Factors for Customer Satisfaction and Customer Dissatisfaction in Commercial Banks

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Abstract

The banking industry is a key player in ensuring economic development as a result of customer satisfaction. This article investigates the satisfaction trends of 403 respondents in the banking industry in Kenya. The research results were acquired through administration of questionnaire and processed using SPSS 22.0, with special emphasis on descriptive statistics. Based on the research results, the overall level of customer satisfaction is above 50%. Besides, women are more satisfied than men. In addition, presence of bank branches is the most important factor of satisfaction and preferred more by people with university education. High bank charges is the most important factor of dissatisfaction in Kenyan commercial banks. The most important factor of dissatisfaction is favored by more than 50% of the respondents in all the social groups

Keywords: Customer satisfaction, Customer dissatisfaction, Customers, Kenya

1. Introduction

Customer satisfaction enables companies to meet their long-term objectives. This is because customer satisfaction enables companies to create customer loyalty which results to customer retention and most importantly increased profits and market share. Anderson et al (2004) define customer satisfaction as an overall evaluation of a customer's total purchase and consumption experience of a product or service over time. Chakrabarty (2006) on the other hand defines customer satisfaction as how a product or service surpasses customer's expectation.

According to Hoq and Amin (2010), ensuring higher customer satisfaction is important because it translates to low intention of switching banks. Chakrabarty (2006) mentions four factors that can be used to assess customer satisfaction in banks. She mentions the factors as follows: satisfaction with branch (privacy, fast services, employees approach to customers and opening hours); economic satisfaction (bank charges and interest rates), remote access satisfaction (quality of e-banking) and presence of automated teller machines (ATMs). Habibi et al (2013) agrees with the statement and also argues that customer satisfaction can be measured by secrecy, speed of delivery of services, employee behavior, accuracy in provision of services, interest rates, skills and knowledge of personnel, easy accessibility of services and willingness to help. However, service quality and product quality are the most important measures of customer satisfaction in banks. Mihelis et al (2001) on their research on measurement of customer satisfaction in banks propose other different factors for measuring satisfaction as indicated in figure 1 below.
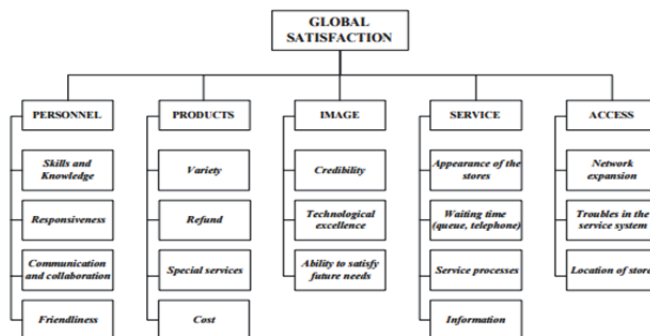

Figure 1. Factors for assessing customer satisfaction in banks
Source: Mihelis et al (2001)

This research investigates factors of customer satisfaction and dissatisfaction in the Kenyan commercial banks. The rest of this research is arranged according to the following sections. Section 2 gives literature on customer satisfaction and dissatisfaction. This is followed by discussion on the methodology. Next, the results are presented. Then, the research results are discussed and finally the paper gives a conclusion.

2. Literature Review

Croxford et al (2005) state that banking as a single industry entails a dozen businesses, such as corporate banking, investment banking, small business banking, wealth management and capital markets. The authors further mention that retail banking is characterized by large numbers of customers, accounts and transactions, a variety of products and services, a high level of dependency on technology and terrific levels of cooperation between banks, retailers, businesses and consumers. Therefore, retail banks use customer satisfaction as a modern approach to monitor their quality and also as a tool for ensuring the development of a truly customer-focused management and culture (Mihelis et al., 2001). The authors further state that assessing the level of a company's customer satisfaction enables immediate, meaningful and objective feedback about customers' preferences and expectations. Furthermore, the authors state that as a result of assessing, the company is able to know its strong and weak links in provision of their services and products that are focused on ensuring customer satisfaction. This is key for the long-term survival of companies. In this respect, customer satisfaction can be differentiated in two ways: transaction-specific and cumulative. According to Anderson et al. (1994) transaction-specific perspective refers to post-choice evaluative judgment of a specific purchase occasion and cumulative refers to the overall evaluation of a good or service after purchase.

Failure to ensure maximum customer satisfaction leads to customer dissatisfaction. Dissatisfied customers usually switch banks, involve themselves in negative words-of-mouth (Abubakar et al., 2014) and customer complains (Shi and Zhao, 2007). However, proper handling of dissatisfied customers, for instance those with complaints usually reinforces their loyalty (Kitapci and Dortyol, 2009). Therefore, it can be concluded that customer satisfaction is associated with feelings of happiness, acceptance, excitement, relief and delight (Hoyer and MacInnis, 2001). These feelings can be achieved by customers when employees are also satisfied (Babakus et al., 2003). Employee satisfaction is created when there is a favorable working environment for employees, good remuneration, availability of promotional opportunities and fair treatment from management and the company at large. Besides employee satisfaction, customer satisfaction is also influenced by seven other factors namely: employee responsiveness, appearance of tangibles, social responsibility, service innovation, positive word-of-mouth, competence and reliability (Singh and Kaur, 2011).

According to Gupta and Dev (2012), satisfaction of customers in the banking industry is key because satisfied customers are able to bring in 100 new other customers because of their ambassadorial roles in communicating positively about their experiences with their respective banks. However, dissatisfaction of customers proves more costly to banks because of the charges that can be involved in bringing in new customers, for instance advertising costs. In addition, dissatisfied customers can be involved in constant complains and return of sold items (Hoyer and MacInnis, 2001) and usually they can influence 1,000 potential customers to have a negative feeling about the company (Gupta and Dev, 2012). Furthermore, for banks to ensure that no dissatisfaction is encountered by their customers, they need to take note of the important elements of customer satisfaction.

Service quality is one of the elements of customer satisfaction (Chakrabarty, 2006). This is because provision of quality services ensures retention and survival of companies. Price is the second element of customer satisfaction (Wruuck, 2013). Furthermore, price is the main reason why customers switch banks (Matzler et al., 2006). Other elements of customer satisfaction are future intentions, situational factors, service features and complaint handling (Molina et al., 2007).

3. Materials and Methods

To achieve the intended research, questionnaire survey on customer satisfaction was used as a method of data collection. Based on Munari et al (2013), customer satisfaction surveys are the main source of information to set strategies aimed at meeting needs or understanding of customer perceptions, most importantly showing relationships and possible areas of improvement for customers. A total of 537 questionnaires were circulated to bank customers of top five banks in Kenya through bank branches and the internet (social media).

Out of 537 distributed questionnaires, 403 were returned. The structure of the respondents is as follows: 43% are men and 57% are women; 81% are individuals under 30 years, 18% are between 30-50 years and 1% are above 50 years; 1% have primary education, 10% have secondary education and 89% have university education.

To develop hypothesis, this research takes into account past research done on customer satisfaction in Kenyan banks. For instance, Klynveld Peat Marwick Goerdeler (2013), popularly known as KPMG, conducted a research on customer satisfaction on a sample of 25 000 banking customers across 14 countries in Africa. Their findings were: overall level of customer satisfaction in Kenyan banks is above 70%, presence of bank branches (99%) is the most important factor of customer satisfaction in Kenya and high bank charges (70%) is the most important factor of dissatisfaction. Based on the findings of KPMG (2013), this article formulates the following hypothesis to be tested.

H1: The overall level of customer satisfaction in Kenyan is above 50%. Based on gender, more women are satisfied than men.

H2: The most important factor of customer satisfaction is presence of bank branches. Individuals with the highest level of education are more satisfied than other members of their social group with this factor.

H3: The most important factor of customer dissatisfaction is high bank charges. The factor is favored by more than 50% of the members across all the social groups.

Based on a significance level of 0.05, the data is processed using SPSS 22.0 with special attention on descriptive statistics. Furthermore, the hypothesis is further tested using Pearson's chi-square test as shown below.

$$\sum_{i=1}^{r} \sum_{j=1}^{s} \frac{(nij - n°ij)^2}{n°ij}$$

(1)

4. Results

Table 1 gives the results of the overall level of customer satisfaction in commercial banks in Kenya.

Table 1. Overall level of customer satisfaction in Kenyan banks. Source: own

Are you satisfied with banking products and services provided?	In total	Gender		Age			Education level	
		Men	Women	Under 30 years	30 - 50 years	Over 50 years	University	Primary and secondary
Yes in %	63,80	58,70	67,50	64,40	63,90	20,00	63,70	64,10
No in %	32,80	39,00	28,10	31,90	33,30	80,00	32,70	35,90
Don't know in %	3,50	2,30	4,30	3,70	2,80	0,00	3,60	0,00
Critical values of χ2		5,99		9,49			5,99	
Calculated values of χ2		5,86		5,33			4,99	

Note: Secondary education has been used to also refer to respondents of primary education due to minimum number of responses.

The overall level of customer satisfaction in Kenyan banks is 63.80%. Furthermore, 32.80% of the customers are dissatisfied with their banks. The rest (3,50%) do not know their satisfaction or dissatisfaction status.

Besides, women (67,50%) are more satisfied than men (58,70%). It can also be observed that individuals with primary and secondary education (64,10%) are more satisfied than their counterparts with university education (63,70%).

Based on the research results, table 1 has confirmed hypothesis No.1 that the overall level of customer satisfaction in Kenya is above 50% and women are more satisfied with the offerings of their banks than men.

The most important factors for customer satisfaction in Kenyan banks are depicted in table 2.

Table 2. The most important factors for customer satisfaction in Kenya. Source: own

Which factor (s) satisfies you most in your bank? (you can select up to three factors)		In total	Gender χ2=3,84*		Age χ2=5,99*			Education level χ2=3,84*	
			Men	Women	Under 30 years	30 - 50 years	Over 50 years	University	Primary and secondary
Faster services at branches	%	27,79	27,33	28,14	26,38	34,11	0,00	25,70	44,44
	χ2		0,03		4,74			7,00	
Good quality of products and services	%	23,57	22,09	24,68	23,31	25,00	20,00	23,74	22,22
	χ2		0,37		0,13			0,05	
Presence of bank branches	%	57,82	58,72	57,14	59,20	51,39	60,00	58,38	53,33
	χ2		0,10		1,49			0,42	
Usage of e-banking	%	45,41	48,84	42,86	43,87	55,56	0,00	46,64	35,56
	χ2		1,42		7,47			1,98	
Friendliness of services at branches	%	35,48	37,79	33,77	34,97	34,72	80,00	33,80	48,89
	χ2		0,70		4,41			3,97	
Good network of ATMs	%	43,67	43,60	43,72	42,33	47,22	80,00	44,97	33,33
	χ2		0,00		3,30			2,20	

Note: * critical values of χ2.

The most important factor for customer satisfaction in Kenya is presence of bank branches (57,82%). The results further indicate that individuals with university education (58,38%) are slightly more satisfied than people with primary and secondary education (53,33%). In addition, those over 50 years prefer this factor. Furthermore, individuals with primary and secondary education statistically prefer fast services at branches compared to those with university education.

When comparing the other important factors for customer satisfaction, good quality of products and services (23,57%) is the least important factor of customer satisfaction for bank customers in Kenya.

Table 2 confirms hypothesis No. 2 that the most important factor of customer satisfaction in Kenya is presence of bank branches and this factor is preferred most by individuals with the highest level of education.

Table 3 below indicates the research results for the most important factors for customer dissatisfaction in Kenyan banks.

Table 3. The most important factors for dissatisfaction in Kenya. Source: own

Which factor (s) dissatisfies you most in your bank? (you can select up to three factors)		In total	Gender χ2=3,84*		Age χ2=5,99*			Education level χ2=3,84*	
			Men	Women	Under 30 yrs.	30 - 50 years	Over 50 years	University	Primary and secondary
Very slow services at branches	%	52,61	52,91	52,38	53,37	51,39	20,00	53,91	42,22
	χ2		0,01		2,25			2,19	
High bank charges	%	55,09	59,88	51,52	55,52	51,39	80,00	55,59	51,11
	χ2		2,79		1,68			0,32	
Impersonal approach	%	17,37	18,02	16,88	18,40	13,89	0,00	18,72	6,67
	χ2		0,09		1,90			4,04	
Poor quality of e-banking	%	34,00	31,98	35,50	32,82	37,50	60,00	32,12	48,89
	χ2		0,55		2,10			5,01	
Poor accessibility of bank branches	%	15,14	13,37	16,45	14,42	19,44	0,00	13,97	24,44
	χ2		0,73		2,06			3,42	
Low acceptance of needs	%	42,43	45,93	39,83	44,17	36,11	20,00	44,13	28,89
	χ2		1,50		2,61			3,80	

Note: * critical values of χ2.

The most important factor for customer dissatisfaction in Kenya is high bank charges (55,09%). It is evident from table 1 that this factor for dissatisfaction is preferred by more than 50% of the individuals from each of the social groups. The factor is also preferred by more men (59,88%) than women (51,52%) and those aged over 50 years. Poor accessibility of bank branches (15,14%) is the least factor for customer dissatisfaction in Kenya.

In sum, table 3 above has confirmed hypothesis No. 3 that high bank charges is the most important factor for dissatisfaction in Kenya and the factor is favored by more than 50% of individuals in each social group.

5. Discussion

According to the results by KPMG (2013), the overall level of customer in Kenya is above 70%. When comparing to this research, visible differences are evident. Based on this article, the overall level of customer satisfaction in Kenya is 63,80%. This research further show that women (67,50%) are more satisfied than men (58,70%). When comparing the overall level of customer satisfaction in the structure of education, it is found that individuals with primary and secondary education (64,10%) are more satisfied than those individuals with university education (63,70%).

When comparing similarities and differences between this research and other past research on most important factor of customer satisfaction, this research find that presence of bank branches is the most important factor for customer satisfaction in Kenya. KPMG (2013) found that presence of bank branches is the most important factor for customer satisfaction in Kenya. However, differences exist when comparing the percentage of respondents who preferred this factor. Based on this research, 57,82% of the respondents preferred presence of bank branches while 99% of the respondents preferred presence of bank branches in the research by KPMG (2013). In addition, this research finds that individuals with university education (58,38%) are more satisfied than people with primary and secondary education (53,33%) with regards to the most important factor for customer dissatisfaction. Moreover, those over 50 years prefer presence of bank branches more than other members in the social group of age. Surprisingly, this research show that individuals with primary and secondary education statistically prefer fast services at branches compared to those with university education.

High bank charges (55,09%) is the most important factor of customer dissatisfaction in Kenya. This factor for customer dissatisfaction gives similar result as KPMG (2013). Furthermore, this research observe that high bank charges is preferred by more than 50% of the individuals from each of the social groups. Additionally, men (59,88%) favor high bank charges more than women (51,52%). In the age structure, high bank charges is favored more by those individuals aged over 50 years. When comparing all the other factors that are responsible for customer dissatisfaction in Kenya, poor accessibility of bank branches (15,14%) is the least important factor for customer dissatisfaction.

This research further confirms research by KPMG (2013) on the factors that are essential in determining customer satisfaction and dissatisfaction in commercial banks in Kenya and Africa in general. As per KPMG (2013), presence of bank branches and bank charges determine customer satisfaction and dissatisfaction in Africa. Besides, bank charges are important when determining satisfaction of customers (Uddin and Akhter, 2012). Furthermore, customers usually change banks because of high bank charges (Manrai and Manrai, 2007).

By providing the results on the current overall level of customer satisfaction, most important factor of customer satisfaction and dissatisfaction, this article provides insightful information on customer satisfaction in Kenyan banks. The results provide platform for commercial banks in Kenya to provide products and services according to the levels and expectations of customers to ensure maximum satisfaction. Also, by providing current literature on customer satisfaction in the banking industry, this article contributes to research world.

6. Conclusion

The overall level of customer satisfaction in commercial banks in Kenya is above 50%. The research results indicate that more women are satisfied than men. This confirms hypothesis No. 1.

Presence of bank branches is the most important factor for customer satisfaction in Kenya. People with university education prefer presence of bank branches more than those with primary and university education. This confirms hypothesis No. 2.

High bank charges is the most important factor of customer dissatisfaction in Kenya. More than 50% of the members across all the social groups prefer this factor. This confirms hypothesis No. 3.

Future research should focus on the ways that commercial banks can tackle customer dissatisfaction by considering demographic factors such as gender, age and educational level. As a policy recommendation, banks should lower prices of their products and services so as to prevent customers from switching to other banks.

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