders are content. According to Freeman et al. (1984), the theory defines a stakeholder as a person or group who has an impact on how an organization behaves, conducts its business, performs, and achieves its strategic objectives. In a highly complex, dynamic, and

Unpredictable environment, essential stakeholder theory promotes a practical, efficient, effective, and moral approach to organization management. Long-term profitability, according to Strand and Freeman (2015), is the result of "a well-run company that effectively engages with its stakeholders."

According to Freeman et al. (2007), the majority of studies in the stakeholder perspective field have assumed that economic measures captured the creation of value through favorable treatment of stakeholders. Managers are encouraged to be open and honest about their preferred method of conducting business and the relationships they need to establish with stakeholders in order to achieve their objectives by stakeholder theory. The idea that values are an essential part of business and must be acknowledged is the foundation of this concept. Additionally, it raises two primary concerns: What drives stakeholders to care for the business, and what is its purpose? These questions encourage managers to clarify the stakeholders' shared belief in the value they generate and what unites them.

The preceding statement suggests that if a company concentrates on its purpose and financial metrics in the market, it can achieve exceptional performance. Additionally, managers are encouraged to specify the kind of connections they want to make with stakeholders in order to achieve their business goals because stakeholders' theory places an emphasis on management's responsibility to stakeholders. According to Freeman (2007), numerous businesses have successfully aligned their business practices with stakeholder theory.

Customers, employees, shareholders, suppliers, distributors, other partners, local communities, governments, and regulatory authorities are just a few of the people and things the executive team of any business must satisfy and balance. Some of these demands may conflict, necessitating the prioritization of one over another. According to Kuncoro and Suriani (2018) the creation of new customers is a company's primary objective because a business cannot survive without them. As a result, customer satisfaction should come first and foremost. Because it emphasizes the role of the customer in achieving organizational goals, this theory supports the goal of customer satisfaction. Stakeholder theory was used in this study to look at how debt collection practices affect Somalia's small financial institutions. Since customers are an organization's most important stakeholders, their satisfaction will lead to increased profits, customer loyalty, and repurchases, which will satisfy shareholders. In this regard, stakeholder theory provides an explanation of the actions that an organization takes to guarantee the satisfaction of its customers. Satisfactory performance in terms of profits, market share, and customer loyalty will be the result of such actions. As a result, the dependent variable in this study is; the hypothesis of customer satisfaction drew heavily on the theoretical foundations of stakeholder theory.

### Relational Theory

The intricate connections that exist between businesses and their environments are the basis for the concept of relational theory. This theory's corporate citizenship component is heavily dependent on the referred-to community. Basically, it's about how a company behaves responsibly and builds relationships with its stakeholders.

A company must constantly strive for engagement and commitment from these stakeholders in order to accomplish this. According to Garriga and Mele (2004), an approach to corporate citizenship falls under the integrative and political theories.

This thought is separated into three sections: The stakeholder's perspective, corporate responsibility, and the social agreement are all aspects of business. The relationship between a company's financial performance and the society in which it operates is referred to as "business and society."

The company needs to be aware of how their actions affect people, the environment, and their finances. This is in line with Crane and Matten, (2016) "triple-bottom-line" idea, which emphasizes that businesses should consider their economic, social, and environmental performance. According to Garriga and Mele (2004), this strategy incorporates both ethical and interactive theories; The first focuses on meeting social needs, while the second focuses on doing the right thing to make the world a better place.

A strategy for converting stakeholder interests into products and services is known as a stakeholder approach to management. The social contract theory provides a theoretical justification for the ethical implications of economic activities and aids in the analysis of the connection between a corporation and society, whereas the corporate bond of relational theory is dependent on the kind of community to which it is applied (Brin & Nehme, 2019). Practitioners' efforts to enhance the relationship between business and society are largely responsible for the development of the concept of corporate citizenship. In contrast to corporate citizenship, which is limited to corporate participation and philanthropy, businesses are increasingly striving to be global citizens with a mindset that transcends local or national boundaries.

According to Brin and Nehme, (2019) a business cannot be considered socially responsible if it only satisfies the most fundamental legal requirements. According to Carroll, (2016), social interactions between individuals and the society as a whole make up a society. He says that businesses are acting responsibly not just for their own benefit but also because it is a socially expected behavior. This theory explains how a business should interact with customers while collecting debts to ensure that the relationship continues to be harmonious after the debt is collected. The theory has significant repercussions for the regulation of debt collectors. The main point is that a bank's relationship with its customers should not be broken by debt collection.

### Agency Theory

In recent decades, numerous business schools have emphasized the significance of maximizing shareholder value, which is consistent with Ross's 1973 proposal of the agency theory. This theory holds that managers are incentivized to prioritize maximizing shareholder value and are accountable for acting in the interests of owners or shareholders. However, it is now widely acknowledged that social interests can also increase shareholder value, and numerous businesses place a high value on customer satisfaction and the interests of other stakeholders. The idea of "enlightened value maximization" was proposed by (Jensen, 2002). This means looking for long-term value while also taking into account the needs of other groups.

The concept of "SCSR" was introduced by Burke and Logsdon (1996) to describe policies and programs that benefit the company and its stakeholders. Corporate social responsibility (CSR) is a crucial component of satisfying customer interests. Cost- benefit analysis can be used to determine the optimal level of customer satisfaction in order to maximize shareholder value. We can better understand the relationship between principals and agents—individuals who act on behalf of others—through the lens of agency theory. An agent, like a CEO, is obligated to act in the principal's or shareholders' best interests in business dealings, regardless of personal gain (Panda & Leepsa, 2017).

However, some agents may not always act in the principal's best interest, resulting in disagreements and miscommunication that can cause a variety of issues and conflicts within businesses. Organization hypothesis is a system that frames how bank chiefs complete obligation assortment procedures for monetary foundation partners. There is less commitment from top management when managers and stakeholders have a poor relationship, which has a negative impact on the institutions relationship with its customers. Additionally, agents may employ debt collection strategies that are against credit policies and procedures if they have competing interests. As a result, debt collection and the loss of liquid funds may incur greater financial costs.

As a result, this theory was used in the study to explain the various debt collection strategies banks use to collect revenue and meet financial performance goals. In particular, this theory explains why managers (agents) use proactive, reactive, and appropriate debt collector behavior to collect debts in order to please the principals (shareholders) of Somalia's microfinance institutions.

### Systems theory

The study of the abstract structure of phenomena, regardless of their particular properties, composition, or temporal or spatial extent, is known as systems theory. Its goal is to learn about the general rules that govern models that can be used to describe complex things. Ross Ashby further developed this theory in 1956 after Ludwig developed it in the 1940s.

They emphasized that genuine systems are not closed off; rather, they are transparent and interact with their surroundings. These systems have the potential to acquire new characteristics over time, resulting in an ongoing development process. Systems theory, in contrast to reductionist approaches that break down an entity into its component parts, focuses on the connections between the parts and how they fit together to form a whole. On the other hand, systems analysis is a field that uses systems approaches to help people make decisions about how to recognize, rebuild, maximize, and regulate systems.

It considers a variety of factors, including objectives, constraints, and resources at hand, with the goal of determining potential courses of action and the costs benefits, and risks that go along with them .

Debt collection strategies, debt collectors, and customers all make up a complicated system in which the various components constantly interact in an effort to achieve the bank's goals of revenue collection and customer satisfaction. From a frameworks hypothesis point of view, delinquent payment assortments define, strategies and targets include one subsystem, while the clients involve another subsystem (Wakhungu, 2021) additionally, the behavior of debt collectors makes up the third subsystem, and all three subsystems ought to cooperate in order to achieve the goals of debt collection

**Behavioral Management Theory.**

Theorists held the belief that examining human habits in the workplace, such as inspiration, conflicts, desires, and collective operations, could increase productivity (Clarkson, 1995). Because it addresses the human aspect of work, the behavioral management theory is frequently referred to as the human relations movement. Understanding how your employees interact with your customers is essential for you as a small business owner. Workplace procedures that improve productivity and efficiency can benefit from the guidance of behavioral organizational theories. Conduct hypothesis likewise showed that directors, pioneers and workers basically have two sorts of conduct, specifically worry for individuals and worry for creation.

All businesses must strike a balance between these two behaviors; if they place too much emphasis on production, which will only result in short-term tangible profitability, they will lose customers and employees. In this scenario, leaders may continue to be concerned for both people and production. The company's behavioral strategy is closely related to this theory.

According to this learning theory, behavior is learned from the environment and is little influenced by innate or inherited factors.

Understanding your employees' behavior and interactions with customers is essential as a small business owner. Utilizing behavioral organizational theories, you can create procedures for the workplace that improve efficiency and productivity. According to behavioral theory, managers, leaders, and employees typically exhibit two types of behavior: concern for employees and maximization of output. All businesses need to strike a balance between these two behaviors; if they place too much emphasis on production, which will only result in short-term tangible profitability, they will lose customers and employees.

As a result, leaders could continue to worry about people and production. According to this theory, staff motivation is a component of a reactive strategy in which management should offer debt collectors incentives and clear support.

## 2.4 An Empirical Review of the Literature

Several studies done by various scholars emphasize the link between customer satisfaction and bank profitability in east African countries, a subject of special relevance to banks (Adam, 2014; Awuor, 2014; Alshatti; 2017; Kagoyire & Shukla; 2016; Punsala & Abeysekera, 2020). Experts suggested that banks should improve their services and offer new, diverse, and market-oriented products to meet the needs of various market segments. However, they did not address the primary customer interest in banking—getting a loan from a bank—or the factors affecting the loan application process and practices in east African countries. However, it would also be interesting to investigate the connection between debt collection strategy and customer satisfaction.

## 2.5 Financial Institutions in Somalia

In today's competitive market, financial institutions like banks play a crucial role in satisfying customers by providing excellent and dependable financial services. Banks are financial intermediaries that take deposits and lend them out either directly or indirectly through capital markets.

They bridge the gap between people who have too much capital and clients who need it.

The financial sector in Somalia has changed from being operated in an informal manner to one that is more tightly controlled since the Central Bank of Somalia was established in 2009.

On the other hand, a group that helps people with low incomes manage their money is referred to as a microfinance institution. They lend to excellent associations, commercial banks, insurance companies, and agreeable banks.

However, commercial banks make up the majority of the microfinance institutions in Somalia. Through their business accounts, Somali banks perform a wide range of commercial activities, such as opening letters of credit, managing savings and current accounts, and offering a variety of bank guarantees like performance bonds, shipping guarantees, and payment guarantees.

The majority of banks provide services like auto financing, real estate financing, trade financing, equipment financing, and project financing in addition to their financial products. All fifteen banks' financial products adhere to Islamic finance principles. The following are typical options for Islamic finance: Services for microfinance institutions In the highly competitive banking industry, bankers who successfully provide additional services to their clients frequently win. Today, banks need to do more than just take deposits and invest. To meet their customers' requirements, modern financial institutions offer a variety of deposit options, such as "Save,"

"Top -up," "Manage," and "Gift of Life" accounts. Safe store storage spaces, safe authority of significant things, standing directions, Visas, vendor banking, giving ensures, gift checks, teller frameworks, and other auxiliary administrations like individual assessment help, offer of units, execution, and legal administrator administrations are among the other significant administrations given by banks (Adam, 2014). Sending money via demand draft, mail transfer, telegraph, telex, and SWIFT transfer are additional important services.

The bank also developed services for networked ATMs; there are "international" accounts and deposits that offer returns based on foreign exchange rates and are denominated in Euros or US dollars. Customers can open any of these accounts online by using the bank's mobile app. Individuals and businesses of all sizes can choose from a wide range of loan options from the bank. Among these options are mortgages for a variety of property types and small, large, and long-term loans. Regular and devoted customers who use credit or debit cards can get discounts and free services. Through the bank's online services, customers can now perform a variety of banking transactions, such as payments, cash withdrawals, and fund transfers. According to Amin (2016) mobile banking is a free service that allows customers to receive information about their cards and transactions on their phones as well as send payments to their phones via text message. Internet banking lets customers pay for mobile services and utilities, get detailed account information, and even open new deposits. Auto payment is another service that ensures that all utility bills are paid on time by allowing customers to pay their bills on the day and with the card they prefer (Amin, 2016).

Buyers and sellers frequently interact in the industry in which financial institutions operate. A relationship that is based on confidence and trust and lasts for a long time is essential. Banks rely heavily on customers providing pertinent information to effectively meet their requirements, particularly when it comes to lending decisions.

Because successful relationship building can have a significant impact on customer satisfaction, loyalty, and retention, banks can benefit from improved performance. Small businesses and banks frequently struggle to establish productive relationships due to their distinct experiences and characteristics.

However, the companies with the highest levels of success are those that use effective debt collection strategies in conjunction with customer relationship management to retain and acquire new customers. It is absolutely necessary for businesses to evaluate their debt collection strategies and customer relationships to ensure that they are having the desired effects in today's highly competitive environment, and especially during challenging economic times.

The first steps in debt collection strategies include prioritizing collection efforts based on the amount owed, days late, and repayment potential, utilizing tools to build positive relationships with debtors, and defining and avoiding harassment or abuse from collections.

The collection process requires a lot of interaction with the client, from analyzing the situation to staying in touch frequently throughout the debt. It is simpler to monitor and ensure compliance with negotiated agreements when all collection activities are recorded. It is essential to provide payment options that are both appropriate and timely.

The banking industry in Somalia has trouble meeting customer needs because of Direct Banking systems that require lengthy wait times and high bank fees. Mathematical issues that call for a lengthy account reconciliation are another possibility.

Additional difficulties associated with electronic banking include network issues, credit card fraud or theft, unauthorized access, website redirection, and other issues. In the present serious commercial center, consumer loyalty is fundamental, and neglecting to meet client assumptions can bring about disappointment and enmity, featuring the need of brief and evenhanded objections goal.

## 2.6 Proactive Debt Collection Strategy

A debt collection strategy is a collection of coordinated, appropriate, and timely actions aimed at fully collecting debts from customers. According to Kriebel and Yam (2019). The procedure's objective is to convert receivables into liquid assets as quickly and effectively as possible while maintaining the client's goodwill for future transactions. A strong debt collection team that adheres to well-defined and consistent policies and procedures is essential for debt collection strategies. This ensures that employees are properly guided through the gathering process and know how to handle various situations. According to Musyoki and Kadubo (2011), a well-documented and effective plan are necessary for a successful debt collection strategy. A business that already has a well-established strategy for collecting rates and levies will find it easier to implement it than one that does not.

### Proactive Debt Collection Strategy and Customer Satisfaction

Proactive post-sale service (PPS) has recently gained popularity as a useful tool for avoiding service failures and their negative consequences. Because PPSs are expensive, businesses are looking for ways to cut costs. Becker et al. (2020) conducted research to learn how businesses could reduce costs while simultaneously increasing revenues. Cross-selling activities and various forms of media were examined in the study to determine how a PPS affects customer churn and inbound service calls.

The PPS's overall efficacy was demonstrated by the results of a massive field experiment conducted in the telecom sector. Even though the study was conducted in the telecom sector, its findings are particularly relevant to the debt collection department of financial institutions.

Financial institutions should actively engage in post-sale activities aimed at debtors in order to cross-sell to and inform customers about their loans' status and ultimately improve customer satisfaction. Online banking and shopping are heavily dependent on the banking and internet infrastructure industries in today's dynamic environment. Online transactions have been made possible by means of the internet, expanding the range of electronic payment options. Alzoubi et al. (2022) that focused on the banking sector in the United Arab Emirates in order to determine the relationship between electronic payment methods and sales growth. The review test comprised of 217 top administrators, center directors, and specialists.

A survey using a 5-point Likert scale was used to collect the data; through email, 217 legitimate surveys were shipped off respondents. Numerous statistical analyses were carried out in this study. The study's variables had Cronbach's Alpha values between.873 and.855, indicating high internal consistency. The study's results demonstrated a strong link between online shopping and sales growth. The indirect effect was also confirmed by the results of online shopping and sales growth facilitated by electronic payment. Consequently, the findings can be used to ascertain how e-payment influences the expansion of online shopping sales.

Customers in the banking industry settle their debts using e-payment strategies developed by the department of debt collection and their debt manager, which increases bank revenue and improves customer satisfaction. Simply addressing problems as they arise is not sufficient. It is essential to work toward providing an excellent overall experience and to anticipate and avoid problems in advance. Proactive business strategies aim to anticipate potential difficulties, despite the fact that no business can always anticipate and prepare for every circumstance. Wiśniewski (2022) asserts that businesses that emphasize proactive strategies manage challenges more effectively

In Somalia, financial institutions, particularly commercial banks, have developed a proactive credit policy and risk mitigation strategy. In the event that a potential client requests an advance from the bank, they made complex techniques to compute and summarize credit risk, which is the underpinning of their loaning choices (which don't incline toward most clients) and furthermore they set severe obligation assortment systems. By conducting a credit review of individuals and businesses applying for a new credit line or loan, financial institutions attempt to lower the risk of lending money to borrowers (Musyoki & Kadubo, 2011). Credit analysis is the process of figuring out how likely it is that someone will not pay back a loan. It is based on five important factors, or the five Cs of credit. According to Declamaire's explanation from 2012, these factors are Capacity, Capital, Conditions, Character, and Collateral.

Because the majority of microloans are unsecured, which means that conventional security is rarely utilized, credit risk is a major concern for microfinance institutions (MFIs). According to a 2001 observation made by Craig Churchill and Dan Coster, microfinance institutions (MFIs) provide loans to individuals who are unable to provide insurance or collateral for the funds they borrow and are frequently regarded as being too risky for banks and other financial institutions. Lenders use the five Cs of credit method to evaluate a borrower's creditworthiness by examining both qualitative and quantitative factors. As a result, sound credit management is essential for these institutions to identify potential risks associated with lending activities. Lenders look at more than just income statements, credit scores, credit reports, and credit scores they also look at other records about the borrower's financial situation and the loan itself (Abbadi, & Karsh, 2013). The reason for this approach is to decide the probability of the borrower defaulting on the advance and the degree of chance that stances to the bank's monetary prosperity.

The first of the "Five Cs of Credit" is "credit history," which is a person's track record of paying back debts, as documented in their credit reports. The borrower's borrowing history and repayment habits are detailed in these reports, as are any collection accounts or bankruptcy filings. Lenders can use this information to determine how risky it is to lend money to a borrower.

Before granting a loan, lenders frequently specify a minimum expected credit score, which varies by lender and loan product. A higher credit score typically increases loan approval chances. While there is no uniform financial assessment necessity in Somali, most moneylenders consider the data from credit reports while assessing advance applications (Wiśniewski, 2022)

Lenders typically have their own set of criteria and procedures for customer segmentation when it comes to analyzing a debtor's work history and background. Interviews with borrowers, research of personal and business references, and a review of the borrower's past credit history, reputation, behavior, honesty, and dependability are all part of this. The primary consideration is whether the borrower has a history of bankruptcy or difficulty repaying debts in the past.

Out of the five Cs, capacity is the second. The ability of a borrower to repay a loan is measured by their debt-to-income (DTI) ratio, which is calculated by evaluating their income and current obligations. A borrower's DTI is calculated by dividing their gross monthly income by their total monthly debt payments. A lower DTI is preferable to most financial institutions because it increases the likelihood that the request for new financing will be approved. A DTI of 35% or lower is typically preferred for the approval of new loan applications, despite the fact that lending institutions have varying preferences (Wiśniewski, 2022).

On the third C, Mawele (2020)  agrees that lenders take into account the amount of money a borrower invests in the venture when determining whether or not they are eligible for a loan. The risk of default is reduced when the borrower makes a larger capital contribution. The size of a borrower's down payment can also have an effect on the rates and terms of a loan if they are able to do so. In general, better rates and terms are obtained with larger down payments. For instance, according to Mawele, (2020) a borrower may be able to avoid having to purchase additional private mortgage insurance if they put down at least 20% when applying for a mortgage.

Collateral is the fourth C. By providing the lender with a guarantee that they can seize the collateral in the event that the borrower fails to make their payments, collateral can help a borrower obtain a loan. Cars, for instance, are frequently used as collateral for car loans, and mortgages are secured by homes. Credits that are upheld by guarantee, otherwise called got advances, are for the most part seen as safer by loan specialists. As a result, loans secured by collateral typically come with better terms and lower interest rates than other types of unsecured financing.

Conditions are the focus of the fifth C. A lender's willingness to lend to a borrower can be influenced by the terms and conditions of a loan, such as the amount of interest and the principal amount borrowed. These terms can also refer to the purpose of the loan, like a car loan or a home improvement loan, which may be approved more frequently than a signature loan that can be used for anything. A lender's decision can also be influenced by the economy, industry trends, and pending legislation (Declamaire, 2012). To avoid the "GAP 2" problem, which occurs when services are created without taking into account the requirements of customers, it is essential for businesses to comprehend the requirements of their clients when designing services. Companies should measure customer perception and their own performance to close this gap. In addition, banks may employ proactive approaches to reduce credit risk.

Training and selection of employees; Recognize the significant role that competent internal and external collection personnel play. They offer suggestions for accurately collecting and preserving data, classifying clients, and suggesting payment options or collections solutions that are tailored to the requirements of the client. Additionally, they present a set of guidelines and procedures that aid in debt recovery. Technological Development; When it comes to allocating budgets for technology, many businesses still rely on manual labor to carry out the debt collection process. However, there has been a lot of talk in recent years about technology that is taking the place of human- centered processes.

Fortunately, debt collection procedures have undergone significant advancements, with new features geared specifically toward managing debtors and collecting overdue payments (Foss et al., 2008). establishing a unit for internal credit collection; Establishing a robust collection team that adheres to a set of clearly defined and documented policies and procedures is essential for improving debt collection. The staff should be given direction on how to handle various situations by these guidelines, which should be consistent. According to Declamaire (2012), it is crucial that these procedures and policies incorporate a variety of strategies.

Establishing prompt and consistent communication with troubled customers is essential component of a bank's internal debt collection strategy. Within five to ten days, the bank must notify the customer if a checking account fails to meet its obligations or exceeds its overdraft limit. The goal of this communication should be to figure out what's wrong, offer any help that's needed, and set criteria for getting the account back to a good state. According to Mawele (2020) prompt communication can assist in determining which accounts to continue working with internally and which to outsource for further action, preventing many accounts from falling into arrears and being written off using a debt scoring system can be a good way to collect debts because it lets you know which accounts are more likely to pay quickly and allows you to spend more money on these accounts. In contrast, you can quickly outsource accounts that are less likely to pay, saving valuable time and resources that would otherwise be spent on these challenging accounts. The likelihood of recovering any money from these problematic accounts is only reduced by delaying action (Mawele, 2020). According to Anderson and Fornell (2009), banks must enlist the assistance of third-party debt collection agencies to handle problematic accounts because of the rapid decline in the effectiveness of debt recovery over time. The ability to preserve accounts through early intervention is one of the three primary reasons why banks should consider outsourcing debt collection for their unsettled accounts.

Cost-effectiveness and the significance of third-party influence. Having a third party involved can frequently make a significant difference and motivate the customer to take action if a customer's bank account has an overdraft or is in default and the bank has tried unsuccessfully to contact the customer to resolve the issue. Debt collection agencies are capable of serving as impartial intermediaries who are adept at resolving such conflicts diplomatically. This approach can urge delinquent clients to contact their bank and work out an arrangement to bring their records exceptional (Anderson & Fornell 2009; Mawele, 2020). The majority of customers usually know when their accounts can't pay their bills or are behind on payments. As a result, they frequently anticipate receiving updates on their status from their bank. However, customers may not place a lot of importance on their delinquency status if the bank communicates with them irregularly or infrequently. A message from a debt collection agency, on the other hand, may have a greater impact. A collection agency will treat the situation with tact, but they will emphasize how serious the problem is and how urgently it needs to be fixed. They might also let the customer know that failing to do so could hurt their credit score and prevent them from opening new checking accounts in the future (Declamaire, 2012).

**Reactive Debt Collection Strategy**

Reactive strategies are business strategies that respond to unexpected events after they happen. Reactive systems and procedures like phone calls, emails, text messages, personal visits, and online payments are now the foundation of debt collection strategies (Neacsu, 2020). More debt can be recovered and individuals who need to be pursued can be identified and dealt with in the appropriate manner by implementing efficient procedures and training knowledgeable debt collectors. Banks must now work toward ensuring their long-term success because customers are becoming increasingly "sophisticated" (Neacsu, 2020). Business procedures that respond to startling occasions after they happen are known as receptive systems. Keeping this definition in mind, debt collection managers need to be able to identify the genuine requirements of customers, spot potential issues, and promptly address them to ensure customer satisfaction.

Neacsu (2020) examined how consumers see the Romanian bank's financial services and how the customer-oriented approach is being implemented in the banking market.

The research included 204 non-randomly selected participants. Data was collected using CAWI. Respondents fill out the questionnaire on a web page. To identify which banking goods and services respondents utilized most, they were asked to choose from the list. Debit cards were used most (84.3%), followed by credit cards (50.98%), bank loans (48%), and electronic banking services (39.22%). Banks aim to manage client relationships and provide goods and services.

Berraies and Hamouda (2018) posits that, one of the reactive debt collection tactics known as customer empowerment is further investigated. studied the relationship between financial success and consumer empowerment (CE), looking at how innovation and consumer fulfillment work as mediators. Data were gathered from 216 sections of 14 Tunisian commercial banks using a review technique, and exploratory component analysis was employed to analyze the findings. The results show that CE significantly and favorably affects enterprises' financial performance. Customer happiness, exploitative innovation, and exploratory innovation all influence the link between CE and a company's financial success. Given that they would boost innovation, customer happiness, and financial success by providing consumers greater involvement over the creation of goods and services, these results may be helpful to practitioners, especially bank managers. In conclusion, it is important to follow these practices in order to promote them inside banks. Customer contacts, customer demands, and consumer views being conveyed are examples of such approaches. Customizing goods and services that consumers buy themselves is another one of them. Customers should be instructed on the best self-management techniques for purchase and advance reimbursement concerns at the obligations offices. As a result, the client feels powerful and fulfilled Mawele, 2020). A coordinated partnership strategy that considers the legitimate demands of creditors and acknowledges the need of early intervention and repayment programs in avoiding people from getting burdened with debt is required for the effective management of local authority debt. Even when enforcement is involved, proper collection techniques may be customized to particular debtors via smart profiling. Incentives and penalties may be necessary for effective debt collection, even if they aren't always preferred (Wiśniewski, 2022) . By implementing efficient debt recovery software and developing thorough rules and processes for typical debt collection operations, financial institutions may apply successful business methods for effective debt collection and risk management. Banks and credit unions typically lose money by spending too much time on debt recovery, setting up and maintaining IT infrastructure and systems, adhering to legal and regulatory requirements, and complying with debt specifications and write-offs.

Additionally, both internal and external incentive may improve the efficacy of a debt collecting plan, which is highly reliant on the employees in charge of executing it. The business should choose which of its internal employees should engage with the assortments and give them tasks depending on their qualifications. Each participant's tasks and obligations must be specified. According to Hamouda (2019), having the right training is essential for successfully recovering debt and offering satisfied customer service.

Employees should be taught a variety of tactics and strategies, including how to handle typical objections from late customers, how to handle challenging individuals, how to identify different types of customers, how to communicate effectively, the general profile of non-compliant customers, and bargaining tactics. Additionally, staff personnel need to be knowledgeable about the many potential collecting strategies and legal precedents. Incentives may be used to increase collection efficiency, promote healthy competition at work, and drive personnel to provide the desired outcomes.

Jones and Kovacic, (2017) include the Information and Communication Behavioral Strategy as one of the debt collecting tactics. Debt collection tactics must include the efficient handling of high-quality information. For effective collections, it is crucial to have up-to-date, accurate information on debtors in addition to getting helpful feedback. According to Kovacic and Jones (2017), firms need an organized information system that can manage past-due accounts and provide precise data in order to assess collection activities successfully. The system should also maintain a record of the steps conducted and techniques used in debt collection. The debt collecting business has seen a variety of changes as a result of communication technologies. Technology improvements have had a huge influence on the debt collecting sector in addition to communication-related innovations. Therefore, it is crucial for enterprises to set up trustworthy data and networks that are emotionally helpful. Thanks to the exponential expansion of technology breakthroughs, creditors and debt collectors today have easier access to, storage for, and exchange of information about customers and their debts. The collection and analysis of scattered consumer data has become considerably simpler and less costly thanks to improvements in database technology, making it easier to identify and get in touch with clients.

The way in which customers may repay their loans has also been radically changed by technology improvements. Customers now have a variety of practical choices for paying with cash or a check thanks to the emergence of electronic payment technologies including credit and debit cards, electronic benefit transfers, stored value cards, and automated check clearinghouse debits (Kovacic & Jones, 2017).

Client incentives were stressed and it was noted that effective collection operations might be recognized based on the proportion of past-due amounts at each level of delinquency. According to Declamaire (2012), an enforcement approach is one frequent activity in reactive data gathering. A simple commission system with financial or other incentives might be employed for collecting. Legal strategies may be used in collecting a debt. Those who have not made their payments on time sometimes risk legal repercussions. As part of an effective debt collection plan, penalties for late or missing payments must be in place.

The best method for addressing the issue of debt collection has been the prompt use of legal procedures like automatic tax liens on properties with past-due payments. Numerous countries have implemented changes to deal with this problem.

Debt collectors—also known as collection agencies—recover unpaid debts. Job satisfaction affects debt collectors' performance (Kriebel & Yam, 2019).Treating debtors and others honestly, properly, and pleasantly is essential. Only contact debtors when necessary and appropriate. Debt collection reduces credit risk, not customer value. Thus, collecting tactics fail more often.

Emerging microloans have higher credit risks than traditional financial services
and "harsh" actions are regularly utilized (Beck et al. 2017; Wakhungu, 2021) . Thus, AI-based tailored optimization for microloan debt collection is vital yet difficult. Second, debt collection is more structured than marketing owing to legal and other factors. This sequence proceeds directly from "softer" to "harder" microloans, especially in developing countries. Loan businesses SMS or contact delinquents after each installment to remind them of the repayment schedule. If unpaid after three days, loans are collected. Debt collectors publicly shame delinquent debtors. If the borrower becomes overdue, they'll start with family and move on to friends and contacts.

According to Perez-Truglia and Troiano (2015), the widespread usage of this debt collection strategy in microloans and other comparable situations like taxes shows its worth for debt recovery. Is it important to take every measure until their debts are paid off, including those that result in greater consequences by revealing their debt status to private social contacts? It is unknown if private information-based collection operations affect debt recovery. Even though such actions put social pressure on customers, which may make them more likely to pay, they may also elicit retaliation when borrowers are deeply embarrassed and harmed (Kagoyire, & Shukla, 2016; Long, & Ravid, 2016; Nichols et al., 2015)

Extensive private-information-based measures may also harm borrowers and their social relationships (Hunt, 2007). Finally, marketing may not be as resource- constrained as debt collection. Debt collection takes excellent people skills to communicate with debtors and their social ties. Due to the debt collection process, loan services have a considerable human resource cost. Loans usually need repeated payments. As past-the-point-of-no-return mediations increase default risk, stages must perform obligation collection on delinquent portions quickly (Stănescu, 2021). Thus, vigilance is needed rather than blindly following orders. A more careful technique would assist platforms realize greater economic gains, decrease collection personnel duties and expenses, prevent undesirable consequences, etc.

One debt collector was studied using the Adult Attachment Interview (AAI). Another study by Harrington (2018) with the RIM to understand his aggressive and psychopathic conduct. AAI and RIM results showed ego states with various aggressive and invulnerable-aggressor representations and paranoid victim identifications. Pervasive trauma, wrath, and ego states were also detected. Using an attachment theory of psychopathology, the authors suggested that these fluctuating moods were hostile survival tactics formed in response to many catastrophic traumas and served several purposes; Identification with an invulnerable aggressor erased painful memories of being a victim, enabling fearlessness in a hazardous environment. However, neurotic recognized evidence available against a fast-approaching attack caused danger over identification. The authors also claimed that this person's established relational style of utilizing aggression, intimidation, and domination to manage emotional states gave him continuity to his badly broken identity and omnipotent control over his hostile surroundings.

## 2.7 Customer Satisfaction

Analyzing customer satisfaction becomes increasingly difficult as customers' demands for high-quality services rise in a dynamic environment. It is essential to comprehend how customer satisfaction is affected by service quality. The significance of service quality cannot be overstated in light of the growing level of market competition.

Using the banking business of Pakistan as a case study, Ajmal et al. (2018) analyze the relationship between service quality and customer satisfaction. A total of 400 clients from the district's bank branches participated in the survey. A questionnaire based on a modified version of the SERVPERF scale was used to compile the data. The research focused on the several facets of service quality, such as its palpability, responsiveness, assurance, understanding, and reliability. According to the results, there is a robust relationship between customer satisfaction and features of service quality such assurance, tangibility, and empathy. The results showed how important it was for banks to build long-term partnerships with their clients. Managers in the debt collection department of financial institutions may benefit from this research by learning more about the relationship between service quality and customer satisfaction in the banking industry.

Omoregie et al. (2019) looked at what variables affect client loyalty in Ghana's retail banking industry.

The survey-based research included data from 565 customers of the banks with the best consumer deposit performance. The research used PLS-SEM, or partial least squares structural equation modeling, and Smart PLS version 3. Customer happiness, quality of service, and confidence were shown to be major predictors of repeat business. Corporate image was found to have a significant impact on satisfaction, trust, and loyalty, but not on loyalty itself. In addition, the suggested model explained 63.3% of the variation in customer loyalty.

According to the study's findings, bank management might boost their market share by using the information to craft customer loyalty programs. Since the results show that happy

customers are more loyal customers, debt collection managers should work to boost customer satisfaction by providing better service. This research contributes to our knowledge of the factors that influence retail banking customers to remain loyal during good economic times and bad. It also stresses the importance of trust, corporate image, and customer loyalty in the banking industry and the link between satisfied customers and their continued patronage.
When companies build stronger relationships with their clients by putting the happiness of their customers at the centre of their operations, they position themselves for sustained success. Kombo (2015) conducted research to determine the current trajectory of customer satisfaction in the Kenyan banking industry. The five largest banks in Kenya each issued questionnaires to 403 of its customers. The results of the survey were analysed by using SPSS 22.0. More than sixty percent of customers are satisfied with their banking experience overall, with the ease of location being the single most important factor to take into account.

Additionally, it was shown that high prices for products and services served as the most dependable indication of client dissatisfaction. According to the findings of the study, customers' levels of contentment had an influence on the kind of account they opened with a financial organisation as well as the institution itself.

Nguyen et al. (2020) conducted research on the variables that determine the possibility that commercial banks' e-banking customers would continue to bank with the same bank. These factors included switching costs, customer happiness, and loyalty. In order to gather the data, questionnaires based on a Likert scale with seven points were employed. The survey received replies from 227 people who either lived or worked in Hanoi City, which is located in Vietnam. In order to do the data analysis, multivariate linear regression was used. There was a good correlation between customer satisfaction and each of the five aspects of the quality of the e-banking service: dependability, responsiveness, service capacity, empathy, and tangibility. However, the importance of service capacity was given the most consideration.

The findings indicated that enhancing these five aspects of the collection process might significantly contribute to an improved view of the procedure by the debtors.
Customers who are satisfied with the online banking services offered by a bank are more likely to continue using that bank and are more likely to recommend it to others. This is due to the fact that there is a significant positive correlation between customer satisfaction and customer loyalty. There is a positive correlation between customer loyalty and the cost of switching banks, which suggests that customers are more likely to remain with their present provider if shifting to a new provider is difficult. The management of the bank that is in charge of debt collection should give the results significant consideration since they have the potential to be used to improve the experience that consumers have when they visit the branch.

In order to better understand and cater to the needs and wants of customers in today's highly competitive market environment, Rahaman (2020) conducted research that examined the impact that various banking administration components have on customer loyalty in Bangladesh. Using a standardised questionnaire based on the Likert scale, a total of 212 banking customers in Bangladesh were interviewed for this study. In order to conduct the analysis for this study, SPSS was used. Seven hypotheses were presented as a consequence of ensuring that all of the components had the necessary level of internal coherence. During the course of the investigation, the hypothesis was only thought to be correct if it was able to achieve a level of significance of 5%. Every other factor (service availability, dependability, assurance, tangibles, responsiveness, empathy, and so on), with the exception of staff competence, has a positive correlation with customer satisfaction. It was proposed that in order for banks to provide better service to their clients, they should strive to improve the level of satisfaction experienced by their customers.

Recent developments indicate that many financial institutions are moving away from a strategy that is based on commodities and towards one that is centered on customers. This is occurring as a direct response to the increasing significance of customer satisfaction in the achievement of business objectives. As a consequence of this, performance has to take primacy in this scenario, and continual evaluation of the level of customer satisfaction is required. According to Punsala and Abeysekera (2020), the term "customer" refers to a person who has either opened an account at a bank, made a deposit at that bank, or obtained an advance from that bank and had their request for the use of their money authorised by the bank. According to Kotler and Keller (2016), the definition of a customer under the Consumer Protection Act encompasses a substantially wider range of people, including anybody who pays for any form of service.

Anyone who purchases a demand draught or telegraphic transfer might be considered a customer in the broadest definition of the term. Because companies are dependent on the interactions and engagement of their customers to such a major degree, the satisfaction of customers is an essential component for the success of organisations throughout the whole of the business cycle (Kaura, et al., 2014).

The ever-changing terms and conditions of the market contribute to the ever- shifting levels of customer satisfaction. One of the most important ways for a company to increase its profits and win the confidence of its most valuable clients is to improve the level of satisfaction it provides to those consumers.

According to Anderson and Fornell (2009), one method to make the process of providing excellent customer service more streamlined is to make use of reliable feedback. According to Anderson and Fornell (2009), training is another concept that, when used in the appropriate manner, has the potential to influence the satisfaction of consumers.

There is no skill so rare that only a select few people possess it, and that talent is the ability to deliver exceptional customer service. Interacting with people is an essential part of doing business for every company that deals with customers in any way. As a consequence of this, all of the representatives have to get training on how to satisfy the requirements of the clients. In addition, it is the responsibility of each department to be able to recognise key indicators that contribute to the overall satisfaction of the customer.

The level of pleasure experienced by customers has to be assessed and monitored, and this responsibility may (and should) be distributed throughout the whole organisation.

Businesses now have a responsibility to make an effort to maintain a high level of customer satisfaction given how easy it is for customers to submit reviews and ratings online. Using the aforementioned considerations as a starting point for establishing a foundation and expanding upon it makes for an excellent place to begin (Ghlichlee & Bayat, 2021)

As per Ghlichlee and Bayat, (2021) assumptions, placing a priority on three essential factors for measuring customer satisfaction is essential to assuring the success of a company.

Trust is one way to evaluate everything and everything. In the field of financial services, establishing and maintaining long-term relationships between buyers and sellers calls for a high level of confidence as well as a level of commitment. As opposed to being a one-time purchase, the use of financial services is often ongoing; as a result, the parties involved in these transactions need to be able to establish a foundation of trust with one another. Because trust is the fundamental component of all social interactions, businesses that offer financial services not only need to establish initial contacts with potential customers, but they also need to maintain and develop long-term relationships with these customers. According to Ghlichlee and Bayat (2021) the financial services industry is similarly highly reliant on the level of confidence that customers have in both the business as a whole and the employees of the firm who come into direct contact with customers.

Loyalty is another sign of the degree of happiness a consumer has with a company. The devotion of customers is an essential component of their satisfaction as customers. It is common knowledge that satisfied customers will return to a company and become committed patrons, but more study into the nature of this connection is required.

In spite of the fact that Alsukri, et al. (2022) offers a definition of loyalty that is too simplistic and disregards aspects such as profitability or purchasing, loyalty is often understood to refer to a close connection. Alsukri, et al. (2022) asserted that there was a strong association between customer loyalty and financial success; however, Yudanegara (2023) found that this correlation was much less.

According to Yudanegara (2023) long-term customers do neither have a lower sensitivity to pricing nor are they less expensive to provide service to. As a matter of fact, they expect lower expenditures as a direct outcome of their determination. Having loyal customers may result in a number of positive outcomes, including increased profitability. In most cases, retaining a company's current clientele is more beneficial to the profitability of the business than attracting new customers. The loyalty of one's customers is regarded as one of the most important success factors in the financial services business. The level of a customer's happiness with a product or service is often seen as the most reliable indicator of continued patronage.
There has been a discernible increase in the quantity of research on customer loyalty over the

course of the last 25 years. After reviewing the leading marketing journals, Chadhiq and Yusroni, (2021) came to the conclusion that there were ten times as many articles discussing loyalty between the years 1995 and 2005 as there had been in the preceding decade. Banks are well aware that providing prompt, dependable, and accurate service that meets or exceeds the standards set by their clients is the most effective way to maintain satisfied consumers.

It is essential to have the awareness that it is possible for a bank to be more concerned with maintenance than with genuine customer loyalty if the bank places an emphasis on the behavioural aspects of customer loyalty.

As a consequence of this, the next section discusses the elements that come before loyalty, with a special focus on the connection between satisfied customers and continued business. Customers may show their loyalty to a provider by continuing to conduct business with that provider, increasing the amount or frequency of their purchases, or by recommending the provider to other customers. In most cases, a consumer's loyalty may be evaluated based on the frequency with which they suggest a certain brand or product to other people, such as friends and family. According to Anderson and Fornell (2009), customer happiness may be assessed using a number of different characteristics, including general contentment, loyalty, repeat purchases, and likelihood to recommend a product to others.

Loyalty from customers is largely determined by four factors: the qualities of the store, the price strategy, the quality of the product, and the quality of the service. Due to the fact that it is impossible for it to exist apart from being used, service is one of the most complicated components. Understanding what customers really desire and how they rate services is essential to the development of service management as a field.

According to Kaura et al. (2014), the term "service quality" refers to the outcomes of a customer's comparison of their perception of the manner in which the service was delivered with their expectations for the service. Customers are considered satisfied when they maintain a high level of loyalty to the product, have a low rate of complaints about the product or services offered, are willing to make use of new or existing services provided by the company, provide positive feedback regarding the product or services, and often switch between them (Kotler & Keller, 2016). The quality of a product is another important factor that plays a significant role in maintaining loyal customers. The ability of a product to fulfil a certain need is referred to as the product's quality. Product quality is comprised of the properties and characteristics that are distinctive to the brand.

Additional characteristics of a product's traits include its features, functionality, dependability, lifespan, serviceability, and the consumer's sense of the product's quality. Product equity, product durability, product variety, product freshness, product attractiveness, and customer pleasure are the criteria that have been used to assess consumer loyalty. Other considerations include all of the other factors listed above. One further way to evaluate a customer's loyalty is to consider how dedicated they are to a certain brand or company. Last but not least, devoted customers often share information with their loved ones and close friends on the goods and services that they find most satisfying. One of the characteristics that is used to assess whether or not a customer is happy is whether or not they have plans to make further purchases. It would be an indication that they were satisfied with the product if they were to think about making another purchase of it in the future and were considering doing so. According to Han, and Hyun, (2015), this enjoyment may impact a variety of post- purchase behaviours, including recommending the product to others through social media or word of mouth, as well as advertising the product to others.

As a means of determining whether or not customers are satisfied with a product or service, the study will look at factors like as trust, loyalty, and the customers' stated intentions for future purchases. According to Awuor (2014) it is possible to make the assumption that clients who are very content with the goods and services provided by a firm are more likely to return for further business. As a result, the hypothesis states that a customer's intention to buy will increase if they feel as if they have a stronger behavioural control over the level of pleasure achieved through the purchase of bank goods. Customers who are pleased with a company's products or services are more likely to remain loyal to that company than those who are dissatisfied. Yudanegara (2023) assert that providing great customer service that ultimately leads to satisfied customers is of the utmost importance and should not be discounted. Customers who are provided with outstanding service tend to consider it not as an expense but rather as a vital component of their overall sales strategy. On the other hand, companies who don't take this into consideration wind up giving their competitors an advantage in terms of growing their consumer base.

The viewpoint of the client in regard to the Balanced Scorecard According to Mwangi and Omwenga (2022) performance management is the ongoing process of locating, analyzing, and establishing business strategies that are congruent with the company's goal and vision. Identifying key measures via implementation of the executives' framework assists in determining the likelihood that goals will be accomplished.

According to Oluwatoyin et al. (2022), the importance of performance management may be broken down into three categories. Because the business has access to a state- of-the-art performance management system, it is able to devise strategies to improve its overall performance in regard to key indicators and put those strategies into action. Because the business has access to a state-of-the-art performance management system, it is able to devise strategies to improve its overall performance in regard to key indicators and put those strategies into action. The balanced scorecard (BSC), which was established by Kaplan and Norton over the course of the preceding two decades and initially achieved popularity in 1992, has been more popular since that year. While Mišanková and Kočišová, (2019) uncovered the drawbacks of performance management in their recent study, some of these drawbacks include information overload, bureaucracy, and expense. They further detailed both the monetary and non- monetary advantages accruing from the use of performance management.

According to Pekovic and Rolland, (2016) the level of satisfaction a company's customers feel with the company's products and services may have a substantial effect on the company's overall strategic success and financial performance. On their Balanced Scorecards, firms that are in operation for profit often put the view of the consumer in a position that is subordinate to that of the financial perspective. On the other hand, by referring to the people that they serve using phrases such as constituents, recipients of benefits, stakeholders, and citizens, municipalities and non-profit organisations may give this viewpoint even more weight on their strategy maps. Despite the fact that they are known by a variety of names, each of these concepts is of same importance and conveys the same message.

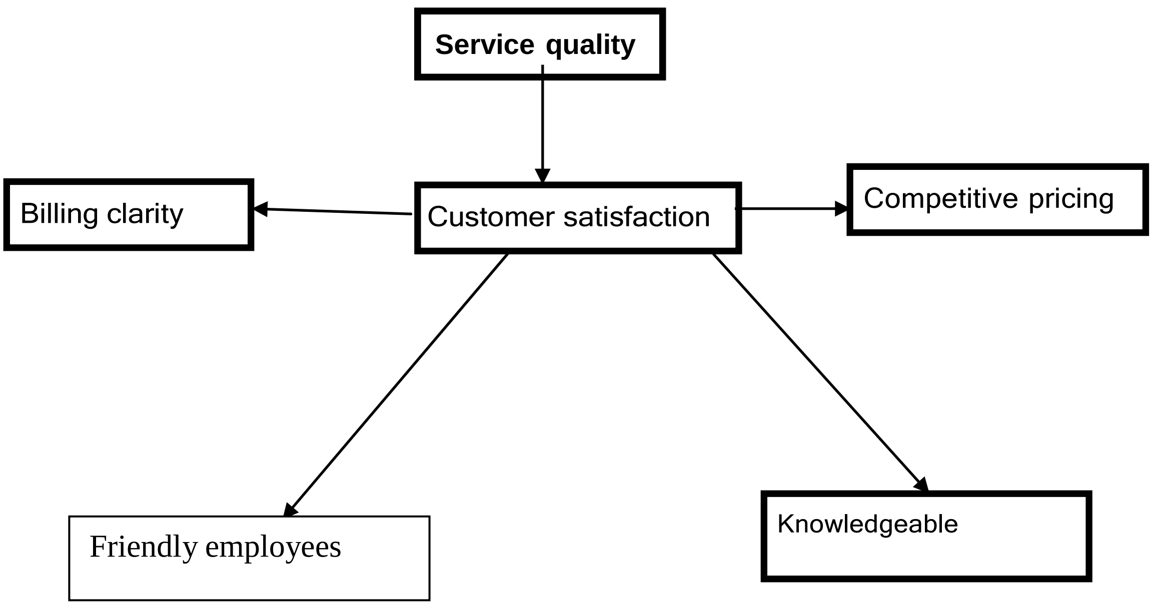
The customer viewpoint of the Balanced Scorecard is predicated on the notion that in order to successfully offer goods and services, a company must first comprehend the requirements of its clientele and then work to fulfil those prerequisites. There are four critical stages that can be done to help companies in obtaining this knowledge and satisfaction when building a customer perspective for a Balanced Scorecard. These measures may be followed to assist businesses in accomplishing their goals. The Balanced Scorecard is a tool that monitors progress towards the achievement of these goals by using performance measurements (Cignitas et al. 2022).

### Factors that Affect Customer Satisfaction

Customer satisfaction can be impacted by a variety of elements, for instance: staff that are both helpful and well-informed, the quality of service, pricing that is competitive, and billing that is clear and understandable (Han & Hyun, 2015)

**Figure 2.2**

***Factors that Affect Customer Satisfaction***




**Source: (Han and Hyun, 2015)**.

## How to Measure Customer Satisfaction

There are many different ways that may be taken; nevertheless, ignoring the fundamentals of determining whether or not a consumer is happy can have a detrimental effect on a business. According to Ghlichlee and Bayat (2021) it is vital to place a high priority on three fundamental criteria of customer satisfaction in order to assure success in one's organization.

In the field of financial services, trust and dedication are two qualities that are very necessary for the development and upkeep of long-term business relationships between buyers and sellers. These kinds of relationships need to be built on a foundation of trust in order to be successful given that the majority of the time, financial services are not one-time purchases but rather ongoing need. It is necessary for there to be trust in every social interaction, and businesses that offer financial services not only need to make initial connections with prospective consumers but also need to retain and cultivate long- term relationships with clients they already have. Additionally, Anderson and Fornell (2009) found that it is essential for workers in the financial services business to inspire trust and confidence in consumers. This applies not just to the organization as a whole, but also to employees who have direct contact with clients.

According to the findings of a large number of researchers, trust is an essential component in gaining an understanding of both economic transactions and social behavior (Alsukri, et al., 2022; Kaura et al., 2014 & Mbama & Ezepue 2018). According to Leninkumar (2017) trust is a factor that can be used to assess customer happiness, which results in enhanced outcomes associated to relationships, such as increased cooperation, decreased probability of leaving partnerships, and acceptance. They consider trust as a factor that can be used to gauge customer pleasure. They argue that trust is the most commonly acknowledged component for human connection; hence, it is not surprising that there is a substantial amount of literature on trust that can be found.

The concept of trust, as outlined by Leninkumar (2017) is broken down into three primary categories: cognitive, emotive, and behavioral. It is usual practice to consider the behavioral element to be the consequence of the first two dimensions. Cognitive trust is a consumer's confidence in the capability and reliability of their service provider to perform a certain service, and it is decided by the accumulation of information gained via experience, observation, or reputation. This kind of trust is important because it may help consumers make more informed purchasing decisions. According to Johnson and Grayson (2005), cognitive trust may be formed in a very short amount of time with just a few exchanges if the provider in question has a solid reputation.

Fida et al (2020) introduced a second degree of trust that he called affective trust. This kind of trust is comparable to cognitive trust but is more emotionally driven. Affective trust is the degree of confidence a customer has in a provider depending on how the provider exhibits care and concern, as defined by (Kabu & Soniya, 2017). A consumer will have a higher level of affective trust in a provider who demonstrates care and concern. According to Kabu and Soniya, (2017) the degree to which we trust another person is strongly influenced by our sentiments, even if we do not know very much about that person. The word for this kind of trust is "affective trust," but it's vital to keep in mind that just because we are emotionally trusting does not imply that we are easily duped or gullible (Saputra et al., 2022). According to Leninkumar (2017) trust is distinguishable from blind hope or gullibility due to the fact that it is founded on one's own experiences and expectations, and the intensity of one's feelings is a reflection of this distinction.

### 2.8 Competitors in the Industry

In addition, the amount of competition may be determined using Porter's Five Forces Model, which takes into consideration obstacles to entry, the bargaining power of suppliers and consumers, and the threat of replacements (Kotler, 2016). This exterior component has the potential to have a big impact on customer loyalty as well as the customers' relationships with obligation assortment technique.

According to Hill (2016), firms within an industry regularly participate in strategies such as pricing competition, advertising fights, and the launch of new goods in an attempt to acquire an edge over one another in order to advance their position within the sector. It is normal for this rivalry to grow fiercer if firms are put under the pressure to stay competitive or when they see an opportunity to increase their position. One company's decision in the marketplace might have repercussions for the whole sector when it comes to competition.

According to Kotler, (2016) a competitive strategy is the planned execution of better actions with the end goal of setting oneself apart from the other companies in the industry. Global financial institutions have realized the significance of adopting competitive practices when it comes to establishing and maintaining long-term relationships with their customers, which ultimately results in increased profits. On the other hand, there is a growing amount of rivalry in the market for many different financial organizations. How competitive an industry is directly proportional to its organizational make-up. The level of satisfaction experienced by customers is commonly seen as an essential component in judging how a company's business strategy compares to that of its competitors in highly competitive markets.

According to the thesis put out by Thompson and Strickland (2012), a business acquires a competitive edge when it is able to attract and keep consumers more effectively than its competitors, as well as when it is able to endure the demands of competition.

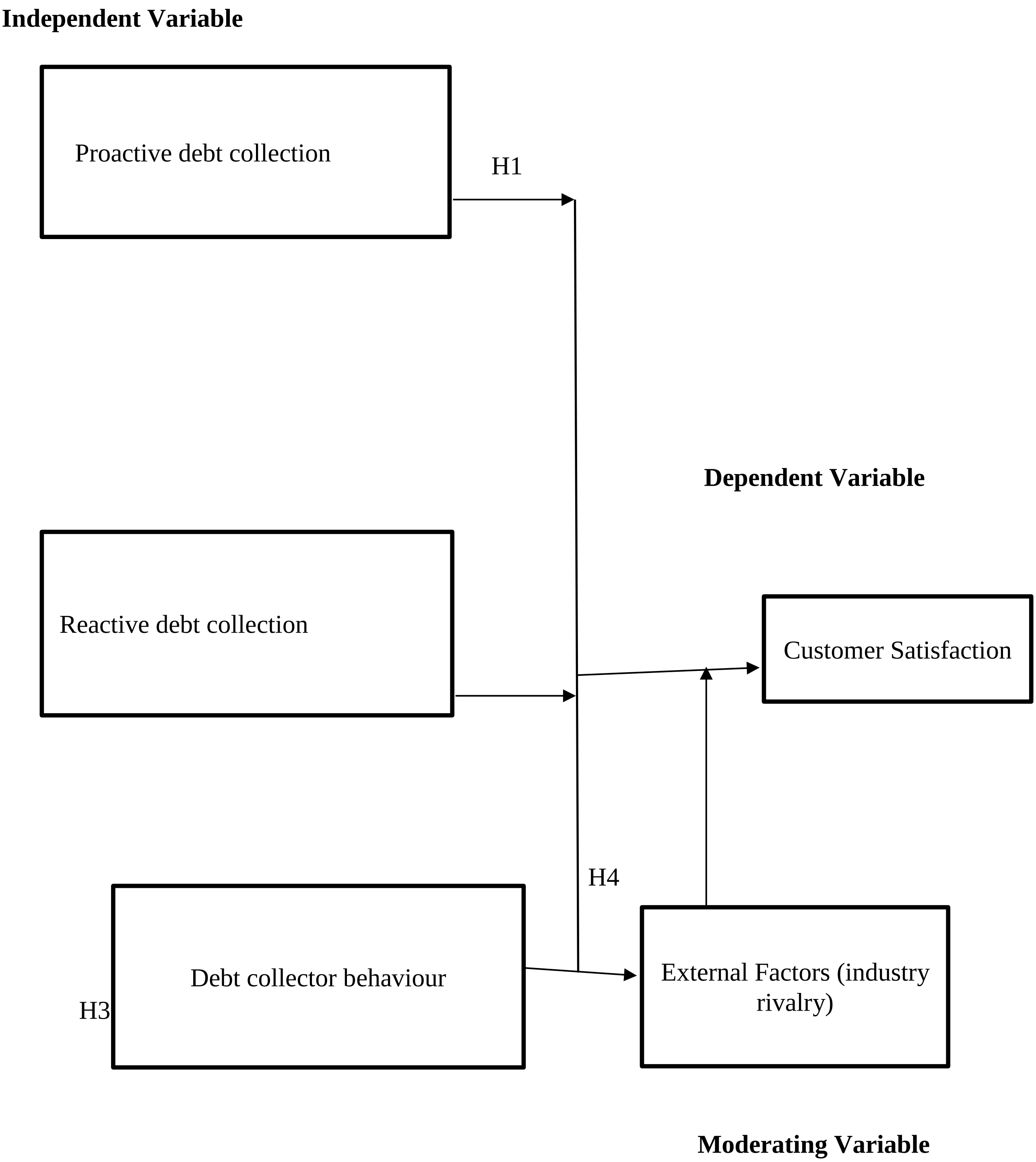
A firm is able to attain a sustainable competitive advantage if it focuses on developing core capabilities that will be of use to the company over the long run. In addition, in order for a business to maintain a lasting edge over its competitors, it has to make it a priority to provide higher value to its clients. This may be achieved by selling products of a better quality at a cheaper price or by selling products of a lesser quality that are worth paying more money for. According to Ghlichlee and Bayat (2021) the competitive strategy of a firm is comprised of all of the activities and methods that the organisation undertakes in order to win over consumers, resist competition, and increase its position in the market.

## 2.9 Conceptual Framework

The model that is part of the conceptual framework analyses the ways in which customer satisfaction is affected by debt collector behavior as well as techniques for proactive and reactive debt collection. The effect of industry competitiveness on the connection between debt collection method and customer satisfaction is another aspect of the topic that is investigated in this research. These variables and their relationships to one another were shown graphically in Figure 2.2. According to Kothari (2014), an independent variable is the hypothesized source of changes in the dependent variable. The dependent variable is the variable that the researcher is attempting to explain using their findings. It was believed that debt collection strategy (including proactive strategy, reactive strategy, and debt collector behavior) had an influence on the level of customer satisfaction experienced by financial institutions in Somalia. However, this impact was supposed to be reduced by the level of competition experienced by other companies operating in the same sector. The figure that follows provides a graphical representation of the variables that will be investigated in this research.

**Figure 2.3:**

***Conceptual framework***

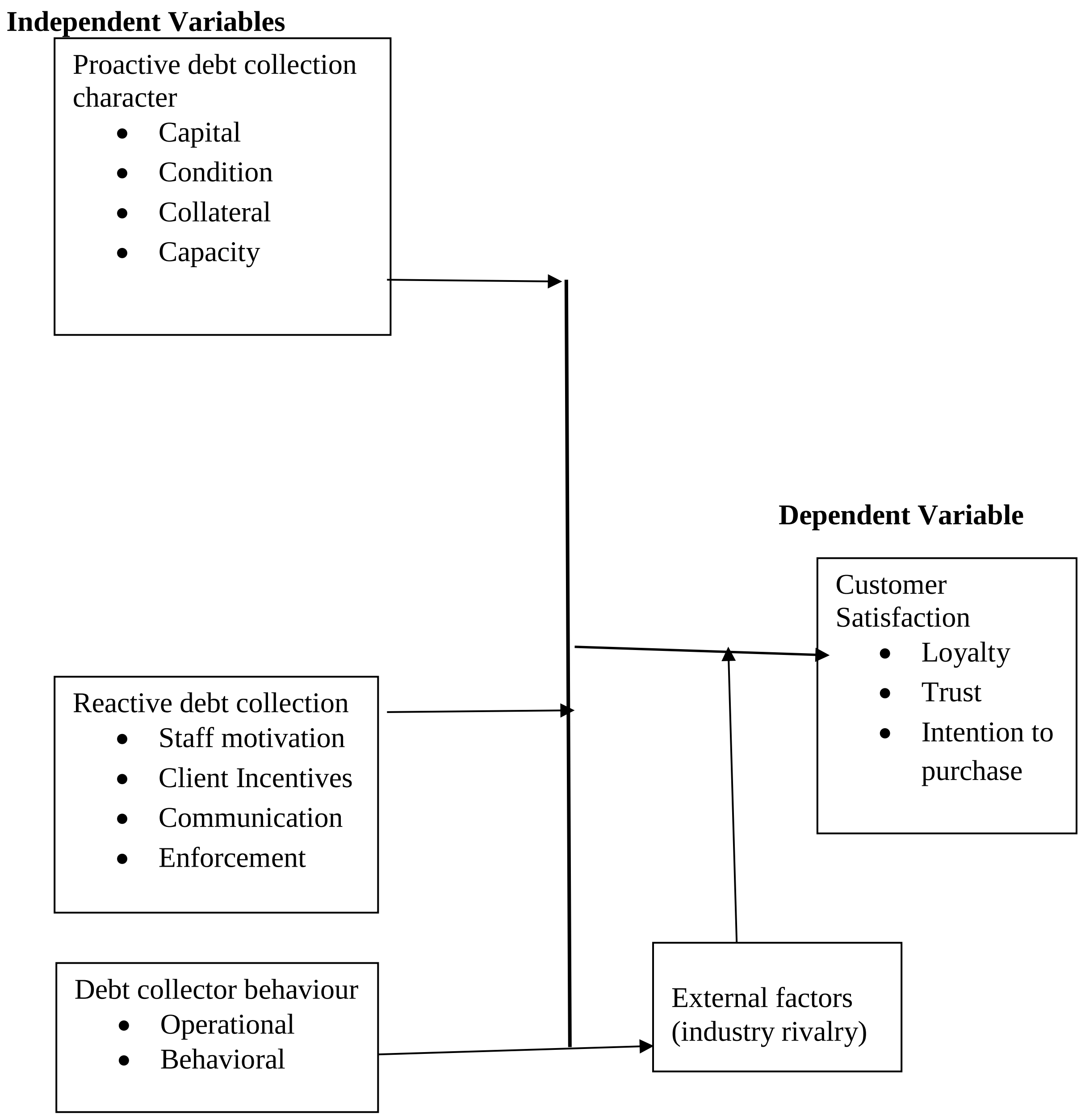



**Researcher: 2023**

## 2.10 Operational framework

**Figure 2.4:**

***Operational framework***




**Researcher: 2023**

**Table 2.1:**

***Measures of Debt Collection Strategy***

| **Independent Variables** | **Indicators** |
|---|---|
| *1- Proactive debt collection* | 1 Character |
| 1. | 2 Capacity |
| 2. | 3 Capital |
| 3. | 4 Condition |
| 4. | 5 Collateral |
| 5. | 2- client incentives |
| 6. | Communication |
| 7. | Staff Motivation |
| | Process |
| *2- Reactive debt collection* | Re-enforcement |
| | strategy. 18. |
| 8. | 19. |
| 9. | 1-operational |
| *3- debt collector behavior* | 2-Behavioral |
| | 20. |
| *11.* | |

From table (2.1) The Indicators of proactive debt collection strategy are (character, capacity, capital, condition and collateral strategy), while those of reactive strategy are (information and communication, client incentives, and employees motivation), similarly the Indicators of Debt collector behavior are (communication, persuasiveness)

**Table 2.2**

***Measures of Customer Satisfaction***

| **Dependent Variables** | **Indicator** |
|---|---|
| *1-Loyalty* | 1- relationship<br>2- commitment<br>3 purchase frequency |
| *2- Trust* | 1- relationship<br>2- likelihood<br>3 become advocate |
| *3- Intension to re-purchase* | 1 number of purchase<br>2 word of mouth |

From Table (2.3), Indicators of Loyalty are (relationship, commitment purchase frequency), while Indicators of trust are (relationship, likelihood and become advocate, where indicators of intention to purchase are number of purchases, frequency of purchase, word of mouth

## 2.11 Summary of Literature Review

The reviews show that there is a relationship between proactive debt collection, reactive debt collection, debt collector behaviour, external factors and customer satisfaction. However, most studies are carried out in a different geographical location. For instance, Nguyen et al., (2020) in Hanoi City, Vietnam, Sarbabidya (2020) in Bagladesh and Ajmal (2018) in Pakistan among others. The studies conducted in a different geographical location are not representative of the current study location and the findings cannot be generalized to the current study location. Literature assessment of the current work reveals that very few earlier papers concentrated on both the qualitative and quantitative facets of the topic under consideration for this particular research. Furthermore, none of the reviewed articles focused on the four variables in totality as it is in this study. Despite the value of customer satisfaction and debt control, there have been few studies concerning customer satisfaction in relation to loan application and debt collection in an effective strategy, especially in Somalia. Furthermore, there is not much data regarding the influence of debt collection methods on customer satisfaction in financial institutions in Somalia, so there is a gap in the research. To close this gap, this study will investigate the effects of debt collection approaches on customer satisfaction in micro financial institutions in Somalia. The literature reviews above expressly detailed customer satisfaction concept, factors affecting customer satisfaction, how to measure customer satisfaction, various debt collection methods used around the world, as well as the related factors. Additionally, it examined the conceptual and theoretical background of these strategies and provided a review of related empirical research.

## 2.12 Knowledge gap

Despite the value of customer satisfaction and debt control, there have been few studies concerning customer satisfaction in relation to loan application and debt collection in an effective strategy, especially in Somalia. Furthermore, there is not much data regarding the influence of debt collection methods on customer satisfaction in financial institutions in Somalia. The reviews show that there is a relationship between proactive debt collection, reactive debt collection, debt collector behaviour, external factors and customer satisfaction. However, most studies are carried out in a different geographical location. For instance, Nguyen et al. (2020) in Hanoi City, Vietnam, Sarbabidya (2020) in Bagladesh and Ajmal (2018) in Pakistan among others. The studies conducted in a different geographical location are not representative of the current study location and the findings cannot be generalized to the current study location. Literature assessment of the current work reveals that very few earlier papers concentrated on both the qualitative and quantitative facets of the topic under consideration for this particular research. Furthermore, none of the reviewed articles focused on the four variables in totality as it is in this study to close this gap, this study will investigate the effects of debt collection approaches on customer satisfaction in micro financial institutions in Somalia.

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Introduction

This section presents the study project's procedures as well as the techniques for gathering and analyzing data. This chapter provides a detailed explanation of the approaches utilized to address the research questions, along with justifications for their choice and the study's applicability. This section covers the study concept, design, target population, sample techniques, data gathering equipment, and analytic techniques.

## 3.2 Philosophy of Research

The term "research philosophy" refers to the guiding ideas and precepts that serve as the foundation for researchers' quest of knowledge (Saunders et al., 2016). A research paradigm, as described by Kuhn (1962), is a group of accepted theories and methods used by researchers. On the other hand, a research paradigm is a set of accepted theories used by researchers to approach and solve problems in their field. According to), Kothari and Garg (2014), a research paradigm is fundamentally a worldview that guides the choice of study design, strategy, questionnaire formulation, and sample techniques. This specific perspective on the world therefore influences how we look for solutions to research issues.

It is crucial to comprehend the research philosophy in order to critically evaluate the assumptions ingrained in the selected paradigm and assess their suitability for the current study (Saunders et al., 2016). Among others, according to Saunders, three fundamental ideas in research philosophy, ontology, epistemology, and axiology were examined. Each of these ideas has unique properties that affect research processes. While epistemology focuses on identifying what qualifies as genuine information in a particular area of study, axiology investigates value judgements. Understanding the nature of reality is a goal of ontology.

Establishing factual information and empirical proof in this area of research is the aim of this study.

The research has chosen epistemology as its guiding philosophical principle, which includes the following three positions: realism, positivism, and interpretivism According to the positivist school of thought, the universe is external and there is only one, objective reality for each phenomena or condition under study, independent of the researcher's viewpoint or worldview. According to positivists, reality is stable, observable, and capable of being accurately described.

They choose a suitable research technique, relevant hypotheses, and a specific study subject as a consequence, doing research in a controlled and organized way. In order to preserve emotional neutrality and discriminate between emotions and reason, positive researchers put emotional distance between themselves and the study subjects. Positive research philosophy places more emphasis on knowledge derived via empirical observations and experience verification than it does on introspection or intuition. On the other hand, interpretivism takes a distinct stand on ontology and epistemology and claims that reality is relative and multidimensional. According to Hudson and Ozanne (1988), interpretivists think that reality is individualized and subjective.

According to Nowell et al. (2017), it is difficult to translate these many facts since their meanings depend on various social frames, making it difficult to identify stable or objective actual variables. As a consequence, knowledge in this sector is socially produced rather than being decided objectively.

Interpretive research aims to understand and interpret the meaning of human behavior rather than generalizing and forecasting causes and results. In order to do this, the researcher needs look into the people's irrational experiences, motives, and justifications in a particular moment and environment. This research aims to evaluate the impact of debt collection techniques on customer satisfaction among Somalia's microfinance institutions by looking at quantifiable and trustworthy results from people and organizations.

## 3.3 Research Design

The "research design" refers to a study's methodology, including its chosen research technique (Ngechu, 2004). Despite the significance of customer happiness and debt management, Sileyew (2020) found that there were few research on customer satisfaction in connection to loan application and debt management in an efficient method, particularly in Somalia. The objective of the study, the location, the sort of inquiry, the participation of the researchers, the time period, and the unit of analysis are only a few of the important components of research design. Furthermore, nothing is known about how debt collection methods at Somalian financial institutions affect consumer satisfaction. According to the evaluations, customer satisfaction is related to external circumstances, proactive debt collection, reactive debt collection, and debt collector conduct. However, the vast majority of research are conducted in various places,in Pakistan, and other cases in Hanoi City, Vietnam, are some of the examples. Because the studies carried out in a separate place are not indicative of the current research site, the conclusions cannot be applied to the current study location. Few prior studies addressed both qualitative and quantitative aspects of the topic under research, according to the literature review for the present study. Furthermore, none of the publications that were examined focused on all four factors, unlike our research, which did. This research will look at how debt collection tactics affect client satisfaction in the microfinance institutions of Somalia in order to address this gap. quantifiable information to characterize a specific occurrence, together with its present trends, events, and connections to other variables. Researchers must gather data and find associations without establishing causation since the descriptive approach does not entail controlling or influencing factors. According to Sileyew (2020) descriptive studies are helpful for assessing study phenomena but shouldn't be used to establish causation. According to Saunders et al. (2016), descriptive studies should be used as a tool rather than an aim in and of themselves. As a consequence, this research began by describing the phenomena before moving on to explain it. This study utilized a method known as descriptive correlational design, which is used to establish the association between different variables and provide static representations of events.

In order to assess if there is a significant association between the degree of customer satisfaction and debt collection techniques, the cross sectional survey design and correlation design was utilized in this research. In correlation research, the link between two variables, such as a person's height and weight, is examined.

## 3.4 Target Population

A collection of individuals, instances, or objects that have certain obvious features might be referred to as the population. This is distinct from other populations. According to Zikmund (2003), a population is any group of items being researched. A population, according to Ngechu (2004), is a clearly defined collection of people, services, things, events, or families that are the focus of the research. This research focuses on corporate and individual clients of commercial banks (there are now six licensed commercial banks in Somalia), credit unions, nonprofit organizations, insurance firms, and other financial institutions

**Table 3.1:**

***Study participants***

| Institutions | Target population. | Sample size |
|---|---|---|
| Primmer Bank) | 360 | 59 |
| Dahabshil International Bank | 370 | 61 |
| Salaam Somali | 390 | 64 |
| International Bank of Somalia | 230 | 38 |
| Amal Bank | 180 | 30 |
| My Bank | 176 | 29 |
| Tawakal finance & Remittance | 142 | 23 |
| Amaana Bank | 180 | 30 |
| Grand total | 2,028 | 334 |

## 3.5 Sampling Methodology

The selection of a representative sample from the general population and calculating the sample size were the main goals of the sampling design and process used for this investigation. The next sections go into further depth about these techniques.

## 3.6 Sampling Method

The study used both probability and non-probability sampling techniques to get samples from the target population. The nested sampling approach may be used to do this; in this method, members chosen from one stage of the research serve as a sampling frame for picking a subset from the next stage.

A sample has also been referred to as "units collected from the universe to represent it" (Kothari & Garg 2014). A sample is essential, according to Saunders et al. (2016), since a research using weak definitions would be unable to rule out a false null hypothesis, wasting time and resources. Additionally, gathering excessive amounts of data during a research is a waste of time and money. The suggestion made by Polit and Beck (2014) is that data collection from a sample is more practicable and economical than data collection from the complete population.

We chose a sample from the 2,028 respondents using stratified random sampling, a sort of probability sampling. This approach was utilised since the sampling frame is heterogeneous and the sample comprises subgroups. Therefore, it is essential for us to ensure that the sample size sufficiently represents these subgroups. Delineated random examination assures that every significant sub-bunch is remembered for the example and that every feasible example matches the population distribution on layers characterizing attributes. According to Kothari, (2014) this approach is quite successful in producing a representative sample.

The random sampling method was then used to select a sample from each stratum and category at random. Any combination of items in the population has an equal chance of being chosen using basic random sampling, eliminating any possibility of bias. Using a computerized random number generator, respondents were selected at random from the entire population to ensure that there was no bias in the sample selection for this study. Any bias in the selection of the sample will be eliminated using this approach.

Using a stratified purposeful sampling process and a non-probability sampling method, we will select the survey respondents for the key informant interview. After stratifying the sampling frame to create smaller, uniform groups, a deliberate sample is selected from each stratum. A list of people and businesses that do business with Somalia's financial institutions from 18 branches in Mogadishu, Somalia, served as the survey's sample frame.

### 3.7 Sample size

Since Yamane's method from 1967 works well for studies that employ probability sampling, it was used to determine the ideal population size for the research. The sample size is represented by the number n, the population size is represented by the number N, and the error margin is represented by the letter e. For this study, the sample size will be calculated using the method with a 95 percent level of confidence and a 0.05 margin of error.

The criterion for selection into the sample are two significant parameters of interest. To be eligible for this research, both corporate and individual clients of the chosen microfinance institutions had to register. Second, only clients who have been enrolled in the bank service for a minimum of three months are taken into account. The sample for this research included 334 corporate and individual clients as well as workers at the 68 branches of the nine microfinance organizations operating in Somalia. This makes up more than 10% of the population. The choice of 10% was made in accordance with Mugenda and Mugenda's (2003) assertion that a survey requires a sample size of 10%.

## 3.8 Instrumentation

Data for the research were gathered using a standardised questionnaire that was self-administered. Questionnaires were a great way to get primary data from respondents since they could be completed in their own time or at a time when they had a manageable number of obligations. The researcher created the questionnaires, which included closed-ended inquiries. Structured questions improve response rates, minimise answer diversity, and save time coding and interpreting responses.

Questionnaires are a suitable approach for getting useful data from respondents depending on their areas of knowledge and talents. Additionally, surveys may be completed whenever it is most convenient for those who are busy. The questionnaire's questions were graded on a five-point likert scale, and table 3.2's interpretation of the findings reflects that. The factors were also examined using a 5-point Likert scale based on "5-strongly agree, and 1-strongly disagree". When the questionnaire is not easily comprehensible from the respondents' viewpoint, face-to-face interactions may be employed for additional explanation. The replies to the questions are evaluated, and the individuals with the greatest scores (five) and lowest scores (one), respectively, are considered to have the most positive views. Each responder must rate their degree of agreement on a scale of 1 to 5 likert levels (but 3 or 7 might also be used) when using a likert-type scale (Banya & Biekpe, 2018).

### Data Collection Procedure

The researcher asked Kenya Methodist University for an introduction letter before distributing the questionnaire. Respondents were told in this letter that the researcher was authorized to conduct the study and gather data. Prior to data collection, the researcher hired helpers and trained them on the questions' substance, timeliness, acceptable clothes, and politeness when they saw respondents. The questionnaire was distributed using the drop-and-pick approach. This gave the responders time and a free atmosphere in which to answer.

The respondents were informed by the researcher and his assistants that the study instruments were only being used for academic research and that their responses would be kept private. Additionally, the survey was translated into Somali, as shown in Appendix II, in order to minimize ambiguous language and make it simpler to communicate with respondents.

When the researcher visited the respondents, they had a meeting with the branch manager at each of the respondents' headquarters branches. The scientist identified himself, his credentials as a PhD student at Kenya Methodist College, and the examination license from KeMU and MOE allowing the investigation.

The researcher discussed the purpose of the study and how it might benefit banks. The researcher enlisted the help of the branch managers of each bank to compile a list of the corporate and individual clients of each bank and to send questionnaires to the intended respondents from each bank: 215 of the expected 334 questionnaires were collected, and then they were sorted by bank, examined for completeness, given numbers between 1 and 215, and coded. The computer then processed the coded survey data for data analysis.

In order to minimize bias and make sure that respondents were being truthful in their replies, the researcher also required respondents to sign the form, answer all questions, and not leave any items blank. The surveys were double-checked for accuracy after completion, and SPSS version 26 was used to organize, code, summarise, do statistical analysis, and publish the results in tables. Table 3.2 Likert Scale

**Table 3.2**

***Interpretation of the Likert item descriptive statistics***

| Mean Range | Description | Interpretation |
|---|---|---|
| 4.00-4.99 | Strongly Agree | Very Good |
| 3.00-3.99 | Agree | Good |
| 2.00-2.99 | Undecided | Neutral |
| 1.00-1.99 | Disagree | Fair |
| 0.00-0.99 | Strongly Disagree | Poor |

## 3.9 Pilot Study

A trial version of the study instrument was employed prior to data collection. Research tools must go through a pre-testing phase in order to prevent issues during the actual data gathering process. A pre-test, according to Sileyew, (2020) is a validation technique in which the researcher gives the research instrument to a limited sample of respondents largely in anticipation of feedback and revisions. By accurately presenting the questions, the researcher may lessen the number of inaccurate answers that come from participants who misunderstand the questions or who leave blank spots because they don't understand them. Additional piloting was utilized to make sure the study instrument was accurate. Banya and Biekpe (2018) state that 6% of the sample population's target population participated in the piloting. The two commercial banks participating in this were Prime Bank and Community Bank. Cooper and Schindler (2014) contend that statistical factors shouldn't be used to choose piloting participants. A piloting group need to be between 5% and 10% of the population. As a result, the pilot study employed an example of 20 participants, or 6% of the 334 near ranking replies to the real research study participants, to substantiate this assertion. A particular emphasis was focused on the length of time needed to administer each instrument and the scenarios necessitating explanation in order to assist enhance the tools. The results of the pilot study were utilized to better match data collecting methods with inquiries about the reliability of online material .The measurement tools were reliable and valid since the study was conducted using this paradigm. Reliability, according to Livingston (2018) is the fraction of a measure that is free of pure random error. Reliability is the constancy of a measurement across time and under different circumstances. There are many things that might make measurement repeatability difficult. The same researcher or another researcher is able to achieve the same predicted facts in the same target group, suggesting consistency in the creation of the findings. Reliability will be guaranteed by carefully filling out the questionnaires and specifying the study's target audience. The internal consistency of data items and questionnaires will be examined for reliability analysis using Cronbach's alpha.

Cronbach's alpha was used to evaluate the research instrument's internal consistency in this study. The cutoff was a Cronbach coefficient value greater than 0.7. According to Nowell et al. (2017), the degree to which the instruments used in the study accurately measure what they were intended to assess is known as validity. In order to ensure that the questions are legitimate, a pre- test will be administered. In accordance with the recommendations made by Vidal et al. (2017), the validity of the content and the criteria will be considered in the research. Criterion validity is defined by Vidal et al. (2017) as the degree to which a particular variable predicts or correlates with other variables. The conceptual framework's criterion-related validity is considered to have been demonstrated after the multiple correlation coefficients of all independent variables and the dependent variable have been evaluated. Before the questionnaires are used in the main study, a pilot test will be conducted to ensure their validity.

The question on whether an instrument actually measures what it claims to measure is known as validity. In research, validity can refer to the accuracy of the data, criteria, and concept. The content validity test was be used in this study to see how accurately the sample questions represented the subject matter that was tested in the study. A pilot study was carried out in order to guarantee the reliability and validity of the data collection questionnaire.

The researcher could use this test to find any items that need to be changed before creating the final questionnaire for collecting data. The degree to which a test measures what it claims to measure is known as construct validity. According to Livingston (2018), construct validity, a type of qualitative validity, ensures that the researcher's indicators characterize the concept being studied. How much a test catches each feature of the exploration is known as satisfied legitimacy, and this sort of legitimacy could fall under that classification.

Prior to the quantitative data analysis approach of component factor analysis (CFA), the construct-related validity of the data collection instrument was also evaluated to assist with data reduction to manageable levels. Cooper and Schindler (2014) stated that all factor loadings below the required 0.4 were eliminated. The Kaiser-Meyer-Ollin (KMO) test of sample adequacy was carried out in order to ascertain whether factor analysis was required. According to Livingstone (2018), factor analysis was required if the KMO value was greater than 0.40. Table 4.12's average value of 0.652 for the test statistic indicates a significant association between the variables.

Criterion validity, on the other hand, is the degree to which a measurement is related to a research outcome. While internal validity is concerned with the extent to which variations in the dependent variable can be explained by the independent and mediating factors, face validity is concerned with the degree to which a measure is thought to measure what it claims to measure.

The review's measurable end legitimacy is concerned with how well the review's conclusions can be summarized, whereas the review's measurable outer legitimacy is concerned with how well the review's conclusions are actually logical. The validity of the questionnaire in this study was established by pre-testing it on 20 people who shared characteristics with the actual respondents. The participants who took the pre-test were not included in the analysis.

## 3.10 Analysis and Presentation of Data

Statistical analysis is defined by Vidal et al. (2017) as the purposeful organization and grouping of data with the intention of creating valuable data. The survey question data were quantified using descriptive and inferential statistics using SPSS Version 26. Examples of descriptive statistics connected to description include means and standard deviations.

The data provide an overview of the descriptive statistics (frequency distribution, mean, and standard deviation) utilized in this research to assess the correlation between debt collection, customer satisfaction, and industry competitiveness.

According to Cooper and Schindler (2014) selecting the variables and connections to look into is a necessary step in data analysis. Before doing data analysis, the researcher will properly rectify any flaws in the raw data, create a coding scheme, compile it, and perform the analysis. Coded data were stored on both short- and long-term electronic storage, and SPSS software version 26 was utilized to analyze the data. Descriptive data, such as frequency distribution tables and percentages, were employed by the researcher. Advanced statistical techniques were also used to determine correlations between variables and offer a thorough description of the data, notably logistic regression analysis. The nature of dependent variable affects the logistic regression method used. Logistic regression is used when the dependent variable is dichotomous. In other words, the dependent variable has to have two outcomes that cannot both be true. The dependent variable in this research is customer satisfaction, which was classified as either "satisfied" or "not satisfied".

The logistic regression generally takes the following form:

$$P\,(Yi) = \frac{1}{1+e^{-(b0+b1Xi+b2X2i+\cdots bkXki)}} \quad \text{.................................Eqn 2}$$

Where:

- **P $(Y_i)$ is the projected odds that Y is true for case $i$**
- **$e$ is a mathematical constant approximated as 2.72**
- **$b_o$ is a constant estimate from the data**
- **$b_{1,}\, b_{2,....}\, b_k$ is a b-coefficient estimated from the predictor 1, 2, 3…..$k$.**
- **$X_{1i,}\, X_{2i,....}\, X_{k3i}$ is the observed score on predictors $Xi$, $X_2$….$X_k$ for case $i$**

**Equation 2 was used to model both the direct effect and the moderated effect.**

## 3.11 Measuring the direct effect

In the first empirical model, proactive debt collection, reactive debt collection, and debtor collection behavior are regressed on customer satisfaction.

The steps were as follows:

i. Computing the variables using the compute function. The likert scaled items corresponding to each variable were condensed into the binary responses to yield the respective variables.
ii. Inputting the data into binary logistic regression model.
iii. Specifying the reference categories
iv. Generating the output.

The output from the logistic regression relevant in this study included:

i. Hosmer and Lemeshow statistic
ii. Nagel Kerke R- Square
iii. -2loglikelihood statistics
iv. Odds ratios

## 3.12 Moderated effect

The binary logistic regression model was used with all independent variables and the moderator to determine the moderated effect of industry rivalry on customer satisfaction in Somalian financial institutions. Industry rivalry served as the moderator, while customer satisfaction served as the dependent variable. To determine which model was parsimonious, the odds ratios and variations in the -2 log- likelihood statistics were used. The steps included:

i. Computing the variables using the compute function. The likert scaled items corresponding to each variable were condensed into the binary responses to yield the respective variables.
ii. Inputting the data into binary logistic regression model.
iii. Specifying the reference categories
iv. Generating the output

The output from the logistic regression relevant in this study included:

i. Hosmer and Lemeshow statistic
ii. Nagel Kerke R- Square
iii. -2loglikelihood statistics
iv. Odds ratios.

**Table 3.3:**

***Decision Criteria for Moderation***

| Model 1 | Model 2 | Conclusion |
|---|---|---|
| Odds Ratios | Odds Ratios | a) If odds of model 1> odds of model 2, then the moderator has a positive moderating role.<br><br>If odds of model 1< odds of model 2, then the moderator has a negative moderating role |
| Deviate score | Deviate score | If the model with a moderator has smaller value of deviate score when compared with the model without the moderator, then the moderator has a moderating role. |

In summary data analysis of the study was as follows;

i. In demographic analysis the study used frequency distribution using graphs, charts and percentages.

ii. The extent of debt collection, customer satisfaction and industry rivalry the study were analyzed using mean and standard deviation. Where the most prevalent practices were presented,

iii. Exploring the relationship between IV, DV and MV or debt collection, customer satisfaction and industry rivalry (independent variable, dependent variable and moderating variable) was analyze using correlation analysis.

iv. The influence or effect of debt collection strategy on customer satisfaction were examined using regression analysis.

v. Linearity was used to determine whether the study have a linear correlation with the dependent variable customer satisfaction,

vi. Further Analysis of the effect of external factors (industry rivalry) on the relationship between debt collection strategy and customer satisfaction, will be done using moderated regression analysis.

## 3.13 Measures of Variables

A structured questionnaire was used to collect and analyze primary data on the demographic traits of the respondents as well as the study variables (Appendix III). The demographic information in Somalia's financial institutions includes information on respondents' age, gender, educational attainment, and income. While the primary study variables on Somalia's financial institution customer satisfaction, industry trends, and debt collection technique were acquired. By assessing consumer loyalty, trust, and intention to buy from Somalian financial institutions, the subconstructs of the debt collection strategy—proactive strategy, reactive strategy, and debt collector behavior— were also utilised to gauge customer satisfaction (Kotler, 2016).

## 3.14 Tests for Diagnosis

Before evaluating the hypotheses, the regression analysis assumptions were noted. As part of the investigation, diagnostic tests were run to make sure the presumptions were valid. Among them are tests for normality, homoscedasticity, multicollinearity, and correlation.

Test for normality: An analysis of normalcy was done on the study variable. The Shapiro-Wilk normality test was used to identify any departures from a normal distribution. They are unable to reject the normalcy hypothesis when the significant result is less than 0.05. The following were the alternative and null hypotheses:

Ho: The data are evenly dispersed.

H1: A normal distribution of the data is not seen. Multicollinearity Multicollinearity, as defined by Claver-Cortés et al. (2012), arises when variables in a linear regression model have a linear connection with one another. Minor model or outcome alterations have an unpredictable impact on estimates of the coefficients of change owing to multicollinearity. Claver-Cortés et al. (2012) asserts that multi-collinearity increases the standard coefficient error. According to Dahabreh et al. (2020), the test's tolerance and VIF values were taken into account while interpreting the results. This model also lacks substantial multicollinearity.

Homoscedasticity: It was investigated how homoscedastic the variances among the variables were. Homoscedastic functions are those that rely on experiments or chance occurrences. When the variance between the expected and observed values is constant, homoscedasticity takes place. Because of this, it is not necessary that the anticipated value and the actual value always match. The level of fluctuation across the several data points should, however, be the same.

Regression analysis, for instance, frequently makes use of independent and dependent variables. The independent variable will always affect the value of the dependent variable. For example, how long it requires for an ice block to dissolve relies upon the temperature. The time is the dependent variable and the temperature is the independent variable in this scenario. In statistics, regression is a method for comprehending the connection between numerous variables. One independent variable (predictor) and one dependent variable (outcome) are used in the simplest form of regression analysis. Therefore, it is possible to seem at the numerous upsides of the dependent variable by altering the benefits of the free element. These numbers will be plotted on a graph to create the regression line.

The regression line may also be used to get the predicted value. When conducting experiments, it's not necessarily required for the observed value to coincide with the expected value. As a result, one may always expect a difference between the typical and true worth. The leftover is the name given to this difference. The predicted and actual values may be obtained at several locations along a single regression line, however.

The total of these residual points represents the homoscedasticity. To prove homoscedasticity, one may utilise the residuals/error term, or the variation between expected and observed values. If the residuals stay constant, the model is homoscedastic.

Heteroscedasticity is the polar opposite of homoscedasticity. The dependent variables' constant variance at different independent variable values is shown in the first graph. Contrarily, the latter has distinct variances, which raises the possibility that the anticipated and observed values are not closely associated.

Examination of Hypotheses; the validity of the null hypotheses found in this research was examined using several empirical model-based regressions.

## 3.15 Considerations for Ethics

Ethics, according to Strand and Freeman (2015), is the ability to differentiate between morally righteous and immoral behaviour. Furthermore, Crane and Matten (2016) emphasised that ethics may also be seen as standards of acceptable human conduct. Confidentiality is crucial since the study's pertinent data has strategic significance. Therefore, the identities of responders won't be made public. Insensitive or humiliating questions won't be asked by the researcher

(Mugenda & Mugenda, 2003).

The confidentiality of the data, the sincerity of the responders and participants, and the data collecting procedure as a whole were the main ethical concerns brought up by this inquiry. The researcher made an effort to address these important ethical conundrums as best they could.

The confidentiality of the participants will be protected by the following ethical guidelines: The findings will be given in a broad sense and will not be traceable to any particular responder or group, and participants will be required to sign an informed consent agreement. Sources utilised in the study will also be appropriately attributed via correct attribution and reference. To safeguard the respondents' identity, each questionnaire will be marked with a unique identifier.

Furthermore, the study's success depended heavily on the participants' sincerity. As a consequence, the researcher made sure to emphasise to every response how important it is to behave morally and honestly. Since it cannot be assumed that all participants are aware of ethical behaviour, it is imperative to emphasise the value of honest collaboration.

The main responsibility of study participants, according to Zikmund (2003), is to supply reliable information.

The researcher will get permission from precisely chosen financial institutions and enterprises for the purpose of data collection in addition to alerting all possible participants in advance about the aim and scope of the study. This could also serve as a motivator to promote involvement.

# CHAPTER FOUR: RESULTS AND DISCUSSIONS

## 4.1 Introduction

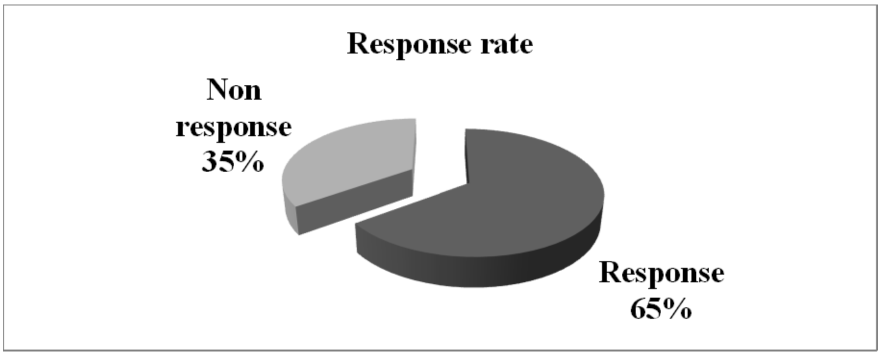
This chapter employs both descriptive and inferential statistics to present the investigation's findings and empirical findings. Patterns were investigated and interpreted, and the intended objectives were met by the data-derived conclusions. The method described in chapter three served as a point of reference for the in-depth data analysis sections of descriptive analysis, descriptive statistics, and inferential statistics. The primary objective of this study was to ascertain how customer satisfaction at Somalia's microfinance institutions is affected by operational strategy in debt recovery. The objectives of the study, which were outlined in the second chapter's literature review, served as the foundation for the analysis and presentation.

## 4.2 Respondent Qualities, Reliability, and Response Rate

Response Rate of the 334 surveys that were sent out, 215 were completed and returned. Figure 4.1 depicts a response rate of 65% as a result of this. Mugenda and Mugenda (2013) state that a response rate of fifty percent is considered adequate, sixty percent is considered excellent, and seventy percent or more is considered really well. Sinclair et al. (2012) assert that the proportion of respondents who decline to participate is rising and that researchers are having difficulty contacting potential participants. Additionally, they argue that a high response rate does not always lead to bias. As a result, the study's response rate of 65% is deemed adequate.

**Figure 4.1:**

***Response Rate***




**Source: Research Data 2023**

## 4.3 Reliability of Data Collection Instruments

The internal consistency or reliability of a series of questions intended to evaluate a single construct or variable is widely assessed in social science research using reliability statistics like Cronbach's Alpha. Using Cronbach Alpha, the validity of the questions in the questionnaire used to gather data for this research was evaluated. A number closer to 1 denotes stronger internal consistency, and a larger coefficient denotes greater test reliability, according to the Cronbach's alpha statistic, which has a range from 0 to 1. Utilizing Cronbach alpha statistics, the data gathering instrument's dependability was assessed. Each of the components was measured using many items. A Cronbach Alpha of 0.7 or above is considered acceptable.

Table 4.1 displays the instrument's reliability findings for this investigation.

**Table 4 1:**

***Reliability***

Reliability Statistics

| | Cronbach's Alpha | N of Items |
|---|---|---|
| **1.Proactive debt collection** | **0.958** | **17** |
| Reactive_Management | | |
| Information Systems | 0.794 | 3 |
| Reactive_Staff incentives | 0.706 | 6 |
| Reactive_ communication | 0.764 | 5 |
| Reactive_reinforcement | 0.731 | 4 |
| **2. Reactive debt collection** | **0.888** | **18** |
| Behavioral activities | 0.885 | 7 |
| Operational activities | 0.822 | 7 |
| **3. Debt collector behavior** | **0.929** | **14** |
| **4. Industry rivalry** | **0.892** | **7** |

| | | |
|---|---|---|
| Loyalty | 0.886 | 9 |
| Trust | 0.857 | 7 |
| Intention to purchase | 0.712 | 5 |
| **5. Customer satisfaction** | **0.871** | |

This study found that the coefficient for proactive debt collection was 0.958, while the coefficient for reactive debt collection practices was 0.888, the behavior of debt collection was 0.929, industry rivalry was 0.892, and customer satisfaction was 0.871. To put it another way, the terms "proactive debt collection," "reactive debt collection," "debt collection behavior," and "industry rivalry" all had Cronbach's Alpha values greater than 0.7, which indicated that the instrument was internally consistent with the intended measure (0.958, 0.888, 0.929, and 0.892, respectively). In addition, the internal consistency of the measures of the Customer satisfaction variables - "loyalty," "trust," and "intention to purchase" - made them reliable for measuring the sub variables (Loyalty: 0.886; Trust: 0.857; Preference to buy: 0.612).

Since every construct had a Cronbach's Alpha value greater than 0.700, the study's constructs were deemed reliable. Table 4.2 provides a summary of the study's construct reliability findings.

**Table 4.2:**

***Reliability Test Results***

| Section | No. of items | Cronbach's Alpha | Comments |
|---|---|---|---|
| Proactive debt collection | 17 | 0.958 | Reliable |
| Reactive Debt Collection Practices | 17 | 0.888 | Reliable |
| Debt collection behavior | 14 | 0.929 | Reliable |
| Industry Rivalry | 7 | 0.892 | Reliable |
| Customer Satisfaction | 21 | 0.871 | Reliable |

**Source: Research Data, 2023**

## 4.4 Validity of the Research Instrument

Factor analysis was used to assess the construct validity. The study used two widely used measures of sampling adequacy: Two of them were KMO and Bartlett's Sphericity Test. The significance of the relationship between the predicted variable and the explanatory variables was the subject of their discussion. In almost all social science studies, tests are used to determine whether a sample is adequate.

The Bartlett's Test of Sphericity and the Kaiser-Meyer-Olkin (KMO)

Measure of Sampling Adequacy Test were used to assess the adequacy and appropriateness of the data collected for the current study for inferential statistical tests.

The data's suitability for factor analysis is assessed by means of the Kaiser-Meyer-Olkin

(KMO) Test. A statistic that indicates how much of a variable's variance may be attributed to underlying factors is known as this. The test measures sampling adequacy for the entire model as well as each model variable. Values close to 1.0 typically indicate that a factor analysis could be useful, and KMO returns values between 0 and 1. If the value is less than 0.50, factor analysis may not be useful for the data. On the off chance that the KMO esteem is somewhere in the range of 0.8 and 1, the examining is sufficient, and in the event that it is under 0.6, it isn't satisfactory.

KMO values close to zero indicate either significant partial correlations in relation to the total number of correlations or widespread correlations, both of which make factor analysis difficult. Kaiser interpreted the values in the results as follows: From 0 to 49 is unacceptable, from 50 to 59 is awful, from 60 to 69 is average, from 70 to 79 is average, from 80 to 89 is good, and from 90 to 1.00 is amazing.

A Kaiser-Meyer-Olkin (KMO) test has a value of 0.652, which is greater than 0.5, as shown in table 4.3. Based on the significance level and value of the test statistic, it demonstrates a strong relationship between the variables.

**Table 4.3:**

***KMO and Bartlett's Test***

| Indicator | | Coefficient |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy | | 0.652 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 51.842 |
| Df | | 214 |
| Sig. | | 0.000 |

**Source: Author, 2023**

## 4.5 Demographic Characteristics of respondents

The following tables present the socioeconomic and sociodemographic characteristics of respondents for the participants in this study.

**Respondents gender**

According to Table 4.4, 57% of respondents were male and 43% were female. This suggests that there are more men than women, as 57% of respondents were male and 43% were female, as shown in Table 4.4. This suggests that more men than women deal with financial institutions in Somalia, or that more men than women work in the business sector and borrow money from financial institutions. This could have something to do with the country's security and cultural issues.

**Table 4.4**

***Respondent's gender***

| Gender | Frequency | Percent |
|---|---|---|
| Male | 123 | 57.2 |
| Female | 92 | 42.8 |
| Total | 215 | 100.0 |

**Source: Research**

**Age of respondents**

The respondents to this study show that there is a dynamic, multigenerational workforce with workers of varying ages and a variety of skills that are beneficial to Somalian financial institutions. 3 percent of respondents are under the age of 21, 61% are between 31 and 40, 28% are between 41 and 50, and 8% are over 51.

This study's low proportion of respondents between the ages of 21 and 30 suggests that Somalia's financial institutions have been around for many millennia. However, 61% of respondents fall into the 31- to 40-year-old age range.

**Table 4.5:**

***Age of respondents***

| Age | Frequency | Percent |
|---|---|---|
| 21-30 years | 6 | 2.8 |
| 31-40 years | 130 | 60.5 |
| 41-50 years | 61 | 28.4 |
| 51 years and above | 18 | 8.4 |
| Total | 215 | 100.0 |

**Source: Research Data, 2023**

### Respondent Education

Only 1% of respondents had a postgraduate degree, 4% had a secondary education, 39% had a certificate, and 57% had a university degree or higher. Since the majority of respondents (58%) have a postgraduate or university education, this suggests that efforts have been made to attract and engage respondents with high educational qualifications. Because the respondents were able to comprehend and respond to the questions on the questionnaires, the study's findings are highly reliable.

**Table 4.6:**

***Respondent Education***

| | | Frequency | Percent |
|---|---|---|---|
| Valid | High school | 8 | 3.7 |
| | Certificate | 83 | 38.6 |
| | Degree | 122 | 56.7 |
| | Post graduate | 2 | .9 |
| | Total | 215 | 100.0 |

**Source: Research Data, 2023**

### Income of the Respondent

According to table 4.7, 34% of the respondents earn an income of $500 and below. Majority of the respondents, represented by 37% earn $ 501-$, 1000. On the other hand, 21% of the respondents earned $1001-$3000, while 8% of the respondents earned over $3000.

**Table 4.7**

***Income of the Respondent***

**Source: Author, 2023**

| Income | Frequency | Percent |
|---|---|---|
| <$500 | 73 | 34.0 |
| $501-$1000 | 80 | 37.2 |
| $1001-$3000 | 46 | 21.4 |
| >$3000 | 16 | 7.4 |
| Total | 215 | 100.0 |

With reference to age, gender, education, and income, majority of respondents fall within the age range of 31-40 years (60.5%). Male respondents represented 57.2% of the total study participants. 42.8% of the respondents were female. Most of respondents had an undergraduate degree (58.6%). Post graduate education was least represented by 2 respondents (0.9%). The income distribution shows that the majority of respondents earn less than $1000 (71.2%), with the largest group earning between $501 and $1000 (37.2%).

Overall, this demographic profile of the sample population provides useful information about the characteristics of the respondents and may help researchers in understanding the research findings and drawing conclusions.

A closer look at income against education level is depicted on the cross tabulation on table

4.5 which indicate that generally earnings are pegged to education level in micro financial institutions in Somalia. Majority of high income earners have a degree and above

**Table 4.8:**

***Education level * Income of respondent Cross-tabulation***

Count

Income of respondent

| | | <$500 | $501-$1000 | $1001-$3000 | >$3000 | Total |
|---|---|---|---|---|---|---|
| Education | High school | 0 | 0 | 8 | 0 | 8 |
| | Certificate | 48 | 30 | 5 | 0 | 83 |
| level | | | | | | |
| | Degree | 25 | 50 | 33 | 14 | 122 |
| | Post graduate | 0 | 0 | 0 | 2 | 2 |
| Total | | 73 | 80 | 46 | 16 | 215 |

**Source: Author, 2023**

## 4.6 Descriptive Results of the Study Variables

Descriptive statistics were applied to the responses in order to get a general idea of how respondents viewed the instrument's items. Table 4.8 displays the outcomes in terms of mean, mode, median, and standard deviation.

**Proactive debt collection activities**

According to Table 4.8, 65% of respondents agreed that their organization analyzed demographic, behavioral, and other customer trends in loan application processes, 31% disagreed, and 4% were indifferent. In contrast, 33% of respondents agreed that their organization analyzed customer character and capacity in loan application processes, while 16% of respondents were indifferent. 51% of respondents agreed that their organization analyzed customer character and capacity in loan application processes. A mean of 3.20 and a standard deviation of 1.27 substantiated this.

These results are consistent with those of Musyoki and Kadubo (2014), who discovered that financial institutions in Somalia employ stringent debt collection strategies in order to secure the debt, increase the banks' cash flow, and improve customer service. These strategies include reviewing an applicant's credit history, setting a higher interest rate of 10 percent, requiring down payments of at least 30 percent, receiving recommendations specifically from bank employees, securing collateral that is greater than or equal to the loan, and providing a guarantor who is

Additionally, 28% of respondents disagreed that their organizations had examined their pricing strategy toward Murababaha rating and its effects on custom behaviors, while 6% of respondents were indifferent. In addition, 66% of respondents agreed that their organizations had examined their pricing strategy toward Murababaha rating and its effects on custom behaviors.

With a mean of 3.30 and a standard deviation of 1.27, the survey indicated that 59% of respondents agreed that the screening process was a computerized programme that helped credit officers make choices, 32% disagreed, and 9% were neutral. The survey also revealed that 32% of respondents didn't think that the credit officers' decision-making throughout the screening process was aided by a computer programme.

While 28% of respondents disagreed and 6% were neutral, 66% of respondents agreed that top credit managers should always verify the veracity of loan applications. A borrower's credit history should be verified before approving a loan, according to the research, which also showed that 60% of participants agreed, 31% disagreed, and 9% were unsure. This was supported by a mean of 3.30 and a standard deviation of 1.27. The survey found that 48% of respondents agreed, 30% disagreed, and 22% were undecided on whether or not a borrower's cumulative transactions and repayment history should be taken into account before giving a loan.

Furthermore, 26% of respondents agreed that the Muraabaha rates imposed on consumers had an impact on our organization's efforts to recover debts, while 20% of respondents had no opinion. Additionally, 54% of respondents agreed that the Muraabaha rates imposed on consumers had an impact on our organization's efforts to recover debt. The aggregate mean of proactive debt collection efforts was 3.21, with a standard deviation of 1.26. This is in line with Wiśniewski, (2022) that proactive business plans were created to foresee probable problems and that no organization can be proactive in every case. Nevertheless, Wiśniewski, found that organizations with proactive strategies were often better able to deal with issues.

The research looked at cross-selling practices and different media to see how a PPS affected customer turnover and inbound support calls. The results of a significant field trial in the telecom industry showed the PPS's overall effectiveness. Even though the research was done in the telecom industry, the financial institutions' debt collection division may especially benefit from its results. In order to cross-sell to clients, keep them updated on the progress of their loans, and ultimately increase customer satisfaction, financial institutions should Musyoki and Kadubo (2011) concur with the study's conclusions. The author agrees that when a prospective client requests for a loan, the bank uses rigorous debt collection processes and sophisticated tools to quantify and summarise credit risk, which serve as the basis for their lending choices (which do not favour the majority of clients). Financial organizations try to reduce the risk of giving money to borrowers by performing credit reviews on people and companies requesting for a new credit line or loan (Musyoki & Kadubo, 2011). Finding out how probable it is that a borrower won't pay back a loan is called credit analysis. It is based on the five Cs of credit, which are five crucial components. These elements include Capacity, Capital, Conditions, Character, and Collateral, in accordance with Declamaire's 2012 explanation. Technological Advancement: Many organizations still use physical labour to carry out the debt collecting procedure when it comes to allocating resources for technology. But in recent years, there has been a lot of discussion about how technology is replacing human-centered procedures.

Thanks to new features aimed primarily at managing debtors and collecting past-due payments, debt collection practices have fortunately made great developments (Yang, 2022). Another academician, Declamaire (2012), concurs with the study's results that creating an internal credit collection unit; Improving debt collection requires building a strong collection team that follows a set of well-defined and documented rules and processes. These standards, which should be uniform, should provide instruction to the personnel on how to handle certain scenarios. It is crucial that these rules and procedures have a range of techniques (Cheptum, 2019). The increasing reduction in the efficiency of debt recovery over time, according to Anderson and Fornell (2009), makes it necessary for banks to employ the help of independent debt collection companies to manage their troublesome accounts. One of the three main reasons why banks should think about outsourcing debt

Collection for their unpaid accounts is the potential to save accounts via early intervention affordability and the importance of outside influence. If a client's bank account has an overdraft or is in default and the bank has unsuccessfully attempted to contact the consumer to fix the problem, having a third party engaged may often make a substantial impact and push the customer to take action. Debt collection companies have the ability to act as neutral mediators skilled in amicably resolving such disputes.

**Table 4.9:**

***Proactive debt collection activities***

| | SD | D | N | A | SA | Mean | SD |
|---|---|---|---|---|---|---|---|
| The bank analyses demographic, behavioral and other customer trends in loan application process | 6% | 25% | 4% | 42% | 23% | 3.52 | 1.24 |
| The bank analyses customer character and customer capacity in loan application process? | 14% | 19% | 16% | 39% | 12% | 3.18 | 1.28 |
| The bank analyzes its pricing strategy toward Murababaha rating and its effects on custom behaviors | 11% | 17% | 6% | 43% | 23% | 3.55 | 1.28 |
| Screening process is a computerized program that helps credit officers in decision making | 12% | 20% | 9% | 45% | 14% | 3.31 | 1.25 |
| Senior credit managers always go through all loan applications to verify their accuracy | 10% | 18% | 6% | 43% | 23% | 3.53 | 1.27 |
| Borrower‘s credit history is verified before a loan is granted | 12% | 19% | 9% | 46% | 14% | 3.32 | 1.22 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Accumulated transaction and repayment history of a borrower is assessed before loan is granted | 12% | 18% | 22% | 34% | 14% | 3.21 | 1.24 |
| The bank call for your opinions whenever there is an adjustment to the policies associated to credit or credit risk management | 16% | 39% | 40% | 5% | 0% | 2.32 | 0.80 |
| Enforcement of collateral and guarantee policies are used to enhance loan recovery in case of loan defaults | 11% | 17% | 6% | 43% | 23% | 3.53 | 1.27 |
| Collateral is an important factor in our institution for loan approval process | 12% | 20% | 9% | 45% | 14% | 3.38 | 1.25 |
| Without collateral the bankdoesn‘t provide a loan to customers | 11% | 19% | 20% | 35% | 15% | 3.22 | 1.23 |
| Banks consider confidence and the personal relationship to the customer for the credit assessment | 5% | 20% | 20% | 39% | 16% | 3.37 | 1.13 |
| Client appraisal considers the character of the customers seeking credit facilities | 0% | 12% | 22% | 45% | 21% | 3.76 | 0.96 |
| Aspects of collateral are considere while appraising clients | 0% | 0% | 39% | 39% | 22% | 3.18 | 1.28 |
| Assessment of customers capacity to Repay loan are conducted by our organization | 13% | 28% | 20% | 23% | 16% | 3.32 | 1.28 |
| Credit committees involved in making decisions regarding debt collection activities | 12% | 18% | 21% | 26% | 23% | 3.28 | 1.30 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Muraabaha rates charged to customers affect debt collection activities in our organization | 5% | 21% | 20% | 35% | 19% | 3.39 | 1.18 |
| Total Average | | | | | | 3.274 | 1.04 |

| Proactive debt collection activities | Mean(M) | Median | Mode | SD | Min | Max |
|---|---|---|---|---|---|---|
| The bank analyses demographic, behavioral and Other customer trends in loan application process | 3.52 | 4 | 4 | 1.24 | 1 | 5 |
| The bank analyses customer character and customer capacity in loan application process? | 3.18 | 4 | 4 | 1.28 | 1 | 5 |
| Financial institutions analyses its pricing strategy toward Murababaha rating and its effects on customer satisfaction | 3.55 | 4 | 4 | 1.28 | 1 | 5 |
| Screening process is a computerized program that helps credit officers in decision making | 3.31 | 4 | 4 | 1.25 | 1 | 5 |
| Senior credit managers always go through all loan applications to verify their accuracy | 3.53 | 4 | 4 | 1.27 | 1 | 5 |
| Borrower‘s credit history is verified before a loan is granted | 3.32 | 4 | 4 | 1.24 | 1 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Accumulated transaction and repayment history of a borrower is assessed before loan is granted | 3.21 | 3 | 4 | 1.22 | 1 | 5 |
| The bank call for your opinions whenever there is an adjustment to the policies associated to credit or credit risk management | 2.32 | 2 | 3 | 0.80 | 1 | 4 |
| Enforcement of collateral and guarantee policies are used to enhance loan recovery in case of loan defaults | 3.53 | 4 | 4 | 1.27 | 1 | 5 |
| Collateral is an important factor in our institution for loan approval process | 3.31 | 4 | 4 | 1.25 | 1 | 5 |
| Without collateral the bank doesn‘t provide a loan to customers | 3.23 | 3 | 4 | 1.23 | 1 | 5 |
| Banks consider confidence and the personal relationship to the customer for the credit assessment | 3.37 | 4 | 4 | 1.13 | 1 | 5 |
| Client appraisal considers the character of the customers seeking credit facilities | 3.76 | 4 | 4 | 0.96 | 1 | 5 |
| Aspects of collateral are considered while appraising clients. | 3.18 | 4 | 4 | 1.28 | 1 | 5 |
| Assessment of customers capacity to repay loan are conducted by our organization | 3.32 | 4 | 4 | 1.28 | 1 | 5 |
| Credit committees involved in making decisions regarding debt collection activities | 3.28 | 3 | 4 | 1.30 | 1 | 5 |
| Muraabaha rates charged to customers affect debt | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| collection activities in our organization | 3.39 | 4 | 4 | 1.18 | 1 | 5 |
| Proactive debt collection | 3.274 | 4 | 4 | 1.04 | 1 | 5 |

**Source: Author, 2023**

**Reactive Debt Collection Practices**

Table 4.9 shows that just 3% of respondents thought the bank had made an investment in a management information system that was user-friendly and decreased administrative expenses, while 83% disagreed and 24% were undecided. This was shown by a mean of 2.03 and a standard deviation of 0.79. 61% of respondents disagreed, 24% were unclear, and 15% said the bank's management information system improved staff performance in debt collection tasks.

12% of respondents, on the other hand, concurred that management could readily obtain internal debt data, while 53% disagreed and 36% were undecided. In contrast to the opinions of 46% of respondents who disagreed, 29% of respondents who were indifferent, and 14% of respondents who agreed, the bank did not have enough staff designated for debt collection tasks. The study's results show that 39% of respondents disagreed with the assertion that the bank had supervisors who directly oversaw debt collectors, while 44% of respondents had no opinion. This was shown by a mean of 2.73 and a standard deviation of 0.81.

According to the survey, 32% of respondents were not persuaded that the bank supported staff exchange programmes with other workers, and 68% of respondents disagreed that doing so would increase productivity and knowledge at work. This was shown by a mean of 2.09 and a standard deviation of 0.74. Contrarily, 82% of respondents agreed that our company had introduced flexible debt payments, while just 18% expressed no worry about it. 61% of respondents disagreed that the practice of suing customers was a component of their bank's collection efforts, compared to 39% of respondents who did not agree. According to the poll, 6% of respondents agreed that their firm chooses a customer who has missed two payments on a loan before defaulting, 65% disagreed, and 29% were unsure.

While 29% of respondents were unconcerned, 58% of respondents disagreed that the debt collector starts phoning customers, leaving voicemails, sending written correspondence, and having live conversations with debtors. 13% of respondents, on the other hand, agreed that the debt collector starts by contacting customers, leaving voicemails, sending written correspondence, and having live conversations with debtors. A mean of 2.41 and a standard deviation of 0.92 were used to illustrate this. The poll found that 94% of respondents disputed that their bank gave clients a toll-free number for follow-up calls, while 6% had no opinion.

Once again, the survey found that 82% of respondents disagreed with the claim that their organization used independent debt collection companies to pursue past-due debts, while 1% of respondents had no opinion. Only 7% of respondents claimed that penalties and enforcements had been used to encourage borrowers to repay their loans in full, compared to 36% who claimed that penalties and enforcements had not been used, and 57% who said they were unsure. This was shown by a mean of 2.50 and a standard deviation of 1.00.

The study's results, according to Declamaire (2012), suggest the establishment of an internal credit collection unit. Improving debt collection requires putting together a strong collection team that follows a set of explicitly stated and recorded rules and procedures. These standards, which should be uniform, should provide instruction to the personnel on how to handle certain scenarios. It is crucial that these rules and procedures have a range of techniques (Cheptum, 2019). The increasing reduction in the efficiency of debt recovery over time, according to Anderson and Fornell (2009), makes it necessary for banks to employ the help of independent debt collection companies to manage their troublesome accounts. One of the three main reasons why banks should think about outsourcing debt collection for their unpaid accounts is the potential to save accounts via early intervention, affordability and the importance of outside influence. If a client's bank account has an overdraft or is in default and the bank has unsuccessfully attempted to contact the consumer to fix the problem having a third party engaged may often make a substantial impact and push the customer to take action. Debt collection companies have the ability to act as neutral mediators skilled in amicably resolving such disputes.

This is in line with a research by Berraies and Hamouda (2018) that looked at how innovation and customer satisfaction function as mediators in the link between customer empowerment (CE) and financial performance. Data from 216 branches of 14 commercial banks in Tunisia were gathered by survey, and the findings were examined using exploratory factor analysis. The results show that CE significantly and favorably impacts enterprises' financial performance. Furthermore, customer happiness, exploratory innovation, and exploitative innovation all have a role in mediating the relationship between CE and a company's financial success. These results are useful for practitioners, especially bank managers, since they would boost innovation, customer happiness, and financial success by providing consumers greater influence over product and service development. In order to promote these practises inside banks, it is vital to follow them. Such practises include the voicing of views, meeting client requirements, and interacting with other bank customers. They also include the personalization of services and goods that consumers buy on their own. Customers in the debts departments should be permitted to handle loan application and repayment matters on their own. This leads in a satisfied and empowered consumer.

According to the poll, 52% of respondents agreed that taking their debts to court and using legal means to recover them is their last resort, while 18% of respondents had no opinion. Additionally, 20% of respondents felt that using a regional court as a last resort for debt collection, according to the survey. Reactive debt collection techniques had a mean of 2.11 and a standard deviation of 0.74.

This is consistent with Declamaire's (2012) research, which showed that companies have started using a range of reform strategies to address the problem of debt collection. The one that automatically issues tax liens on real estate that is behind on payments and is swiftly and strictly enforced looks to be the most effective.

Musyoki and Kadubo (2011) concur with the study's conclusions. The author agrees that when a prospective client requests for a loan, the bank uses rigorous debt collection processes and sophisticated tools to quantify and summarise credit risk, which serve as the basis for their lending choices (which do not favour the majority of clients). Financial organisations try to reduce the risk of giving money to borrowers by performing credit reviews on people and companies requesting for a new credit line or loan (Musyoki & Kadubo, 2011).

**Table 4.10:**

***Reactive Debt Collection Practices***

| | SD | D | N | A | SA | Mean | SD |
|---|---|---|---|---|---|---|---|
| The bank has invested in a management information system which is easy to use and enabled the minimization of administrative costs | 26% | 47% | 24% | 3% | 0% | 2.00 | 0.80 |
| The management information system of the bank assists employees to enhance their performance in debt collection activities | 12% | 49% | 24% | 12% | 3% | 2.41 | 0.95 |
| Internal data on debts are easily accessible to the management | 7% | 46% | 36% | 9% | 3% | 2.57 | 0.87 |
| The bank has enough number of employees appointed in debt collection activities | 16% | 40% | 29% | 14% | 0% | 2.44 | 0.93 |
| The bank has managers who directly supervise debt collectors | 7% | 32% | 44% | 17% | 0% | 2.74 | 0.81 |
| Every new employee receives induction training | 23% | 49% | 26% | 2% | 0% | 2.09 | 0.77 |
| Staff incentives are effective in improving recovery of delinquent loans | 28% | 53% | 16% | 3% | 0% | 1.98 | 0.76 |
| The bank offers short training in form of seminars to improve staff competency | 19% | 43% | 30% | 8% | 0% | 2.27 | 0.87 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| The bank encourages staff exchange programs With other employee to improve work knowledge and productivity | 23% | 45% | 32% | 0% | 0% | 2.07 | 0.75 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Flexible payments of debts have been implemented in our organization | 28% | 54% | 18% | 0% | 0% | 1.88 | 0.67 |
| Business practice of suing consumer is a part of our bank collection effort | 20% | 41% | 39% | 0% | 0% | 2.23 | 0.87 |
| | 27% | 38% | 29% | 3% | 3% | 2.12 | 0.97 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Our organization decide that the client has defaulted in loan repayment within two late payments | | | | | | | |
| In debt default, the debt collector starts calling consumers, leaving voicemails, sending written communication and live conversation with debtors | 15% | 43% | | 12% | 1% | 2.40 | 0.92 |
| Our bank provide consumers with a toll-free number for return calls | 32% | 62% | 6% | 0% | 0% | 1.77 | 0.56 |
| In-past due payments our organization employindependent debt collector agencies | 33% | 49% | 18% | 0% | 0% | 1.84 | 0.69 |
| Penaltyand enforcement have been Implemented to enhance customer commitments to loan repayments | 4% | 32% | 57% | 7% | 0% | 2.68 | 0.67 |
| Legal enforcement and regional court is our last step in debt collection strategy | 17% | 35% | 28% | 20% | 0% | 2.53 | 1.00 |
| Total Average | | | | | | 2.27 | 0.50 |

| Proactive debt collection activities | Mean(M) | Median | Mode | SD | Min | Max |
|---|---|---|---|---|---|---|
| The bank has invested in a management information system which is easy to use and enabled the minimization of administrative costs | 2.00 | 2 | 2 | 0.80 | 1 | 4 |
| The management information system of the bank assists employees to enhance their performance in debt collection activities. | 2.41 | 2 | 2 | 0.95 | 1 | 5 |
| Internal data on debts are easily accessible to the management | 2.57 | 2 | 2 | 0.87 | 1 | 5 |
| Reactive _ Management information systems | 2.36 | 2 | 2 | 0.72 | 1 | 4 |
| The bank has enough number of employees appointed in debt collection activities | 2.44 | 2 | 2 | 0.93 | 1 | 4 |
| The bank has managers who directly supervise debt collectors? | 2.74 | 3 | 3 | 0.81 | 1 | 4 |
| Every new employee receives induction training | 2.09 | 2 | 2 | 0.77 | 1 | 4 |
| Staff incentives are effective in improving recovery of delinquent loans | 1.98 | 2 | 2 | 0.76 | 1 | 4 |
| The bank offers short training in form of seminars to improve staff competency | 2.27 | 2 | 2 | 0.87 | 1 | 4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| The bank encourages staff exchange programs with other employees to improve work knowledge and productivity | 2.07 | 2 | 2 | 0.75 | 1 | 3 |
| Reactive _ Staff incentives | 2.24 | 2 | 2 | 0.56 | 1 | 3.5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Flexible payments of debts have been implemented in our organization. | 1.88 | 2 | 2 | 0.67 | 1 | 3 |
| Business practice of suing consumer is a part of our bank collection effort | 2.23 | 2 | 2 | 0.87 | 1 | 4 |
| Our organization decide that the client has defaulted in loan repayment within two late payments | 2.12 | 2 | 2 | 0.97 | 1 | 5 |
| In debt default, the debt collector starts calling consumers, leaving voicemails, sending written communication and live conversation with debtors | 2.4 | 2 | 2 | 0.92 | 1 | 5 |
| the bank provides consumers with a toll-free number for return calls | 1.77 | 2 | 2 | 0.56 | 1 | 3 |
| Reactive Communication | 2.05 | 2 | 2 | 0.67 | 1 | 4 |
| In-past due payments our organization employ independent debt collector agencies | 1.84 | 2 | 2 | 0.69 | 1 | 3 |
| Penaltyand enforcement have been implemented to enhance customer commitments to loan repayments | 2.68 | 3 | 3 | 0.67 | 1 | 4 |
| Legal enforcement and regional court is our last step in debt collection strategy | 2.53 | 2 | 2 | 1.00 | 1 | 4 |
| The bank recovers bad debts from guarantors with clients those default in repaying their loans | 2.38 | 2 | 2 | 1.05 | 1 | 5 |
| Reactive Reinforcement | 2.37 | 2 | 2 | 0.62 | 1.5 | 4 |
| Reactive debt collection | 2.27 | 2 | 2 | 0.50 | 1.5 | 3.5 |

**Source: Author, 2023**

**Debt Collector Behavior**

Table 4.10 shows that 9% of respondents believed that debt collectors should treat customers politely while collecting debts, 78% disagreed, and 13% were unsure.

The research also found that 14% of respondents believed that debt collectors seldom apply pressure on consumers to settle their debts, 70% agreed with this statement, and 16% were not persuaded. According to the study's results, although 16% of respondents expressed no opinion, 75% of respondents thought that call recording and call monitoring were inappropriate from the standpoint of debt collectors. The survey also showed that 7% of respondents thought phone monitoring and recording were undesirable practises. This was shown by a mean of 2.12 and a standard deviation of 0.85.

According to the study, 6 percent of respondents agreed that inadequate customer knowledge was another factor influencing the debt collection process, 78 percent of respondents agreed, and 16 percent of respondents expressed no opinion.

According to the survey, 69% of respondents agreed that the channels for reporting unfavourable debt collection behaviour properly handled their request, while 23% of respondents had no opinion. 8% of respondents to the research agreed that their complaints about debt collection behaviour was addressed adequately. This was shown by a mean of 2.12 and a standard deviation of 0.85. The survey also revealed that 23% of respondents were indifferent, while 18% of respondents said that they felt personal security regarding their debt information, and 59% of respondents believed that they did.

On the other hand, with a mean of 2.22 and a standard deviation of 0.30, just 12% of respondents agreed that they get frequent contact about their debt position, while 65% disagreed and 23% were undecided. According to the poll, 10% of respondents said they thought the debt collector had correct information about their debt, 70% said they thought the same, and 20% said they were unsure. It was evident that just 9% of respondents thought they had gotten prompt response from the debt collector, while 71% disagreed and 20% were unsure. According to the survey, 15% of respondents were indifferent, 75% disagreed, and 10% of respondents thought the methods for reporting debt collection behavior properly handled their request.

According to the survey, 64% of respondents disagree that there are channels for complaining about their debts, 18% of respondents are neutral, and 18% of respondents believe that there are channels for complaining about their debts.

For behavioral debt collection actions, the aggregate mean and standard deviation were 2.05 and 0.81, respectively. This is consistent with (Robbins, 2001), who stated that the ability of debt collectors to communicate and persuade will be used to gauge their behavior.

Stănescu (2021) supports the assertion that it's crucial to treat debtors and all parties engaged in the debt with fairness, respect, and courtesy. Contact with a debtor should only be initiated when required and appropriate. Debt collection strives to lower credit risk, not to offer value for clients. Collection tactics are thus more likely to fail. The scenario is even worse for new microloans since they have higher credit risks when compared to traditional financial services. The study's findings that "harsh" measures have been used often are supported by (Yang, 2022). Implementing personalized AI-based optimization for microloan debt collection is thus essential but very difficult. Second, unlike one-time or unlimited marketing strategies, debt collection often follows a rigid sequence of steps owing to legal and other issues.

This sequence in the case of microloans, especially those in less developed areas, goes from the "softer" loans to the "harder" loans in a straight line. Loan businesses initially text or contact the delinquent borrowers to remind them of the repayment schedule after the loan's due date or after each installment. If no payback is made after a certain number of days (for instance, three days), the loans enter the collection phase. Obligation authorities take action against late-paying borrowers in particular by disclosing their transgression to their friends. They start with the borrower's family and then go on to their friends and whole contact list if the borrower is still in arrears.

Furthermore, borrowers and their social connections may suffer injustice from excessive private-information-based acts. Last but not least, resource limitations may not be a problem for marketing as much as they are for debt collection. Because engaging with debtors and their social networks requires extraordinary interpersonal skills, debt collection mainly depends on human resources. The existing debt collection process, however, places a huge human resource load on loan services . Loans are often repaid over many payments. The platforms must quickly start debt collection attempts on each overdue payment since too late actions would raise the probability of default. Given this, it is crucial to carry out tasks cautiously rather than adhering to a strict complete execution. A more careful approach would assist platforms in achieving greater financial success, lessen the workload and expenses of collecting workers, prevent some undesirable results, and so forth.

Perez-Truglia and Troiano (2015) agree with the study's conclusion that the method's broad use in the microloan industry and other related fields, such as taxes, proves its all-around usefulness for recovering debt. But is it always essential to carry out every step, particularly those that bring about greater consequences by revealing their debt situation to more private social connections, until their debts are paid off? In actuality, it is yet unknown if collection

operations based on private information affect debt repayment. Even though such actions may increase customers' likelihood to pay, they may also trigger retaliatory strategies when borrowers suffer severe embarrassment and harm. In a recent case study of one of these debt collectors, the Adult Attachment Interview (AAI) with the use of the RIM, looked at the processes behind the psychopathic traits and violent behaviour of the subject. Overlapping AAI and RIM studies demonstrated the ego states characterised by shifts between various aggressive and invulnerable-aggressor representations and paranoid victim identifications. Furthermore, ego states, excessive rage, and persistent trauma were discovered. A fearless attitude towards a dangerous world was made possible by the identification with an invulnerable aggressor, which covered up intolerable memories of being a victim. Adopting a connection strategy to psychopathology, the creators placed that these moving states addressed threatening step-by-step processes for surviving created in light of a prior history of rehashed extreme injury, serving various capabilities. On the other side, excessively identifying danger was caused by paranoid identifications, which was useful for preparing for an impending assault. In addition, the authors said that this person's established relational style of controlling emotional states through aggression, intimidation, and domination gave his badly broken identity stability and gave him an omnipotent feeling of control over his hostile surroundings

**Table 4.11:**

***Debt Collector Behavior***

| | SD | D | N | A | SA | Mean | SD |
|---|---|---|---|---|---|---|---|
| Debt collector behaviour shows courtesy when they are collecting debts | 24% | 54% | 13% | 7% | 2% | 2.15 | 0.95 |
| Debt collectors usually don‘t use pressure on customers to pay their debts | 17% | 53% | 16% | 11% | 3% | 2.29 | 1.00 |
| Call recording and call monitoring is an unacceptable way based on my debt collector perspective | 21% | 54% | 18% | 5% | 2% | 2.12 | 0.86 |
| Poor knowledge among customers is another factor which determines debt collection procedure | 31% | 47% | 16% | 6% | 0% | 1.99 | 0.87 |
| The debt collector behaviour complaint channels respond to my Request effectively | 28% | 41% | 23% | 8% | 0% | 2.10 | 0.93 |
| I feel personal security toward my debt information | 20% | 39% | 23% | 13% | 5% | 2.44 | 1.10 |
| Operational activities of debt collectors | 27% | 48% | 13% | 10% | 2% | 2.14 | 1.01 |
| Usually debt collector calling at office hours if necessary (no early morning or late at night) | 16% | 54% | 23% | 13% | 5% | 2.45 | 1.11 |
| I receive regular communication regard my debt status | 17% | 48% | 23% | 10% | 2% | 2.32 | 0.30 |
| The debt collector has accurate | 30% | 40% | 20% | 10% | 0% | 2.07 | 0.94 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| information about my debt | | | | | | | |
| I receive timely feedback from the debt collector | 26% | 45% | 20% | 9% | 0% | 2.13 | 0.89 |
| The debt collector behaviour complaint channels respond to my request effectively | 15% | 60% | 15% | 8% | 2% | 2.22 | 0.93 |
| The channels to forward complaints about my debt are available | 20% | 44% | 18% | 16% | 2% | 2.36 | 1.03 |
| I don‘t feel Harassing customers with repeated calls from my debt collector are acceptable | 16% | 45% | 26% | 11% | 2% | 2.38 | 0.97 |
| Total Average | | | | | | 2.22 | 0.76 |

| Proactive debt collection activities | Mean(M) | Median | Mode | SD | Min | Max |
|---|---|---|---|---|---|---|
| Debt collector behavior shows courtesy when they are collecting debts | 2.15 | 2 | 2 | 0.95 | 1 | 5 |
| Debt collectors usually don‘t use pressure on customers to pay their debts. | 2.29 | 2 | 2 | 1.00 | 1 | 5 |
| Call recording and call monitoring is an unacceptable way based on my debt collector perspective | 2.12 | 2 | 2 | 0.86 | 1 | 5 |
| Poor knowledge among customers is another factor which determine debtcollection procedure. | 1.99 | 2 | 2 | 0.87 | 1 | 4 |

| | | | | | | |
|---|---|---|---|---|---|---|
| The debt collector behavior complaint channels respond to my Request effectively | 2.10 | 2 | 2 | 0.93 | 1 | 4 |
| I feel personal security toward my debt information | 2.44 | 2 | 2 | 1.10 | 1 | 5 |
| Overall debt collectors are well-trained and fully-respectful when they are dealing their customers | 2.15 | 2 | 2 | 1.04 | 1 | 5 |
| Behavioral activities of debt collector | 2.26 | 2 | 2 | 0.87 | 1 | 5 |
| Usually debt collector calling at office hours if necessary (no early morning or late at night) | 2.23 | 2 | 2 | 0.84 | 1 | 5 |
| I receive regular communication regard my debt status | 2.32 | 2 | 2 | 0.98 | 1 | 5 |
| The debt collector has accurate information about my debt | 2.07 | 2 | 2 | 0.94 | 1 | 4 |
| I receive timely feedback from the debt collector | 2.14 | 2 | 2 | 0.89 | 1 | 4 |
| The debt collector behavior complaint channels respond to my Request effectively | 2.22 | 2 | 2 | 0.93 | 1 | 5 |
| The channels to forward complaints about my debt are available | 2.32 | 2 | 2 | 1.03 | 1 | 5 |
| I don‘t feel Harassing customers with repeated calls from my debt collector | 2.38 | 2 | 2 | 0.97 | 1 | 5 |
| **Operational activities of debt collector** | **2.18** | **2** | **2** | **0.72** | **1** | **4** |
| **Debt collector behavior** | **2.22** | **2** | **2** | **0.76** | **1** | **4.5** |

**Source: Researcher, 2023**

**Industry Rivalry**

Table 4.11 shows that 55% of respondents concurred that their bank often compares its operational and performance metrics to those of rivals, 25% disagreed, and 20% expressed no opinion. This was shown by a mean of 3.31 and a standard deviation of 0.91. In contrast, 70% of those surveyed said that their bank often charges more fees than its rivals, 10% disagreed, and 20% were undecided.

Additionally, 63% of respondents disputed the existence of several "price wars" in their sector, while 18% of respondents had no opinion. Additionally, 19% of respondents said that their business was rife with "price wars." 91% of respondents, however, disputed that their rivals were providing goods identical to their own, while 7% of respondents had no opinion. In comparison, just 2% of respondents thought their rivals' offerings were comparable to their own. This was consistent with Tanwar (2013) claim that the secret to a competitive strategy is to be unique. This entails going above and beyond what your rivals are doing. With a mean of 2.45 and a standard deviation of 1.05. The survey revealed that 18% of respondents agreed that their bank looked at its pricing strategy in connection to murabaha ratings compared to rivals, 64% disagreed, and 18% were indifferent.

The survey found that 84% of respondents felt that their bank correctly recognised significant dangers and opportunities during market analysis, 8% disagreed, and 8% were unsure. This was supported by a mean of 4.03 and a standard deviation of 0.85.

According to the poll, 80% of respondents agreed that a competitor's pricing would have an impact on their connection with consumers and level of service satisfaction, 7% disagreed, and 13% were unsure. Industry competition was indicated by an overall mean of 3.11 and a standard deviation of 0.94. This supports the conclusions of Thompson and Strickland (2012), who contended that a firm has a competitive advantage anytime it has an edge over its rivals in securing consumers and shielding itself from competition.

**Table 4.12:**

***Industry Rivalry***

| | SD | D | N | A | SA | Mean | SD |
|---|---|---|---|---|---|---|---|
| My bank regularly comperes its Performance and operational characteristics with those of competitors | 4% | 21% | 20% | 54% | 1% | 3.29 | 0.93 |
| My bank normally charge higher than our competitors | 0% | 10% | 20% | 48% | 22% | 3.85 | 0.91 |
| There are many price war‖ in our industry | 13% | 50% | 18% | 12% | 7% | 2.48 | 1.08 |
| Our competitors are offering products similar to ours | 51% | 40% | 7% | 2% | 0% | 1.62 | 0.74 |
| My bank analyses its pricing strategy toward murabaha rating compered to competitors | 14% | 50% | 18% | 13% | 5% | 2.46 | 1.08 |
| My bank identify key threats and opportunities during market analysis | 2% | 6% | 8% | 58% | 26% | 3.99 | 0.87 |
| Competitor‘s price will affect your relationship with your customer and their level of satisfaction regarding your service. | 3% | 4% | 13% | 45% | 35% | 4.04 | 0.94 |
| **Total Average** | | | | | | 3.25 | 0.76 |

**Source: Author, 2023**

| Proactive debt collection activities | Mean(M) | Median | Mode | SD | Min | Max |
|---|---|---|---|---|---|---|
| My bank regularly comperes its performance and operational characteristics with those of competitors) | 3.29 | 4 | 4 | 0.93 | 1 | 5 |
| My bank normally charges higher than our competitors | 3.85 | 4 | 4 | 0.91 | 2 | 5 |
| There are many ―price war‖ in our industry | 2.48 | 2 | 2 | 1.08 | 1 | 5 |
| Our competitors are offering products similar to ours | 1.62 | 1 | 1 | 0.74 | 1 | 4 |
| My bank analyses its pricing strategy toward murabaha rating compered to competitors | 2.46 | 2 | 2 | 1.08 | 1 | 5 |
| My bank identify key threats and opportunities during market analysis | 3.99 | 4 | 4 | 0.87 | 1 | 5 |
| Competitor‘s price will affect your relationship with your customer and their levelof satisfaction regarding your service. | 4.04 | 4 | 4 | 0.94 | 1 | 5 |
| **Industry rivalry** | **3.25** | **3** | **3** | **0.76** | **2** | **5** |

## Customer Satisfaction

According to Table 4.12, 21% of respondents were uninterested, 66% disagreed that they recommend their bank to others, and 13% agreed. Once again, 10% of respondents said they would suggest their bank to someone looking for help, 70% said they would not, and 20% said they were unsure. This was confirmed by a mean of 2.35 and a standard deviation of 0.78. Again, just 9% of respondents said they were devoted bank clients, 76% said they weren't, and 15% said they weren't bothered. This was shown by a mean of 2.16 and a standard deviation of 0.82. Only 5% of respondents said they would continue their bets with the bank going forward, while 69% said they didn't think they would continue their bets in the future and 26% said they weren't interested.

According to the research, 15% of respondents said they only use their bank because it is habitual, 65% said they were not habitual users of their bank, and 20% said they were unsure. In addition, just 14% of respondents said they had no opinion on the bank, while 73% disputed that they were generally happy with it. Additionally, 13% of those polled said they were generally happy with the bank. On the other hand, with a mean of 2.19 and a standard deviation of 0.3, just 6% of respondents thought they made the correct decision by using the bank, compared to 65% who disagreed and 29% who were unsure.

According to the poll, 15% of respondents were indifferent, 66% disagreed, and 19% said they were extremely happy with their bank's service. This was shown by a mean of 2.30 and a standard deviation of 1.04. According to the research, with a mean of 2.11 and a standard deviation of 0.11, 9 percent of respondents said they were satisfied with the bank, 73% disagreed, and 1% were neutral. This runs counter to Kotler and Keller's (2016) assertion that satisfied consumers are always committed to the brand and business.

Again , the analysis shows that 17% of the respondents agreed that they would feel a sense of personal misfortune if they did not currently use their chosen bank, 75% of the respondents agreed that they would feel a sense of personal misfortune if they did not currently use their chosen bank, and 8% of the respondents were unconcerned.

In addition, the survey indicated that 17% of respondents agreed that they thought their bank cared about them as a client, compared to 74% of respondents who disagreed, 9% of respondents who were indifferent, and 9% of respondents who were indifferent. According to the poll, 67% of respondents said that they thought their bank would always recommend the best options for them, while 20% of respondents had no opinion. 13% of those surveyed said that they thought their bank would always recommend the best options for them. This was shown by a mean of 2.30 and a standard deviation of 0.92.

Again, the study's findings are that 15% of respondents agreed that they thought the bank handled them honestly in every transaction, 59% agreed, 26% were unsure, and the other respondents (who made up the remaining 7%) were indifferent.

Again, 10% of respondents concurred that their bank fulfills its commitments, 70% disagreed, and 20% remained unpersuaded. The survey indicated that 11 percent of respondents agreed that they thought the bank staff was competent, 68 percent disagreed, and 21 percent were indifferent, with a mean of 2.36 and a standard deviation of 0.82. Additionally, the survey found that 8% of respondents agreed, 61 % disagreed, and 31 respondents were indifferent about how reputable their bank is.   In addition, the survey found that 22% of respondents were indifferent, 7% of respondents agreed, and 71% of respondents disagreed with the statement that they are not prepared to make any effort to move to a new bank.

Once again, 14% of respondents said that they were forced to remain customers of the bank because they were happy with the service, while 69% disagreed and 1% were indifferent.

Although certain services may be offered by other banks, 54% of respondents disagreed and said they planned to keep with their existing bank, while 33% of respondents were undecided.

While certain services could be offered by other banks, 13% of respondents said they planned to stick with their present bank despite this.

Omoregie et al, (2019) back up his findings regarding the factors that influence customer loyalty in Ghana's retail banking sector. Information from 565 customers of the banks with the highest consumer deposit performance was gathered for the survey-based analysis. Smart PLS version 3 was used in conjunction with partial least squares structural equation modeling, or PLS-SEM. The results made it abundantly clear that customer satisfaction, superior service, and trust all had a significant impact on loyalty. Satisfaction, trust, and loyalty were found to be strongly influenced by corporate image, but not loyalty. Additionally, the report suggested that bank managers take the findings into consideration when devising strategies to increase customer loyalty and expand their market share. Debt collection managers ought to make an effort to improve service quality in order to achieve client satisfaction, as the findings demonstrate that customer happiness increases customer loyalty. The study adds to our understanding of retail banking loyalty, particularly in the context of a growing economy. It also emphasizes the connection between customer satisfaction, perceived value, service quality, satisfaction, corporate image, trust, and loyalty in the banking sector.

The findings were confirmed by Kombo's (2015) follow-up study. Kombo (2015) examined the current patterns of customer satisfaction in the Kenyan banking sector for his study. His study's findings were in line with this study's findings. It was requested that 403 customers of Kenya's five main banks take surveys.

The SPSS 22.0 software was used to analyze the survey data. The study revealed that the accessibility of various bank branches is the most important factor in determining customer happiness, and that more than 60% of customers are generally satisfied. In addition, it was demonstrated that high product and service prices were the most significant predictor of consumer dissatisfaction. The findings also demonstrated that customers' levels of contentment and discontent influence the financial institutions and services they select for account opening. In the current market environment, it is necessary to understand and seriously handle the concerns and wishes of the customers. In order to ascertain how different facets of the quality of banking service in Bangladesh are impacted by customer satisfaction, Rahaman et al. (2020) undertook a research. 212 Bangladeshi banking clients were sampled, and they each answered a structured and Likert-skilled questionnaire.

SPSS was utilized in this study's analysis. Due to all items' proper internal coherence, seven hypotheses were put out. Testing included a 5% significance threshold for accepting the hypothesis. The results show that, with the exception of personnel competence, all other factors—such as service accessibility, dependability, assurance, tangibles, responsiveness, empathy, and others—have a positive impact on customer satisfaction. It was stated that in order to provide bank clients better banking services, banks should strive to increase customer happiness.

In their research, the author Banya, and Biekpe (2018) who agrees with the results, makes the case that happy consumers are more likely to stick with the brand and the company. Businesses seek to expand in cutthroat marketplaces by providing goods and services that are customized to their clients' needs.

Additionally, it is the responsibility of companies to provide high-quality services that meet the needs of their customers. As a consequence, customers are satisfied and feel that they got their money's worth. The balance between corporate and consumer demand and supply ultimately determines the availability of products and services.

The Personalization principle asserts that most individuals would want to not be considered as nothing more than a number, a value, or a problem that has to be handled, according to (Anderson & Fornell 2009). It is advised that customer service professionals be accessible to answer calls as a consequence. Instructing your sales team, debt collectors, and customer care agents to remember and address consumers by name whenever feasible may also be advantageous. If a top-notch CRM is implemented, this part of customer service and other associated chores could be easier.

The results of the research are supported by. Nguyen et al.'s (2020) emphasis that there is a significant and advantageous relationship between customer pleasure and loyalty. This implies that clients will continue to do business with a bank and refer it to others if they are satisfied with the e-banking services offered by that bank. Not to mention, switching costs and client loyalty have a significant and positive association. This implies that if there are greater barriers to transferring banks, clients are more likely to stay with that bank. The results may be used by the bank managers in charge of debt collection to raise client satisfaction in their branches, therefore they should pay attention.

**Table 4.13:**

***Customer Satisfaction***

| | SD | D | N | A | SA | Mean | SD |
|---|---|---|---|---|---|---|---|
| Loyalty | | | | | | | |
| I say positive things about my bank to other people | 19% | 47% | 21% | 13% | 0% | 2.29 | 0.91 |
| I recommend my bank to someone who seeks advice | 6% | 64% | 20% | 9% | 1% | 2.38 | 0.81 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| I consider myself to be a loyal customer of my bank | 17% | 59% | 15% | 9% | 0% | 2.18 | 0.82 |
| I intend to continue my investments with my bank in the future | 28% | 41% | 26% | 5% | 0% | 2.08 | 0.85 |
| I am just in the habit of using my bank | 20% | 45% | 20% | 13% | 2% | 2.11 | 1.00 |
| Overall I am satisfied with my bank | 24% | 49% | 14% | 13% | 0% | 2.36 | 0.98 |
| I made the right decision when I chose to use my bank | 21% | 44% | 29% | 6% | 0% | 2.19 | 0.85 |
| I am very satisfied with the service provided by my bank | 24% | 42% | 15% | 19% | 0% | 2.30 | 1.03 |
| I am delighted with my bank | 25% | 48% | 18% | 9% | 0% | 2.21 | 0.88 |
| Trust | | | | | | | |
| I would feel a sense of personal loss if I could no longer use my chosen bank | 27% | 48% | 8% | 17% | 0% | 2.16 | 1.00 |
| I feel that my bank cares about me as a customer | 26% | 48% | 9% | 17% | 0% | 2.11 | 0.88 |
| I believe that my bank will always point out the best alternatives for me | 24% | 43% | 20% | 7% | 6% | 2.30 | 0.92 |
| I believe that my bank treats me in an honest way in every transaction | 17% | 42% | 26% | 15% | 0% | 2.39 | 0.94 |
| My bank keeps its promises | 15% | 55% | 20% | 7% | 3% | 2.30 | 0.92 |
| I believe the bank staff are competent | 9% | 59% | 21% | 10% | 1% | 2.36 | 0.91 |
| In my experience my bank is very reliable | 12% | 49% | 31% | 7% | 1% | 2.16 | 0.94 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| I am not ready to put any effort into changing to another bank | 29% | 42% | 22% | 7% | 0% | 2.50 | 1.01 |
| I have to choose to stay with my bank because I am satisfied with the service provided my bank | 17% | 52% | 16% | 12% | 2% | 2.33 | 0.99 |
| Although certain services may be available in other banks, I intend. Continue being customer of my current bank | 11% | 43% | 33% | 9% | 4% | 2.54 | 0.96 |
| **Total Average** | | | | | | **2.36** | **0.70** |

| Proactive debt collection activities | Mean(M) | Median | Mode | SD | Min | Max |
|---|---|---|---|---|---|---|
| I say positive things about my bank to other people | 2.29 | 2 | 2 | 0.91 | 1 | 4 |
| I recommend my bank to someone who seeks advice | 2.38 | 2 | 2 | 0.81 | 1 | 5 |
| I consider myself to be a loyal customer of my bank | 2.18 | 2 | 2 | 0.82 | 1 | 4 |
| I intend to continue my investments with my bank in the future | 2.11 | 2 | 2 | 0.85 | 1 | 4 |
| I am just in the habit of using my bank | 2.36 | 2 | 2 | 1.00 | 1 | 5 |
| Overall I am satisfied with my bank | 2.19 | 2 | 2 | 0.98 | 1 | 4 |
| I made the right decision when I chose to use my bank | 2.21 | 2 | 2 | 0.85 | 1 | 4 |
| I am very satisfied with the service provided by my bank | 2.30 | 2 | 2 | 1.03 | 1 | 4 |
| I am delighted with my bank | 2.16 | 2 | 2 | 0.88 | 1 | 4 |
| **Loyalty** | **2.23** | **2** | **2** | **0.72** | **1** | **4** |
| I would feel a sense of personal loss if I could no longer use my chosen bank | 2.17 | 2 | 2 | 1.00 | 1 | 4 |
| I feel that my bank cares about me as a customer | 2.38 | 2 | 2 | 0.87 | 1 | 4 |
| I believe that my bank will always point out the best alternatives for me | 2.23 | 2 | 2 | 0.99 | 1 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| I believe that my bank treats me in an honest way in every transaction | 2.42 | 2 | 2 | 0.92 | 1 | 4 |
| My bank keeps its promises | 2.33 | 2 | 2 | 0.93 | 1 | 5 |
| I believe the bank staff are competent | 2.39 | 2 | 2 | 0.82 | 1 | 5 |
| In my experience my bank is very reliable | 2.33 | 2 | 2 | 0.85 | 1 | 5 |
| **Trust** | **2.34** | **2** | **2** | **0.75** | **1** | **4** |
| If I had another $2,000 to invest, I would invest it with my bank | 2.10 | 2 | 2 | 0.91 | 1 | 4 |
| I cannot be bothered changing to another bank | 2.16 | 2 | 2 | 0.94 | 1 | 4 |
| I am not ready to put any effort into changing to another bank | 2.50 | 2 | 2 | 1.01 | 1 | 5 |
| I have to choose to stay with my bank because I am satisfied with the service provided my bank | 2.33 | 2 | 2 | 0.99 | 1 | 5 |
| Although certain services may be available in other banks, I intend. Continue being customer of my current bank | 2.54 | 2 | 2 | 0.96 | 1 | 5 |
| **Intention to purchase** | **2.29** | **2** | **2** | **0.75** | **1** | **4** |
| **Customer satisfaction** | **2.36** | **2** | **2** | **0.70** | **2** | **4** |

**Source: Author, 2023**

Proactive debt collection (Median/Mode = 4), reactive debt collection (Median/Mode = 2), debt collection behavior (Median/Mode = 2), industry rivalry (Median/Mode = 3) and customer satisfaction (Median/Mode = 2) are all equal in terms of the mode and median score of the data, and the majority of respondents agreed that the banks employed proactive debt collection strategies (Median/Mode = 4). However, they did not have a clear opinion regarding the rival company (Median/Median = 3). In addition, banks were not thought to use a reactive debt collection strategy (Median/Mode = 2; M = 2.37). In addition to being dissatisfied, the behavior of debt collectors (Median/Median = 2) was also dissatisfying. Two is the median; M = 2.36) the study population disagreed with their banks' measures and actions regarding reactive debt collection strategies (M = 2.27, Median = 2, Mode = 2). Item 14, which stated that their bank provided customers with a toll-free number for return calls, was strongly opposed by the respondents (M = 1.77).

In a similar vein, respondents (M=2.22) expressed dissatisfaction with the conduct of debt collectors. The strategies employed were opposed by the majority of respondents (Median = 2, Mode = 2). Another factor that determines the debt collection procedure (M = 1.99) is customers' lack of knowledge, which they strongly disagree with. The practical implications of this finding are critical. In order to enhance customer satisfaction and consequently financial performance, Somalia's banks ought to take into account the significance of and make improvements to the behavior of debt collectors before and during debt collection.

According to this study's respondents (mean = 2.23, 2.34, and 2.29, respectively), customer loyalty, trust, and intention to buy strategies were generally unsatisfactory

## 4.7 Diagnostic Tests for Analytical Models

Before selecting an analytical model for the data, it is necessary to verify that the collected data meet the assumptions of the model. The data in this study were evaluated to see if they met the classical linear regression model's assumptions. In this regard, the assumptions of homoscedasticity, linearity, normality, multicollinearity, and linearity were evaluated in order to provide further guidance regarding efficient statistical methods for analyzing the data. In this section, the results are shown.

### Linearity Test

The consequences of the trial of the straight connection between obligation assortment techniques and consumer loyalty are introduced in Table 4.3

**Table 4.14:**

***Linearity***

ANOVA Table

| | | Sum of Squares | df | Mean Square | F | P-Value |
|---|---|---|---|---|---|---|
| Proactive debt collection | (Combined) | 2.409 | 4 | 0.602 | 1.249 | 0.291 |
| | Linearity | 1.498 | 1 | 1.498 | 3.106 | 0.079 |
| | Deviation from Linearity | 0.911 | 3 | 0.304 | 0.63 | 0.597 |
| | | 101.293 | 210 | 0.482 | | |
| Reactive debt collection | (Combined) | 7.838 | 7 | 1.12 | 2.418 | 0.021 |
| | Linearity | 2.397 | 1 | 2.397 | 5.176 | 0.024 |
| | Deviation from Linearity | 5.44 | 6 | 0.907 | 1.958 | 0.073 |
| | | 95.865 | 207 | 0.463 | | |
| Debtcollector behavior | (Combined) | 20.831 | 7 | 2.976 | 7.433 | <0.001 |
| | Linearity | 19.374 | 1 | 19.374 | 48.393 | <0.001 |

| | | | | | | |
|---|---|---|---|---|---|---|
| | Deviation from Linearity | 1.457 | 6 | 0.243 | 0.606 | 0.725 |
| | | 82.872 | 207 | 0.4 | | |
| Industry rivalry | (Combined) | 7.491 | 3 | 2.497 | 5.476 | 0.001 |
| | Linearity | 2.723 | 1 | 2.723 | 5.973 | 0.015 |
| | Deviation from Linearity | 4.768 | 2 | 2.384 | 5.228 | 0.006 |
| | | 96.211 | 211 | 0.456 | | |
| | | 103.702 | 214 | | | |

relationship between reactive debt collection, debt collector behavior, and customer satisfaction was significantly linear, with linearity being significant (p = 0.024 0.05) and deviation from linearity being insignificant (p = 0.725 0.05), respectively. There was no significant linearity between proactive debt collection and customer satisfaction (p = 0.079>0.05).

**Normality**

According to Ghasemi and Zahediasl (2012), the majority of parametric statistical tests, such as correlation, regression, t tests, and analysis of variance, are predicated on the assumption that the data have a normal distribution. Additionally, normality tests are used to figure out how likely a random variable in a data set is to be normal and whether a data set is well modeled by a normal distribution. The Kolmogorov-Smirnov (K-S) test, the Lilliefors revised K-S test, and the Shapiro-Wilk test are a few examples of tests used to assess ordinariness.

The Kolmogorov-Smirnov test and the Shapiro-Wilk test were utilized in order to ascertain whether the sample of this data belonged to a normal distribution. As can be seen in Table 4.5, the Shapiro-Wilk Test has greater power than the other tests because it is based on the correlation between the data and the corresponding normal scores and can be used with both small and large sample sizes. The test was used as the numerical method for determining normality in this study. In the Shapiro-Wilk Test, the null hypothesis is that the distribution deviates from the normal, while the alternative hypothesis is that the distribution is normal. If the significance value of the Shapiro-Wilk test is greater than 0.05, the data are said to deviate from a normal distribution, whereas a value below 0.05 indicates that the distribution is normal. With 95% certainty, the data do not conform to the normal distribution if the researcher fails the normality test.

The researcher can only declare that there was no significant deviation from normality in the distribution of the data after passing the normality test. Table 4.30 depicts a Shapiro-Wilk test of customer satisfaction and proactive debt collection to determine normality. The significance level of 0.001, which is less than 0.05, indicates that the standardized residuals have a significantly normal distribution. Because of this, the data are said to deviate from a normal distribution; consequently, there is no normal distribution for the data.

**Table 4.15**

***Normality***

Tests of Normality

| | Kolmogorov-Smirnova | | | Shapiro-Wilk | | |
|---|---|---|---|---|---|---|
| | Statistic | df | Sig. | Statistic | df | Sig. |
| **Proactive** | **0.344** | **215** | **<0.001** | **0.792** | **215** | **<0.001** |
| Reactive MIS | 0.381 | 215 | <0.001 | 0.748 | 215 | <0.001 |
| Reactive Staff incentives | 0.324 | 215 | <0.001 | 0.849 | 215 | <0.001 |
| Reactive communication | 0.3 | 215 | <0.001 | 0.808 | 215 | <0.001 |
| Reactive reinforcement | 0.229 | 215 | <0.001 | 0.896 | 215 | <0.001 |
| **Reactive debt collection** | **0.357** | **215** | **<0.001** | **0.792** | **215** | **<0.001** |
| **Debt collector behavior** | **0.385** | **215** | **<0.001** | **0.748** | **215** | **<0.001** |
| Operation | 0.423 | 215 | <0.001 | 0.671 | 215 | <0.001 |
| Debt collector behavior | 0.368 | 215 | <0.001 | 0.763 | 215 | <0.001 |
| **Industry rivalry** | **0.246** | **215** | **<0.001** | **0.831** | **215** | **<0.001** |
| Loyalty | 0.437 | 215 | <0.001 | 0.647 | 215 | <0.001 |
| Trust | 0.453 | 215 | <0.001 | 0.601 | 215 | <0.001 |
| Intention to purchase | 0.368 | 215 | <0.001 | 0.774 | 215 | <0.001 |
| **Customer satisfaction** | **0.462** | **215** | **<0.001** | **0.55** | **215** | **<0.001** |

a Lilliefors Significance Correction

For all variables, both tests yielded a statistically significant result p = <0.001< 0.05. This means that the null hypothesis of normality was rejected, and the data on the variables was not normally distributed. In this regard, non-linear statistical techniques were adopted over classical linear techniques for this study because this normality and other assumptions of classical liner region were violated by the data.

Multicollinearity

Test for multicollinearity was run to detect any relationship between the independent variables. Multicollinearity can be detected by use of Variance Inflation Factor (VIF). The results of this model are presented in Table 4.16.

**Table 4.16:**

***Multicollinearity***

Coefficients

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | | Tolerance | VIF |
| 1 | (Constant) | 0.707 | 0.304 | | 2.327 | 0.021 | | |
| | Proactive | 0.066 | 0.041 | 0.098 | 1.604 | 0.110 | 0.997 | 1.003 |
| | Reactive debt | 0.138 | 0.085 | 0.099 | 1.613 | 0.108 | 0.983 | 1.017 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| collection | | | | | | | |
| Debt collector | | | | | | | |
| behavior | 0.369 | 0.057 | 0.402 | 6.458 | <0.001 | 0.964 | 1.037 |
| Industry rivalry | 0.095 | 0.056 | 0.104 | 1.682 | 0.094 | 0.979 | 1.021 |

a Dependent Variable: Customer satisfaction

With VIF values of less than 10 between the independent variables (proactive debt collection, reactive debt collection, debt collector behavior and industry rivalry), no severe multicollinearity existed in this model because all VIF less than 10 and tolerance value greater than 0.1.

**Homoscedasticity**

Distribution of variances across the variables were tested for homoscedasticity. Table 4.17 presents the results of this assessment.

**Table 4.17:**

***Homoscedasticity***

Levene's Test of Equality of Error Variancesa

Dependent Variable: Customer satisfaction

| | F | df1 | df2 | P-Value |
|---|---|---|---|---|
| Proactive | 4.87 | 4 | 210 | 0.001 |
| Reactive debt collection | 5.95 | 7 | 207 | <0.001 |
| Debt collector behavior | 8.508 | 7 | 207 | <0.001 |
| Industry rivalry | 17.084 | 3 | 211 | <0.001 |

| | |
|---|---|
| | Tests the null hypothesis that the error variance of the dependent variable is equal across groups. |
| | a Design: Intercept +Proactive, reactive debt collection, debt collector behavior and Industry rivalry |

There was significant difference in error variances of the dependent variable across groups (p <= 0.001. This result shows that the error variables were not homogeneous and thus this classical linear regression assumption was violated. Since the homogeneity of error variance of the dependent variable was violated, classical linear regression analysis was not suitable for the data that was collected hence the use of binary logistic regression which was preceded by correlation analysis.

## 4.8 Relationship between Debt collection strategy, Industry rivalry and Customer Satisfaction

Correlations between Debt collection strategy, Industry rivalry and Customer Satisfaction were tested and presented in Table 4.18.

**Table 4 .18:**

***Relationship between Debt collection strategy, Industry rivalry and Customer Satisfaction***

Correlations

| **Variable/sub-variable** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **1. Proactive debt collection** | **1** | | | | | | | | | | | |
| 2.Reactive_management information system | **- 0.003** <br> **0.971** | 1 | | | | | | | | | | |
| 3. Reactive_Staff incentives | **0.067** <br> **0.33** | .535** <br> <0.001 | 1 | | | | | | | | | |
| 4. Reactive communication | **0.029** <br> **0.676** | .488** <br> <0.001 | .556** <br> <0.001 | 1 | | | | | | | | |
| 5. Reactive_Reinforcement | **0.089** | .461** <br> <0.00 | .588** <br> <0.0 | .588** <br> <0.00 | 1 | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **0.193** | 1 | 01 | 1 | | | | |
| **6. Reactive debt** | | **.723*** | **.811*** | **.784*** | **.788*** | | | |
| **collection** | **0.029** | ***** | ***** | ***** | ***** | **1** | | |
| | | <0.00 | <0.0 | <0.00 | <0.00 | | | |
| | **0.67** | 1 | 01 | 1 | 1 | | | |
| 7. Behavioral | | | | .237* | .185* | | | |
| Activities | **0.024** | 0.065 | 0.054 | * | * | .167* | 1 | |
| | | | | <0.00 | | | | |
| | **0.726** | 0.345 | 0.43 | 1 | 0.006 | 0.014 | | |
| | | - | - | | | | .825* | |
| 8. Operation Activities | **0.052** | 0.028 | 0.012 | 0.119 | 0.075 | 0.064 | * | 1 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0.447 | 0.679 | 0.867 | 0.082 | 0.273 | 0.35 | <0.001 | <0.001 | | | | |
| **9. Debt collector behavior** | 0.038 | 0.024 | 0.026 | .192** | .142* | 0.126 | .964** | .946** | 1 | | | |
| | 0.575 | 0.73 | 0.709 | 0.005 | 0.038 | 0.065 | <0.001 | 0 | | | | |
| **10. Industry rivalry** | 0.036 | 0.037 | -0.071 | 0.014 | 0.066 | -0.008 | .176** | 0.079 | .138* | 1 | | |
| | 0.595 | 0.585 | 0.302 | 0.842 | 0.339 | 0.911 | 0.01 | 0.251 | 0.043 | | | |
| **11. Loyalty** | 0.066 | 0.002 | 0.121 | .177** | .213** | .177** | .451** | .426** | .460** | .135* | 1 | |
| | 0.337 | 0.976 | 0.076 | 0.009 | 0.002 | 0.009 | <0.001 | <0.001 | <0.001 | 0.047 | | |
| **12. Trust** | .136* | 0.062 | 0.101 | .164* | .203** | .161* | .385** | .413** | .416** | .167* | .858** | 1 |
| | 0.046 | 0.368 | 0.139 | 0.016 | 0.003 | 0.018 | <0.001 | <0.001 | <0.001 | 0.014 | <0.001 | |
| **13. Intention to purchase** | .154* | -0.033 | -0.069 | 0.057 | .198** | 0.049 | .348** | .405** | .391** | 0.116 | .694** | .74 |
| | 0.024 | 0.628 | 0.317 | 0.409 | 0.003 | 0.477 | <0.001 | <0.001 | <0.001 | 0.09 | <0.001 | <0 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **14. Customer satisfaction** | **0.12** | 0.053 | 0.075 | .164* | .198** | **.152*** | **.399**** | **.429**** | **.432**** | **.162*** | **.905**** | **.94** |
| | **0.079** | 0.44 | 0.275 | 0.016 | 0.004 | **0.026** | *<0.001* | *<0.001* | ***<0.001*** | **0.017** | *<0.001* | *<0* |
| | 215 | 215 | 215 | 215 | 215 | **215** | 215 | 215 | **215** | **215** | 215 | 215 |

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

From Table 4.18, Proactive debt collection had a weak significant correlation with Trust and intention to purchase ($r = 0.136$, $p = 0.046<0.05$ and $r = 0.154$, $p = 0.024<0.05$ respectively) but no significant relationship with customer satisfaction ($r = 0.12$, $p = 0.079$). Furthermore, there was a significantly weak relationship between loyalty, trust customer satisfaction and reactive debt collection ($r = 0.177$, $p = 0.009<0.05$, $r = 0.161$, $p = 0.018<0.05$ and $r = 0.152$, $p = 0.026<0.05$ respectively).

Reactive communication and Reactive reinforcement had a weak significant relationship with debt collector behavior ($r = 0.192$, $p = 0.005<0.05$ and $r = 0.142$, $p = 0.038<0.05$ respectively). Reactive reinforcement had a weak significant relationship with loyalty, trust, intention to purchase and customer satisfaction ($r = 0.213$, $p = 0.002<0.05$, $r = 0.203$, $p = 0.003<0.05$, $r = 0.198$, $p = 0.003<0.05$ and $r = 0.198$, $p = 0.004<0.05$ respectively).

Debt collector behavior had a weak significant relationship with industry rivalry ($r = 0.138$, $p = 0.043<0.05$) but significant moderate relationship with loyalty, trust, intention to purchase and customer satisfaction ($r = 0.460$, $p < 0.001<0.05$, $r = 0.416$, $p < 0.001<0.005$, $r = 0.391$, $p < 0.001<0.05$ and $r = 0.432$, $p < 0.001<0.05$ respectively).

With $r = 0.135$, $p = 0.047<0.05$, $r = 0.167$, $p = 0.014<0.005$ and $r = 0.132$, $p < 0.017<0.05$ respectively, there was a significant weak relationship between loyalty, trust, customer satisfaction and industry rivalry.

## 4.9 Influence of Debt collection strategy on customer satisfaction

The moderating effect of industry rivalry on the relationship between Debt Collection Strategy and Customer Satisfaction was assessed in three steps. First, the direct effect of debt collection strategy on customer satisfaction, secondly, the combined effect of debt collection strategy and industry rivalry on customer satisfaction, and thirdly, the combined influence of debt collection strategy, industry rivalry (moderator) and the interaction term (debt collection strategy*industry rivalry) on customer satisfaction.

The direct effect of Debt collection strategy on customer satisfaction

**Step 1: Direct effect model**

**Table 4. 19:**

***Influence of Debt collection strategy on customer satisfaction***

Model Summary

| Step | -2 Log likelihood | Cox & Snell R Square | Nagelkerke R Square |
|---|---|---|---|
| 1 | 119.469a | 0.181 | 0.342 |

a Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

Classification Table2

| Observed | | | Predicted | | |
|---|---|---|---|---|---|
| | | | Customer Satisfaction Bin | | Percentage Correct |
| | | | 0 | 1 | |
| Step 1 | Customer satisfaction Bin | 0 | 188 | 0 | 100 |
| | | 1 | 19 | 8 | 29.6 |
| | Overall Percentage | | | | 91.2 |

A The cut value is .500

| Variable | B | S.E. | Wald | Df | Sig. | Odds Ratios |
|---|---|---|---|---|---|---|
| Proactive debt collection | 0.502 | 0.261 | 3.697 | 1 | 0.055 | 1.651 |
| Reactive debt collection | 1.416 | 0.44 | 10.346 | 1 | 0.001 | 4.12 |
| Debt collector behavior | | | | | | |
| Bad(RC) | | | | | | |
| Good | 1.354 | 0.274 | 24.503 | 1 | <0.001 | 3.873 |

a Variable(s) entered on step 1: Proactive, Reactive debt collection, Debt collector behavior

Though proactive debt collection did not significantly predict the odds for customer satisfaction at 5% confidence level (OR=1.651, p=0.055 > 0.05); the prediction is significant at 10% (p<0.1) level of significance.

debt collection and debt collector behavior significantly predicted the odds for customer satisfaction. If debt collector was reactive, customers were 4.12 times more likely to be satisfied as compared to debtors who were not reactive. This outcome is in line with expectations since debt collection strategies are centered around such reactive systems and procedures, which involve a structured sequence of phone calls, emails, text messages, personal visits, and online payments (Neacsu, 2020). In his study Neacsu,( 2020) concur with the findings as he emphasizes that implementing effective procedures and training knowledgeable debt collectors, more debt can be recovered, and individuals who need to be pursued can be identified and dealt with accordingly. In terms of debtor collectors‘ behavior, If debtor collector‘s behavior was good, customers were 3.87 times more likely to be satisfied debtors with bad behavior (Serrano-Cinca et al. 2015). The results were significant at 5% level.

## 4.10 Effect of Industry Rivalry on the Relationship between Debt Collection Strategy and Customer Satisfaction

The moderating effect of industry rivalry on the relationship between debt collection behavior and customer satisfaction was tested in three steps:

**Step 1: Direct effect of debt collection strategies on customer satisfaction (as already presented)**

**Step 2: Introducing the moderator variables in the model**

In this step, industry rivalry was introduced into the logistic regression model alongside the debt collection strategies.

**Table 4.20:**

***Effect of Industry Rivalry on the Relationship between Debt Collection Strategy and Customer Satisfaction***

Model Summary

| Step | -2 Log likelihood | Cox & Snell R Square | Nagelkerke R Square |
|---|---|---|---|
| 1 | 119.237 | 0.182 | 0.344 |

Classification Table[a]

| | Predicted | | Observed Customer satisfaction Bin | | Percentage Correct |
|---|---|---|---|---|---|
| | | | 0 | 1 | |
| Step 1 | Customer satisfaction Bin | 0 | 188 | 0 | 100 |

| | | | |
|---|---|---|---|
| 1 | 21 | 6 | 22.2 |
| Overall Percentage | | | 90.2 |

a The cut value is .500

Variables in the Equation

| | | B | S.E. | Wald | Df | Sig. | Odds ratio |
|---|---|---|---|---|---|---|---|
| Step | | | | | | | |
| 1a | Proactive debt collection | 0.50 | 0.261 | 3.67 | 1 | 0.055 | 1.649 |
| | Reactive debt collection | 1.449 | 0.448 | 10.447 | 1 | 0.001 | 4.261 |
| | Debt collector behavior | 1.348 | 0.275 | 23.94 | 1 | 0.001 | 3.848 |
| | Industry rivalry | 0.151 | 0.314 | 0.231 | 1 | 0.631 | 1.163 |
| | Constant | -11.057 | 2.281 | 23.49 | 1 | <0.001 | 0 |

a Variable(s) entered on step 1: Proactive, Reactive debt collection, Debt collector behavior,

**Industry rivalry.**

Industry rivalry had no significant influence on the odds for customer satisfaction (Wald = 0.231, df = 1, p = 0.631, exp (B) = 1.163). Further, it did not significantly moderate the relationship between debt collection strategy (proactive debt collection, reactive debt collection and debt collection behavior) on customer satisfaction.

**Step 3: Introducing of Interaction term into the model**

**Table 4 21:**

***Effect of Industry Rivalry and Debt Collection Strategy on Customer Satisfaction***

Model Summary

| Step | -2 Log likelihood | Cox & Snell R Square | Nagelkerke R Square |
|---|---|---|---|
| 1 | 155.073a | 0.034 | 0.064 |

a Estimation terminated at iteration number 6 because parameter estimates changed by less than .001.

| Observed | Predicted | | |
|---|---|---|---|
| | Customer satisfaction Bin | | Percentage Correct |
| | 0 | 1 | |
| Step 1 | | | |

| | | | | | |
|---|---|---|---|---|---|
| Customer | satisfaction Bin | 0 | 188 | 0 | 100 |
| | | 1 | 27 | 0 | 0 |
| | | Overall Percentage | | | 87.4 |

a The cut value is .500

**Table 4.22:**
***Variables in the Equation***

| | | B | S.E. | Wald | Df | P-Value | Odds Ratios |
|---|---|---|---|---|---|---|---|
| Step | Debt collection | | | | | | |
| 1a | strategy | 2.716 | 1.356 | 4.009 | 1 | 0.045 | 15.119 |
| | Industry rivalry | 2.676 | 1.413 | 3.589 | 1 | 0.058 | 14.532 |
| | Interaction | -0.679 | 0.375 | 3.283 | 1 | 0.070 | 0.507 |
| | Constant | -12.47 | 5.187 | 5.78 | 1 | 0.016 | 0 |

a Variable(s) entered on step 1: Composite, Industry rivalry, Interaction.

As shown from the results in Table 4.22, industry rivalry did not significantly predict the odds for customer satisfaction at 5% confidence level (OR=14.532, p=0.058 > 0.05); though the prediction is significant at 10% (p<0.1) level of significance. The coefficient of the interaction term (DCS*IR) was insignificant (Wald = 3.283, df = 1, p = 0.070, exp (B) = 0.507). This finding implies that industry rivalry did not have a significant moderating effect on the relationship between debt collection strategies and customer satisfaction at 5% level of significance. In addition, industry rivalry weakened the relationship between debt collection strategy (proactive debt collection, reactive debt collection and debt collection behavior) and customer satisfaction though this effect was only significant at 10% level of significance (B= -0.679, Wald = 3.283, p=0.07>0.05, OR=0.507); the effect was insignificant at 5% confidence level.

## 4.11 Test of Hypothesis

Because the data did not meet the assumptions of classical linear regression, the study used multiple logistic regression analysis to determine the linear relationships between the dependent, independent, and moderating variables. The classical linear relation's presumptions were thrown out: The data did not satisfy homoscedasticity or normality. Using the results of the logistic regression analysis, all four of the null hypotheses from chapter one were tested to see how each debt collection strategist affected customer satisfaction and how industry rivalry influenced this relationship. The decision criteria were that the null hypothesis should be rejected if the p-value was less than 0.05 and accepted if it was greater than 0.05. In this regard, the other two null hypotheses, H01 and H04, were not rejected, but the two null hypotheses H02 and H03 were.

**The First Hypothesis, Ho1, Is Tested:**

Proactive debt collection did not have a significant relationship with customer satisfaction ($r = 0.12$, $p = 0.079$), but it did have a weak significant correlation with trust and intention to purchase ($r = 0.136$, $p = 0.046$ 0.05 and $r = 0.154$, $p = 0.024$ 0.05, respectively). The regression and correlation results also showed that there is no significant correlation between customer satisfaction and proactive debt collection.

Consequently, it was decided that proactive debt collection did not significantly explain why customers of Somalia's financial institutions were satisfied.

Omoregie et al . (2019) disagree with this study's findings. The study was done to find out what factors influence customer loyalty in the Ghanaian retail banking industry. For the survey-based study, data were gathered from 565 customers of the best banks in terms of customer deposits.

The partial least squares structural equation modeling (PLS–SEM) method of data analysis was combined with Smart PLS version 3. The findings made it abundantly clear that loyalty was significantly influenced by customer satisfaction, service quality, and trust, with satisfaction having the greatest impact. Corporate image was found to have a significant impact on satisfaction, trust, and loyalty, but not on loyalty. Additionally, 63.3 percent of the loyalty variation was attributable to the proposed model. The study suggested that bank managers incorporate the findings when developing strategies to increase customer loyalty in order to consolidate their market share. As demonstrated by the findings that customer satisfaction increased customer loyalty, debt collection managers ought to take the initiative to enhance service quality in order to achieve customer satisfaction.

**Test of the Subsequent Hypothesis, Ho2:**

Reactive debt collection has no significant effect on customer satisfaction in Somalia's microfinance institutions. The alternate hypothesis was accepted, while the null hypothesis was rejected. This is in line with the findings of (Wakhungu, 2021), who observed that customers now have a wide range of payment options, including cash or check. To test this hypothesis, the t-test was used to examine the relationship between customer satisfaction and reactive data collection at 0.05 significant levels. It was determined the beta coefficient. Business strategies known as reactive strategies respond to unforeseen occurrences after they have already occurred.

Debt collection strategies now rely on reactive procedures like phone calls, emails, text messages, personal visits, and online payments (Neacsu, 2020). Neacsu (2020) agrees with the findings in his study because he emphasizes that more debt can be recovered through the identification and treatment of those who need to be pursued, the implementation of effective procedures, and the training of knowledgeable debt collectors. Banks should now make progress toward guaranteeing their drawn out progress since clients are turning out to be progressively "refined" (Neacsu, 2020). Business strategies known as reactive strategies respond to unforeseen occurrences after they have already occurred. Keeping this definition in mind, debt collection managers need to be able to figure out what customers really want, spot potential problems, and fix them quickly to make sure they're happy.

The findings are supported by the study by Berraies and Hamouda (2018). Berraies and Hamouda (2018) directed a review to decide the impact of client strengthening (CE) on monetary execution and the job of development and consumer loyalty as intervening factors in this relationship to acquire further understanding into client strengthening, which is one of the responsive obligation assortment procedures. The data from 216 branches of 14 commercial banks in Tunisia were gathered through a survey, and the results were analyzed using exploratory factor analysis. According to the findings, CE has a significant and positive impact on businesses' financial performance. Exploratory innovation, exploitative innovation, and customer satisfaction also sway the relationship between CE and a business's financial performance. These findings can be beneficial to practitioners, particularly bank managers, as they would increase innovation, customer satisfaction, and financial performance by giving customers more control over the development of products and services. In conclusion, in order to encourage these practices within banks, it is necessary to observe them. Examples of such practices include customer interactions, customer needs, and opinions being expressed. They also include customizing products and services that customers themselves purchase. Self-service for loan acquisition and repayment issues ought to be made available to customers in the debts departments. Consequently, this leads to a satisfied and empowered customer

**Examining the Third Hypothesis of Ho3:**

Customer satisfaction in Somalia's microfinance institutions was found to have a linear relationship with behavior, according to the study's findings. However, there is no relationship between the actions of debt collectors and customer contentment. Debt collector behavior significantly predicted customer satisfaction by 3.87 times (Wald = 24.503, df = 1, p = 0.001<0.05). As a result, it was found that the way debt collectors' act has a big effect on how satisfied customers are with the microfinance institutions in Somalia. Consequently, the alternate hypothesis was accepted and the null hypothesis was rejected. In conclusion, customer satisfaction in Somalia's microfinance institutions is inversely correlated with the behavior of debt collectors. Reactive data collection had a significant positive impact on customer satisfaction, as indicated by the P-value of 0.000, which was less than the 0.05 level of significance. This is consistent with Cheptum's (2019) observation that businesses benefit from debt collection strategies to achieve their objectives and maintain legal compliance with government regulations. Serrano-Cinca and coworkers, (2015) matches the findings. According to the author, debt collectors, also known as collection agencies or debt collectors, are individuals or businesses that focus on debt collection and recouping money owed on accounts that have fallen behind. The level of job satisfaction experienced by the debt collectors will have an impact on their performance in debt collection. Being fair, courteous, and respectful to debtors and others involved in the debt is essential. Contact with the debtor should only be made when absolutely necessary. Debt collection's goal is to lower credit risk, not to provide customers with additional value. Collection strategies are more likely to fail as a result. The situation is even worse for emerging microloans because, as opposed to conventional financial services, microloans involve greater credit risks.

The Fourth Hypothesis, 4.6.3: H04: The null hypothesis was accepted in the modified regression analysis, and the results showed that there is no significant moderating factor in the relationship between debt collection strategy and customer satisfaction in Somalia's microfinance institutions. The correlation between debt collection strategy and customer satisfaction is not significantly moderated by industry rivalry. The relationship between debt collection strategy and customer satisfaction is unmodified in any significant way.

Tanwar (2013) disagrees with the findings because the author acknowledges that competitive strategy entails deliberately engaging in superior activities to distinguish oneself from rivals. Global financial institutions have recognized the significance of competitive strategies in establishing and maintaining long-term customer relationships, which ultimately leads to increased profits. On the other hand, there is more and more competition in the market for many banks. The level of competition in an industry is determined by its structure. In a market where there is a lot of competition, a company's business strategy must differentiate itself from that of its rivals by taking into account how satisfied its customers are.

According to Thompson and Strickland (2012), a company has a competitive advantage when it is able to withstand competitive pressures and attract and retain customers more effectively than its rivals. In any case, the discoveries don't uphold this case. Additionally, the author asserts that a successful advertising campaign.

## 4.12 Summary of Test of Hypothesis

**The hypothesis tests and decision are presented in Table 4.12**

**Table 4. 23:**

***Hypothesis Test***

| Hypothesis No | Hypothesis | Test | Decision |
|---|---|---|---|
| **H01** | Proactive debt collection does not have a significant influence on customer satisfaction in micro financial institutions in Somalia | Binary logistic regression: Wald = 3.697 , OR=1.651 , p = .055>.05 | Fail to reject |
| **H02** | Reactive debt collection does not have a significant influence on customer satisfaction in micro financial institutions in Somalia | Binary logistic regression Wald=10.346, OR= 4.12, p=0.001<0.05 | Reject null |

| | | | |
|---|---|---|---|
| **H03** | There is no relationship between debt collector behavior and customer satisfaction in micro financial institutions in Somalia. | Binary logistic regression: Wald=24.503, OR=3.873, $p<0.001<0.05$ | Reject null |
| H04 | moderating influence on the relationship between debt collection strategy and customer satisfaction in micro financial institutions in Somalia. | Interaction term: Wald=3.283 , OR= 0.507, $p= 0.07>0.05$ | Fail to reject |

# CHAPTER FIVE

# SUMMARY OF FINDINGS CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This chapter provides a summary of the study results, conclusions, and suggestions that are considered to be the most significant. The purpose of this research was to determine whether or not the method of debt collection used by Somalia's microfinance institutions had an impact on the level of customer contentment experienced by those clients of those organizations. The key results, conclusions, and suggestions were summed together in order to present them in line with the objectives of the inquiry. The findings from the descriptive and inferential statistical analyses that were performed in order to test the hypotheses posed by the research served as the basis for these.

## 5.2 A Synopsis of the Observations

The results of the inquiry were analyzed and summarized in a way that was consistent with the objectives of the study so that significant conclusions could be drawn from them. The major objective of the research was to determine whether or not the operational strategy of debt collection had an effect on the degree of customer satisfaction experienced by Somalia's financial institutions. The most significant discovery was that high levels of customer satisfaction are positively connected with efficient debt collection tactics. This was the most crucial finding. According to the criteria of the study, reactive debt collection and the behaviour of debt collectors had a favourable influence on the overall satisfaction of customers, however proactive debt collection had no significant effect on the levels of satisfaction consumers reported. In Somalia's microfinance institutions, researchers discovered that the relationships between debt collection techniques and industry competitiveness, as well as the link between debt collection methods and customer happiness, were untouched. Similarly, the relationship between debt collection strategies and consumer satisfaction was also found to be unaffected.

## 5.3 Proactive Debt Collection and Guaranteed Satisfaction for Customers

The major purpose of the research was to investigate whether or not proactive debt collection has an influence on the level of satisfaction that customers have with Somalia's microfinance companies. Methods of descriptive and inferential statistical analysis were used throughout the whole of the process of generating these findings. The study proved, via the use of a wide range of distinct variables, that proactive debt collection had a considerable influence on customer satisfaction.

According to the statistics, there is no significant association between proactive debt collection and satisfied customers in Somalia's microfinance institutions. This finding is consistent with previous research. According to the data shown in Table 45, there was not a significantly positive correlation between proactive debt collection and satisfied customers ($r = 0.12$, $p = 0.079$). On the other hand, there was a link, although a weak one, between trust and desire to purchase ($r = 0.136$, $p = 0.046$ 0.05 and $r = 0.154$, $p = 0.024$ 0.05, respectively). This association was only marginally significant.

As a consequence of this finding, it was concluded that aggressive debt collection did not provide a substantial explanation for why consumers of Somalia's microfinance banks were happy. In Somalia, the country's financial institutions have adopted a proactive strategy for obligation collection, however it is only partially put into practice. This technique requires the development of well-defined and consistent processes and norms, in particular with respect to the five Cs of credit analysis. Because of this, proactive debt collection had very little impact on the level of satisfaction that consumers had with the company.

**Satisfying the needs of the clientele and proactive debt collection**

These findings were arrived at by the use of statistical methods that were both descriptive and inferential in nature. After considering a wide range of various indications, the researchers came to the conclusion that reactive debt collection is another component that contributes to overall customer satisfaction.

According to the results of the research, there is a connection between the proactive recovery of debt in Somalian financial institutions and the degree to which consumers are happy with the services provided by such organizations. The findings of the logistic regression showed that reactive debt collection highly predicted the probability of customer satisfaction by 4.12 times (Wald = 10.346, df = 1, p =.001.05) and 24.503 times (Wald = 24.503, df = 1, p =.001.05) respectively. An increase in proactive debt collection was shown to have a substantial effect on the level of customer satisfaction experienced by Somalia's microfinance firms. This was due to more reactive methods of debt collection being used.

**The Connection between the Actions of Debt Collectors and the Level of Satisfaction Felt by Customers**

The third particular goal of the research was to determine whether or not there is a connection between the amount of satisfaction that was stated by clients of Somalia's microfinance banks and the measures that were taken by debt collectors. According to the results, a client's degree of contentment with the Somalia-based microfinance organisation they work with is strongly associated with the activities they do. There was a significant correlation between the behaviour of debt collectors and the level of satisfaction experienced by customers 3.87 times (Wald =

24.503, df = 1, p = 0.001.05). It was discovered, after taking into consideration a variety of other factors, that this was the situation. Because of this, it was possible to arrive at the conclusion that the direction of obligation gatherers in Somalia's microfinance foundations had an effect on customer fulfilment. This was made feasible due to the correlation that existed between an increase in customer happiness and an increase in the behaviour of debt collectors. Due to the fact that a rise in the number of debt collectors led to an increase in the levels of satisfaction experienced by consumers.

In the actual world, the conclusions of this research have important repercussions because of how they were found. In order to increase customer satisfaction and, as a result, financial performance, the banks of Somalia need to analyse the relevance of the behaviour of debt collectors before to and throughout the process of debt collection, and then adjust that behaviour.

## 5.4 Recommendation

An Analysis of the Moderating Effects of Industry Competition on the Relationship Between Debt Collection Method and Levels of Customer Satisfaction in Somalia's Microfinance Institutions [Examination of the Moderating Effects of Industry Competition] The fourth and most particular purpose of the research was to investigate the impact that the degree of competition within an industry has on the connection between the technique of debt collection and the levels of customer satisfaction. In the course of the investigation, clarifying and inferential factual tactics were used, which served as the impetus for the revelation of the findings. According to the findings of the research, which included the application of a number of distinct metrics, the existence of competition in the market did not substantially affect the link between the technique of debt collection and customer satisfaction in the financial institutions of Somalia.

According to the findings of the directed calculated relapse, the competition in the industry did not fundamentally anticipate the chances of consumer loyalty at a 5% certainty level (OR=14.532, p=0.058 > 0.05), and the competition in the industry did not fundamentally direct the connection between obligation assortment methodologies and consumer loyalty.

The underpinning for both of these conclusions is the discovery that the level of competition within a sector was not a significant predictor of the chance that customers would be satisfied. It is accurate despite the fact that the forecast was correct; the p-value for it was 0.1, and the likelihood of it happening was 10%. Because the coefficient for the interaction factor, DCS*IR, did not meet the criteria for statistical significance (Wald = 3.283, df = 1, p = 0.070, exp (B) = 0.507), it could not be declared significant. This study suggests, at a significance level of 5%, that the link between customer satisfaction and debt collection strategies was not substantially impacted by the presence of industry rivalry.

After industrial rivalry was accounted for as a moderating variable in the regression model, it was discovered that there was a statistically significant difference between the coefficients of multiple determination (R2) for each of the independent variables. After the addition of the model, the scenario looked like this. According to the results of the research (Wald = 3.283, df = 1, p = 0.070), the level of rivalry in a particular sector did not have a significant impact on the connection between customer satisfaction and debt collection techniques. OR =
14.532) 5.3 The Final Thoughts The results of the study led the researchers to the conclusion that financial institutions in Somalia use a limited number of tactics for the recovery of debts. These strategies include proactive debt collection, reactive debt collection, and debt collection

strategy. Additionally, there was not found to be a link between the degree of customer satisfaction and the proactive debt collection method. On the other hand, there was found to be a correlation between the reactive debt collection strategy and the behaviour of debt collectors. In addition to this, it was found that industry analysis did not have a major influence in the link between debt collection techniques and customer satisfaction in the microfinance institutions of Somalia. According to the findings of the study, the manner of debt collection has a direct and considerable bearing on the amount of contentment that clients feel they have received from Somalia's various financial institutions.

Customer satisfaction was not significantly impacted by Somalia's financial institutions' aggressive debt collection practices. Cheptum (2019) discovered that financial institutions in Somalia employ a somewhat seasoned proactive approach to debt collection. Cheptum, (2019) also discovered that proactive business strategies were designed to anticipate potential obstacles and that no business could be proactive in every situation. This contrasts with his finding that proactive business strategies were developed to anticipate potential difficulties and that no organization can be proactive in every circumstance. However, organizations that took a proactive approach frequently achieved greater success in overcoming challenges.

Additionally, the study found that, statistically speaking, reactive debt collection had a significant impact on overall customer satisfaction. There was a linear correlation between customer satisfaction and reactive debt collection, according to research conducted at Somalia's microfinance institutions. It was determined that this relationship was significant. Since an increase in reactive debt collection was associated with a proportional rise in customer satisfaction, it was discovered that this had a significant impact on customer satisfaction.

Reactive debt collection was found to be another statistically significant factor in influencing customer satisfaction, according to the data. The data indicate that there is a linear connection between proactive debt collection and contented customers. In order for Somalian microfinance institutions to achieve their objective of increasing customer happiness, they must strengthen reactive debt collection because they observed a rise in customer satisfaction as a result of an increase in reactive debt collection. This is in line with the findings of Declamaire (2012), who stated that a variety of reform initiatives have been implemented by businesses to begin addressing the issue of debt collection. Declamaire discovered that businesses have begun to address the debt collection issue. The one that enforces timely and stringently and automatically places tax liens on properties whose owners are behind on payments appears to be the most effective.

In Somalia's microfinance institutions, it was found that the level of customer satisfaction had a statistically significant impact on how debt collectors treated borrowers. Customers' satisfaction in Somalia's microfinance institutions was found to be positively correlated with the level of debtor collection activity there. It is therefore possible to argue that loan holder assortment behavior fundamentally affects consumer loyalty because an increase in borrower assortment behavior results in an increase in consumer loyalty. The study's findings led the researcher to the conclusion that industry competition had no effect on the relationship between debt collection strategy and customer satisfaction in Somalia's financial institutions (p 0.05). This is consistent with the argument presented .When examining the connection between debt collection strategies and customer satisfaction, the researcher also came to the conclusion that, in addition to the competition within the company, the moderating influence of factors other than industry rivalry ought to be investigated.

## 5.5 Conclusion

In today's competitive marketplace, providing excellent customer service is crucial. Companies, including Somalia's microfinance institutions, should make it a top priority to meet the needs and expectations of their customers in order to achieve better results. The findings of this study indicate that the method of debt collection has a positive effect on the degree of customer satisfaction experienced by Somalian financial institutions.

The suggestions were distributed to Somalia-based employees of financial institutions, future researchers, and debt collection agency staff. The various financial institutions must be advised: As a direct consequence of this, it has been suggested that the financial institutions in Somalia implement strategies for debt collection in order to boost the overall performance of those institutions. According to the findings of the study, financial institutions in Somalia have utilized methods of debt collection by analyzing consumer patterns in loan application procedures in terms of demographic, behavioral, and other aspects. The following were examples of these customer trends: age, gender, level of education, and marital status To protect their businesses from loan defaults, it is suggested that management of Somalian financial institutions regularly conduct research on new debt collection strategies. Commercial banks and other lending institutions must invest in the research and development of novel debt collection strategies that are not only more efficient but also more efficient in order to be successful.

It is likewise educated that the levels with respect to inspiration of the laborers who are answerable for gathering obligations be upgraded to support how much cash that is gathered from obligations. In comparison to more frequent reminders and in-person visits filed with the court, modifications to the terms of payment ought to be prioritized lower on the list of debt collection strategies. As a result, debt collection agencies and litigation ought to be used only as a last resort. Alternately, they ought to undergo a total transformation, and the funds ought to be allocated for field visits, training, R&D, and employee motivation.

Moreover, it has been exhorted that Somalian monetary organizations distribute assets to proactive obligation assortment, responsive obligation assortment, and doling out more noteworthy load to the demonstrations of obligation gatherers to keep their strategic advantage and select new clients.

The method by which a debt collector takes action before a debt becomes due is referred to as proactive debt collection. As a result, it is suggested that the Somali government develop and implement policies to support a debt collection strategy.

This will result in a rise in customer satisfaction, giving the nation an advantage over its rivals. The findings of this study have significantly improved our understanding of the ways in which the proactive, reactive, and debt collector conduct methods of debt collection employed by Somalian financial institutions influence customer satisfaction.

It will greatly enhance previous research and provide managers of financial institutions and the federal government with a much deeper understanding of the need to improve the behavior of debt collectors and the manner in which they deal with customers, particularly when they are collecting money, in order to increase customer satisfaction in Somalia's financial institutions. The current body of knowledge on debt collection strategy has received a contribution of knowledge that is valuable thanks to this research, which found that the aforementioned factors influence the level of customer satisfaction in financial institutions in Somalia. This will go a long way in adding value to previous studies and it will go The study's findings will go The findings 5.5 Suggestions for Future and Current Research Given that this investigation focused on the microfinance sector, it was suggested that a comparable investigation be conducted in Somalia's entire financial sector for the purpose of triangulation. This research is not intended to be comprehensive; Instead, it aims to serve as a starting point for more research into the factors that determine the existence of Somalia's financial institutions. As a consequence of this, the following locations have been suggested for additional research: To begin, the objective of this study was to investigate how a financial institution's debt collection strategy affects the level of customer satisfaction in Somalia. Other factors that have an effect on customers' levels of contentment may also be used in the same research.

Interest rates, levels of safety, and the influence of society are additional considerations. This will provide additional insight into the ways in which these various factors influence customer satisfaction in Somalia's financial institutions. In order to determine whether or not methods of debt collection have a different impact on the level of satisfaction experienced by customers in the industry, a replication study may also be carried out on savings and credit unions. Additionally, the outcomes of a study that is very similar to the one that is currently being carried out could be compared to those of the one that is currently being carried out in other nations in east Africa.

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## APPENDIX 1: QUESTIONNAIRE

Part A: BACKGROUND INFORMATION

{Please tick where applicable}

I am student at KeMU university (Nairobi campus) pursuing a PhD degree in strategic management.I am conducting a study on the debt collection strategy, industry revelry and customer satisfactionin financial institutions in Somalia, and you have been selected as a respondent in the data collection.

Kindly answer the following question honestly and objectively to the best of your knowledge, the information obtained will be treated with confidentiality, please don‘t write your name on the questionnaire, thank you in advance for your acceptance and support.

Participant Name or ID:_______________________________________________Date:__________________

1- What is your age?

1- 21-30______________________
2- 31-40____________________
3- 41-50___________________
4- 51 PLUS____________________

2- Gender identification

Male________________Female_______

3-Educationl level

1- High school____

2- Certificate _____

3- Graduate degree or above_______________

4- 4- Post graduate ___________________

5- INCOME (Salary range US Dollar)

1- < $500___________________
2- 501-1000__________________
3- 1001-3000_________________
4- >3000 _________________

PART B: DEBT COLLECTOR ACTIVITIES

Direction: Please describe the operational and behavioral in your Institution. Your respective opinions are to range from 1=strongly Disagree; 2= Disagree; 3= Neither agree nor disagree; 4= Agree; 5= Strongly Agree

| Score | Response Mode | Description |
|---|---|---|
| 5 | Strongly Agree | You agree with no doubt at all |
| 4 | Agree | You agree with some doubt |
| 3 | Undecided | You are not supporting either side |
| 2 | Disagree | You disagree with some doubt |
| 1 | Strongly Disagree | You disagree with no doubt at all |

| | | | | | | |
|---|---|---|---|---|---|---|
| Proactive debt collection activities | | | | | | |
| Character | | | | | | |
| 1 | The Bank analyses demographic, behavioral and other customer trends in loan application process | | | | | |
| 2 | Accumulated transaction and repayment history of a borrower is assessed before loan is granted | | | | | |
| 3 | Banks consider confidence and the personal relationship to the customer for the credit assessment | | | | | |
| 4 | Client appraisal considers the character of the customers seeking credit facilities | | | | | |
| Capacity | | | | | | |
| 5 | The bank analyses the borrower‘s ability to repay the loan in loan application process | | | | | |
| 6 | Borrower‘s credit history is verified before a loan is granted | | | | | |
| 7 | Assessment of customers capacity to repay loan are conducted by the bank | | | | | |
| Capital | | | | | | |
| 8 | Screening process of borrowers’ capital is a computerized program that helps credit officers in decision making | | | | | |
| 9 | Lenders also consider the borrowers down payment in decision making process regarding loan application approval | | | | | |
| Collateral | | | | | | |
| 10 | Enforcement of collateral and guarantee policies are used to enhance loan recovery in case of loan defaults | | | | | |

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|---|---|---|---|---|---|---|
| 11 | Collateral is an important factor in the Bank for loan approval process | | | | | |
| 12 | Without collateral the bank doesn‘t provide a loan to customers | | | | | |
| 13 | Aspects of collateral are considered while appraising clients. | | | | | |
| Condition | | | | | | |
| 14 | The Bank analyses its pricing strategy toward Murababaha rating and its effects on customer behavior | | | | | |
| 15 | Lenders always go through all loan applications to verify the borrowers condition and their accuracy | | | | | |
| 16 | The bank always analyze the general condition relating to the loan, amount of principle, length of time and purpose of the loan | | | | | |
| 17 | Muraabaha rates charged to customers affect debt collection activities in the organization | | | | | |

| | | | | | | |
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| | DEBT COLLECTION PRACTICES | | | | | |
| MIS | | | | | | |
| 1 | The bank has invested in a management information system which is easy access to customers and enabled the minimization of administrative costs | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 2 | The management information system of the bank assists employees to enhance their performance in debt collection activities. | | | | | |
| 3 | Internal data on debts are easily accessible to the management | | | | | |
| Staff incentives | | | | | | |
| 4 | The bank has enough number of employees appointed in debt collection activities and high quality services are available | | | | | |
| 5 | The bank has managers who directly supervise debt collectors and receives customer complaints | | | | | |
| 6 | Employees of the bank are well trained and Every new employee receives induction training | | | | | |
| 7 | Client incentives and Staff incentives are effective in improving recovery of delinquent loans | | | | | |
| 8 | The bank offers short training in form of seminars to improve staff competency | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| 9 | The bank encourages knowledge sharing and motivational programs with the customer to improve work knowledge and productivity | | | | | |
| Communication | | | | | | |
| 10 | Flexible payments of debts have been implemented in the Bank. | | | | | |
| 11 | Business practice of suing consumer is a part of the bank collection effort | | | | | |
| 12 | The Bank decide that the client has defaulted in loan repayment within two late payments | | | | | |
| 13 | In debt default, the debt collector starts calling consumers, leaving voicemails, sending written communication and live conversation with debtors | | | | | |
| 14 | The bank provide consumers with a toll-free number for return calls | | | | | |
| Reinforcement | | | | | | |
| 15 | In-past due payments the Bank employ independent debt collector agencies | | | | | |
| 16 | Penalty and enforcement have been implemented in the Bank to enhance customer commitments to loan repayments | | | | | |
| 17 | Legal enforcement and regional court is the last step in debt collection strategy | | | | | |
| 18 | The Bank recover bad debts from guarantors with clients those default in repaying their loans | | | | | |

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|---|---|---|---|---|---|---|---|
| | **DEBT COLLECTOR ACIVITIES** | | | | | | |
| Behavioral activities of debt | | | | | | | |
| 1 | Debt collector behavior shows courtesy when they are collecting debts | | | | | | |
| 2 | Debt collectors usually don‘t use pressure on customers to pay their debts. | | | | | | |
| 3 | Call recording and call monitoring is an unacceptable way based on my debt collectorperspective. | | | | | | |
| 4 | Poor knowledge among customers is another factor which determine debt collectionprocedure. | | | | | | |
| 5 | The debt collector behavior complaint channels respond to myRequest effectively | | | | | | |
| 6 | I feel personal security toward my debt information | | | | | | |
| 7 | Overall debt collectors are well-trained and fully-respectful when they are dealing theircustomers | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Operational activities of debt collectors. | | | | | | |
| 1 | Usually debt collector calling at office hours if necessary (no early morning or late at night) | | | | | |
| 2 | I receive regular communication regard my debt status | | | | | |
| 3 | The debt collector has accurate information about my debt | | | | | |
| 4 | I receive timely feedback from the debt collector | | | | | |
| 5 | The debt collector behavior complaint channels respond to my Request effectively | | | | | |
| 6 | The channels to forward complaints about my debt are available | | | | | |
| 7 | I don‘t feel Harassing customers with repeated calls from my debt collector | | | | | |

## PART C: CUSTOMER SATISFACTION

Direction: Please describe the loyalty, trust and intention to re-purchase in your Institution. Your respective opinions are to range from 1=strongly Disagree; 2= Disagree; 3= Neither agree nor disagree; 4= Agree; 5= Strongly Agree

| Score | Response Mode | Description |
|---|---|---|
| 5 | Strongly Agree | You agree with no doubt at all |
| 4 | Agree | You agree with some doubt |
| 3 | Undecided | You are not supporting either side |
| 2 | Disagree | You disagree with some doubt |
| 1 | Strongly Disagree | You disagree with no doubt at all |

| No | Items | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|---|
| LOYALTY | | | | | | |
| 1 | I say positive things about my bank to other people | | | | | |
| 2 | I recommend my bank to someone who seeks advice | | | | | |
| 3 | I consider myself to be a loyal customer of my bank | | | | | |
| 4 | I intend to continue my investments with my bank in the future | | | | | |
| 5 | I am just in the habit of using my bank | | | | | |
| 6 | Overall I am satisfied with my bank | | | | | |
| 7 | I made the right decision when I chose to use my bank | | | | | |
| 8 | I am very satisfied with the service provided by my bank | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 9 | I am delighted with my bank | | | | | | |
| TRUST | | | | | | | |
| 10 | I would feel a sense of personal loss if I could no longer use my chosen bank | | | | | | |
| 11 | I feel that my bank cares about me as a customer. | | | | | | |
| 12 | I believe that my bank will always point out the best alternatives for me | | | | | | |
| 13 | I believe that my bank treats me in an honest way in every transaction | | | | | | |
| 14 | My bank keeps it's promises | | | | | | |
| 15 | I believe the bank staff are competent | | | | | | |
| 16 | In my experience my bank is very reliable | | | | | | |
| INTENTION TO REPURCHASE | | | | | | | |
| 17 | If I had another $2,000 to invest, I would invest it with my bank | | | | | | |
| 18 | I cannot be bothered changing to another bank | | | | | | |
| 19 | I am not ready to put any effort into changing to another bank | | | | | | |
| 20 | I have to choose to stay with my bank because I am satisfied with the service provided my bank | | | | | | |
| 21 | Although certain services may be available in other banks, I intend. Continue bei a customer of my current bank | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| INDUSTRY RIVARLY. | | | | | | |
| 1 | The bank regularly compares its performance and operational characteristics with those of competitors) | | | | | |
| 2 | The bank normally charge higher than the price of the competitors | | | | | |
| 3 | There are many ―price war‖ in Murabaha market | | | | | |
| 4 | The competitors are offering products similar to my chosen bank | | | | | |
| 5 | The bank analyses its pricing strategy toward murabaha rating compared to competitors | | | | | |
| 6 | The bank identify key threats and opportunities during market analysis | | | | | |
| 7 | Competitors price will affect the relationship between the bank and customers and their level of satisfaction regarding the bank service. | | | | | |
| | | | | | | |

## APPENDIX II: Kemu Research Authorization Letter

KENYA METHODIST UNIVERSITY

P. O. Box 267 Meru - 60200, Kenya
Tel: 254-064-30301/31229/30367/31171
Fax: 254-64-30162
Email: info@kemu.ac.ke

Our ref: NAC/PHD/1/2019/4

15thAPRIL 2019

Commission Secretary,
National Commission for Science, Technology and Innovations,
P.O. Box 30623-00100,
NAIROBI.

Dear Sir/ Madam,

RE: AHMED ALI AHMED ( BUS-4-3057-2/2016)

This is to confirm that the above named is a bona fide student of Kenya Methodist University undertaking a PhD in BUSINESS ADMINISTRATION. He is conducting a research titled OPERATIONS STRATEGY IN DEBT COLLECTION ACTIVITIES AND CUSTOMER SATISFACTION IN FINANCIAL INSTITUTIONS IN SOMALI.

We confirm that his thesis proposal has been defended and approved by the university.

In this regard, we are requesting your office to issue a permit to enable him collect data for his Ph.D. dissertation.

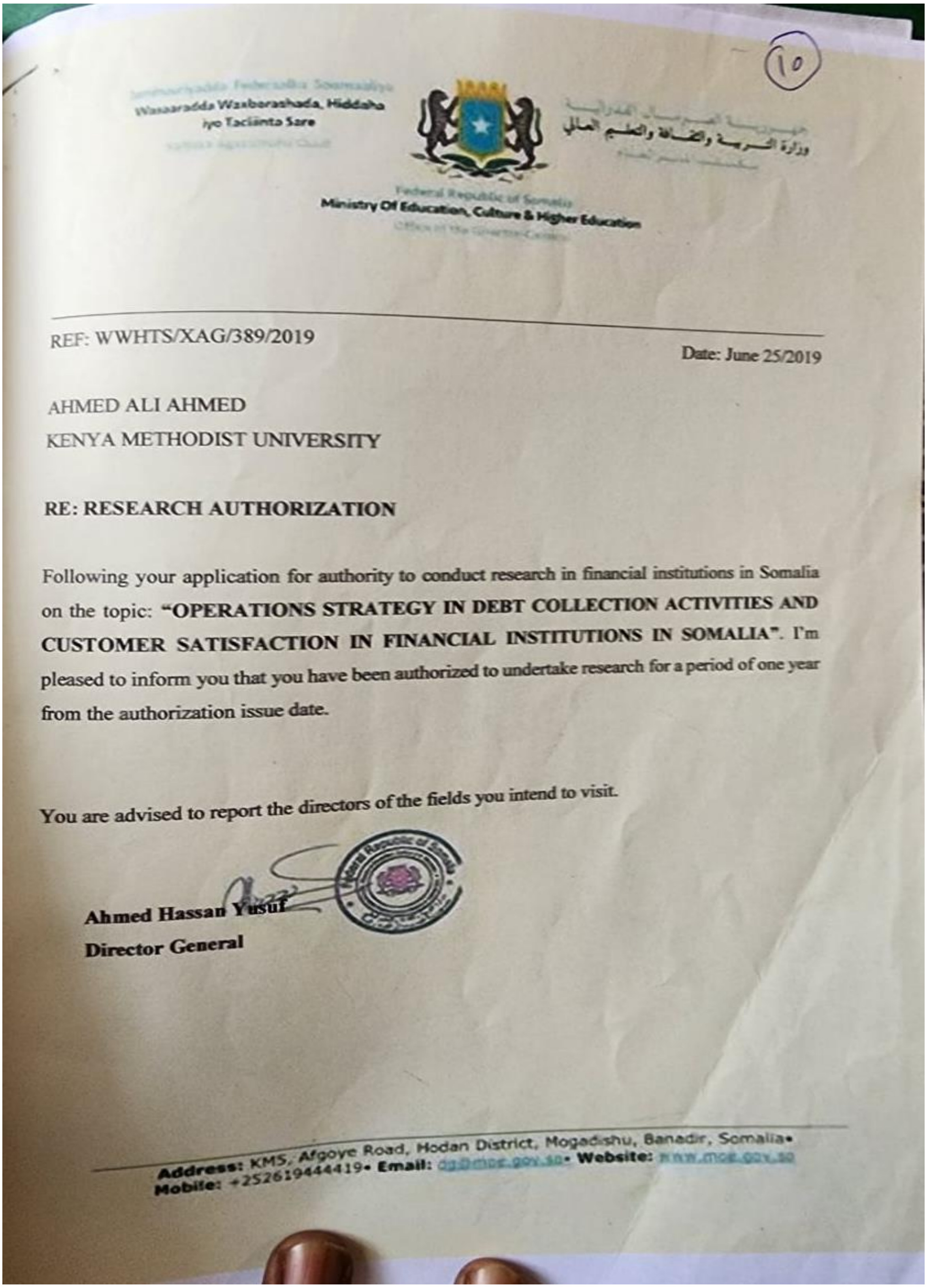
Any assistance accorded to him will be appreciated.

Yours faithfully,

KENYA METHODIST UNIVERSITY
Dean
15 APR 2019
BOARD OF POSTGRADUATE STUDIES
P.O. Box 45240-00100 NAIROBI

R. Evangeline Gichunge PhD.
S DIRECTOR RESEARCH DEVELOPMENT AND POSTGRADUATE STUDIES

# APPENDIX III: Research Authorization Letter



Jamhuuriyadda Federaalka Soomaaliya
Wasaaradda Waxbarashada, Hiddaha iyo Tacliinta Sare

وزارة التربية والثقافة والتعليم العالي

Federal Republic of Somalia
Ministry Of Education, Culture & Higher Education

REF: WWHTS/XAG/389/2019

Date: June 25/2019

AHMED ALI AHMED
KENYA METHODIST UNIVERSITY

**RE: RESEARCH AUTHORIZATION**

Following your application for authority to conduct research in financial institutions in Somalia on the topic: **"OPERATIONS STRATEGY IN DEBT COLLECTION ACTIVITIES AND CUSTOMER SATISFACTION IN FINANCIAL INSTITUTIONS IN SOMALIA"**. I'm pleased to inform you that you have been authorized to undertake research for a period of one year from the authorization issue date.

You are advised to report the directors of the fields you intend to visit.

**Ahmed Hassan Yusuf**
**Director General**

**Address:** KMS, Afgoye Road, Hodan District, Mogadishu, Banadir, Somalia• **Mobile:** +252619444419• **Email:** dg@moe.gov.so• **Website:** www.moe.gov.so