Research Paper

Relationship between Service Quality and Customer Satisfaction of Commercial Bank Customers, Nairobi Kenya

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Abstract:

Marketing strategy remains a critical driver of customer satisfaction and competitiveness in the banking industry globally. Despite this, Commercial banks in Kenya are yet to attain required customer satisfaction levels. This is evident in the low average customer satisfaction index (CSI) which dropped from 67% in 2011 with a downward trend to 60% in 2015 way below the Kenyan Banking industry benchmark of 77%. Studies on the relationship between service quality and customer satisfaction revealed both positive and negative results. The main purpose of this study was to analyse the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi, Kenya. The target population was 1,072,500 customers of commercial bank customers in Nairobi. A sample of 384 was drawn using proportionate stratified random sampling technique to constitute 242 Retail, 81 Business and 61 corporate customers. The results revealed that service quality significantly contributed to customer satisfaction at (β=.488, p<.05). It was concluded that service quality contributes to customer satisfaction. The study recommends a more emphasis on improving and maintaining high service quality levels translating to customer satisfaction. Therefore the research provides a validated service quality model that can be used to clearly measure levels of service quality in relation to levels of customer satisfaction.

Keywords: Service Quality, Customer Satisfaction, Customers, Commercial Banks, Nairobi

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I. INTRODUCTION

Marketing strategy remains a global critical driver of banks customer satisfaction and competitiveness. Globally, Customer confidence in banking continues to fall, with 40% of customers losing trust in the industry over the past year and only 22 % gaining confidence (Global Consumer survey, 2012).

The art of marketing entails carrying the correct amount and quality of product or service to meet the need of customers at the right place and time, and ensuring that customers benefit from its activities (Arto & Sample, 2005). The marketing concept, a corner stone of modern marketing thought, stipulates that to achieve sustainable success, firms should identify and satisfy customer needs more effectively than their competitors (Day, 1994; Kotler, 2002).

Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions. Customers' expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectations and quality is low when performance does not meet their expectation (Athanassopoulos *et al*., 2001)

Customer satisfaction is a post consumption evaluation or a pleasurable level of consumption related fulfilment (Henning *et al*., 2003).In the case of banks, satisfaction refers to the extent to which banking products and services meet customers' needs. Once customers are satisfied and have a positive image or intentions about a particular firm, it will take some time for competitors to snatch or convince them to switch to them. Benefits derived by companies from customer satisfaction include loyalty, repurchasing to increase sales or profit, speak well about the products or services to others to purchase (He & Song, 2009; Sit *et al*., 2009).

From the 1940s until the early 1980s, competition in the American banking industry was restricted. The 1980s and early 1990s have been characterised as "The most turbulent period in the banking since the great depression" (Berger *et al*., 1995). Banks introduced a vast array of new technology hardware, software and telecommunications equipment spending $60,000 per employee on information technology over the 1980s (Keltner, 1995). The introduction of automated teller machines (ATMs) and new back office processing technologies dramatically decreased the costs associated with handling and processing individual transactions.

As discussed in Senbet and Otchere (2006), Financial sector reforms in Africa have been aimed at deregulating the financial sector, opening it up to foreign entry, liberating interest rate and exchange rates, removing credit ceilings, restructuring and privatising banks, and promoting the capital markets. Whilst there is still strong government presence in African banking sectors (for example, Algeria and Tunisia), a significant amount of success has been achieved in privatising banks in a number of countries including Morocco, Kenya, Tanzania, Uganda, Rwanda and Zambia (Allen *et al*., 2011). These reforms have not only led to significant growth in the number of banks in many African countries but also to a noticeable increase in the degree of cross – border banking.

The Kenyan banking industry is governed by the companies Act (CAP 486), The Banking Act (Chapter 488), The Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK, 2006).In Kenya, at independence in 1963, banks consisted of nine foreign owned commercial banks, the largest of which were Barclays, Standard Chartered bank, National bank and Grindlays bank (Brownbridge & Harvey, 1998). In the 1990s the government introduced a number of policy reforms aimed at a gradual liberalisation of the financial markets opening the banking sector to unprecedented growth. As a result, the banking sector grew to 33 commercial banks and 50 Non-Bank Financial Institutions (NBFIs) by 1994.By the end of 2013, this number amounted to 46 banks with a total branch network of 500 (CBK, 2014). Currently the number stands at 43 due to mergers. However two of these banks have closed down. The

Kenyan banking sector registered improved performance as indicated by the size of assets which stood at ks.3.2 trillion, loans and advances worth kes.879 billion, deposits of kes.2.29 trillion and profit before tax of kes.1,881 billion as at 31stDecember 2014, (CBK, 2014).

In the changing banking scenario, of the 21st century, banks have to build a strong identity to provide world class services. The banks have to be of high standard, committed to excellence in customers, shareholders and employees satisfaction, and diversifying of financial sector (Balachandran, 2005).There has been a tremendous change in the way of banking between the year 2005 and 2009 and customers have also rightly demanded world class quality services from the banks. With multiple choices available, customers are not willing to put up with anything less than the best. Banks have recognised the need to meet customer's aspirations as different customers have different personalities, so it is an urgent drive for the banks to establish the determinants of customer satisfaction in the banking industry in order to enhance customer loyalty and retention (Onditi *et al*., 2012).

Infotrak Research & Consulting (2015) conducted a survey in Kenya on banking customer satisfaction and established that the average customer satisfaction index (CSI) among customers of commercial banks in Kenya dropped from 67% in 2011 with a downward trend to 60% in 2015 way below the industry benchmark of 77%.This has given rise to the concern that bank customers are moving to other banks within the industry in anticipation that they will receive better services which will lead to customer satisfaction.

Ntongai *et al*. (2015), Cudjoe *et al*. (2015), Sackey *et al*. (2012),Saghier and Demyana (2013), Anand *et al*. (2012),Rashed and Tabassum (2014), Lassar *et al*. (2000), Nai and Shu (2008) and Chaniotakis and Lymperopoulos (2009)conducted studies on the relationship between service quality and customer satisfaction and found out that not all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability and Responsiveness) contribute to customer satisfaction. Ntongai *et al*. (2015) concluded that service quality practice is a critical antecedent of customer satisfaction. However he established that along its five dimensions, only three; reliability, assurance, and empathy are the ones that exerted a positive and significant influence on customer satisfaction while the other two tangibles and responsiveness are not significantly important in influencing customer satisfaction. Cudjoe *et al*. (2015) revealed that certain service quality dimensions fell short of customers' expectations as their perceived service quality was less than their expectations, while Sackey *et al*. (2012) found that empathy and responsiveness did not meet customer expectations. Saghier and Demyana (2013) revealed that customer satisfaction is significantly affected by reliability, empathy, assurance and responsiveness and the effect of the dimension of tangibility does not have any significant impact on customer satisfaction, while Anand *et al*.(2012) found out that responsiveness, reliability and empathy significantly influence customer satisfaction leaving out assurance and tangibility. The sample size of 50 customers considered for the study was very small and the results obtained may not be suitable. Rashed and Tabassum (2014) revealed that tangibility was having a high mean score and the bank should concentrate on responsiveness as it had the least mean score while Lasser *et al*.(2000) ignored the use of empathy dimension of SERVQUAL model but only dwelt on the functional dimension of quality. Rashed and Tabassum (2014) used convenience sampling which may not be a good technique to facilitate generalization and inferences while Lasser *et al* (2000) used SERVPERF model instead of the widely accepted SERVQUAL model to measure service quality.

Nai and Shu (2008) established that the relationship between service quality dimensions and satisfaction varies with the degree of differentiation of other alternatives, thus the study did not consider the behavioural consequences of customer satisfaction such customer loyalty and repeat purchase. Chaniotakis and Lymperopoulos (2009) established that responsiveness, assurance, and tangibility had significant influence on satisfaction, while in the case of reliability and empathy significance was not confirmed. The studies were not conducted in Kenya and the findings remain inconclusive. The studies have failed to conclude if all the five SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability have a significant and positive relationship with customer satisfaction.

II. LITERATURE REVIEW

Fogli (2006) described service quality as "a global judgement or attitude that has a link to a particular service, the overall notion of the relative inferiority or superiority of the organizations services". Lovelock &Wright (2002) explained the service quality as an act or performance that will allow customers to receive benefit. Providing excellent service quality to customers in present business environment is very important due to strong market competition. The capability to provide high service quality will strengthen the image, enhance retention of customers, attracting new potential customers via positive word of mouth and eventually increase the profit of the business (Julian &Ramase, 1994; Zeithani *et al*., 1996)

Service quality is considered an important tool for a firms struggle to differentiate itself from its competitors (Ladhari, 2008).Service quality has received a great deal of attention from both academicians and practitioners (Negi, 2009) and service marketing literature defined service quality as the overall assessment of a service by the customer (Eshghi *et al*., 2007). Duff *et al*., (2008) pointed out that by defining service quality, companies will be able to deliver service with higher quality level presumably resulting in increased customer satisfaction.

Gronroos (2007) also defined service quality as the outcome of the comparison that consumers make between their expectations and perceptions. Customers' expectation serves as a foundation for evaluating service quality because, quality is high when performance exceeds expectations and quality is low when performance does not meet their expectation (Athanassopoulos *et al*., 2001)

Perceived service is the outcome of the consumers' view of the service dimensions, which are both technical and functional in nature. It is very vital to note that, service quality is not only assessed as the end results but also on how it is delivered during service process and its ultimate effect on consumers perceptions (Duncan & Elliot, 2004). Service quality has a strong correlation with customer satisfaction, financial performance, manufacturing costs, customer retention, customer loyalty, and the success of marketing strategy (Cronin *et al*., 2000; Wong *et al*., 2008).

Organizations operating within the service sector consider service quality to be a strategic component of their marketing plan (Spathis *et al*., 2004). Through service quality, organizations can reach a higher level of service quality, a higher level of customer satisfaction, and can maintain a constant competitive advantage (Meuter *et al*., 2000).

In the changing banking scenario of the 21st century, the banks had to have a vital identity to provide excellent services. Banks nowadays have to be of world class standard, committed to excellence in customer satisfaction and to play a major role in the growing and diversifying financial sector (Guo *et al*., 2008).There has been a remarkable change in the way of banking in the last few years. Customers have also accurately demanded globally quality services from banks. With various choices available, customers are not willing to put up with anything less than the best. Banks have recognised the need to meet customers' aspirations. Consequently service quality is a critical motivating force to drive the bank up in the high technology ladder.

II.1 Service Quality Dimensions

According to Zeithamal (2006), service quality is described as SERVQUAL by five dimensions constructs namely reliability, responsiveness, assurance, empathy and tangibles. Basically these dimensions represent consumers' criteria of judging service quality.

The reliability construct in the SERVQUAL model represents the service providers' ability to perform the promised service dependably and accurately. This is achieved through keeping promises to do something, providing right service, consistency of performance and dependability, service is performed right at the first time, the company keeps its promises in accuracy in billing and keeping records correctly, available merchandise and error free sales transactions and records. Reliability also consists of accurate order fulfilment, accurate record, accurate quote, accurate in billing, accurate calculation of commissions, keep services promise. Zeithamal (2006) also mentioned that reliability is the most important factor in banking services (Yang *et al*.,2003).The higher customer appreciate on reliability, the higher the overall evaluation of retail service quality is (Ndubisi, 2006).

Tangibility relates to the physical aspects or evidence of a service. Physical aspects include appearance of equipment and fixtures, physical facilities, materials associated with the service, appearance of personnel and communication materials, convenience of physical facilities and layouts. In addition to the appearance of the facilities, it also takes into account the convenience offered to the customer by the layout of physical facilities (Ananth *et al*., 2011). The higher the customers appreciate on the physical aspects, the higher the overall evaluation of service quality is (Bellini *et al*., 2005)

The assurance construct consists of competence (possession of the required skills and knowledge to perform the service), courtesy (Consideration for customers property, clean and neat appearance of public contact personnel), Credibility and security of the employees and their ability to inspire trust and confidence. According to Sadek *et al*., (2010), in British banks, assurance means the polite and friendly staff, provision of financial service, interior comfort, eases of access to account information and knowledgeable and experienced management team. This includes employees having knowledge to answer questions, inspiring confidence, providing prompt service, willing to respond to customers' requests, giving customers individual attention, showing consistent courtesy to customers and even treat customers properly on the phone. Several studies suggest that the exchange of information is an important part of both traditional selling and relationship marketing which may lead to a shared understanding (Ndubisi, 2006; Lymperopoulos *et al*., 2006). The higher customers appreciate personal interaction, the higher the overall evaluation of service quality is.

Responsiveness is the determinant that defines the willingness to help customers and to provide prompt services. It is the desire and willingness to assist customers and deliver prompt service. It involves features such as the opening hours of the service provider, the politeness of the employees and the time the customer has to wait in order to get the service. In other words, it describes how quickly and effective the response to the customer is. Willingness to help customers is likely to have an important and positive effect on customer perceived service quality and customer satisfaction in retail banking. Mengi (2009) also found that responsiveness is positively related to service quality and customer satisfaction. It also involves understanding needs and wants of the customers, convenient operating hours, and individual attention given by the staff, attention to problems and customers safety in their transaction (Kumar *et al*., 2009).

Empathy is the caring and personalised attention the organization provides its customers. It is reflected in the service providers' provision of access, communication and understanding the customer. Individual attention, convenient operating hours, understanding of the staff when a problem occurs and the knowledge the employees have of the customers' needs were the primary elements included in the evaluation of empathy. This dimension captures aspects of service quality that are directly influenced by service providers policy such as good customer service, convenience of parking and operating hours (Butcher,2001; Ndubisi, 2006; Ehigie, 2006).The degree to which the customer feels the empathy will cause the customer to either accept or reject the service encounter. The higher the level of empathy, the higher the overall evaluation of the service quality is.

The aspects that are critical in empathy include employees' knowledge to respond to customer requests or needs. Bank invests heavily on staff training so as to equip them with the necessary knowledge and skills to deal with their customers. On the employees' personal attention to their customers, marketing literature indicates that service providers that provide individualized attention to their customers increase the level of perceived service quality. This is due to the high intangibility of the service and the heterogeneity of it results in an increased focus on the interaction process. This means that employees must be skilled enough to be able to immediately recognise the needs of the customers are critical in order to improve service quality.

II.2 Customer Satisfaction

Customer satisfaction is a post consumption evaluation or a pleasurable level of consumption related fulfilment (Henning – Thurau and Thurau, 2003). In the case of banks, satisfaction refers to the extent to which banking products and services meet customer needs. Customer satisfaction has many facets. Some of the observable measures are service quality, loyalty, repurchase behaviour and trust among others. These measures have been studied extensively in isolation or together by different marketing scholars. Previous studies in the developed countries such as the studies done by Anderson and Fornell (2011) and Anderson and Mittal (2000) have attempted to look at different dimensions of quality service and how they relate to customer satisfaction. Almost all studies reviewed are unanimous that a satisfied customer is loyal and contributes to profitability.

Customer satisfaction entails customer needs and expectations being met all the time, every time throughout the life of a product or service (Roger and George, 2001; Gustatsson, Johnson and Ross, 2005). Satisfaction is a person's feeling of pleasure or disappointment resulting from comparing a products perceived performance or outcome in relation to the person's expectations (Kotler, A & Cunningham, 2002). As the definition indicates, satisfaction is a function of perceived performance and expectations. The term customer satisfaction results from either the quality of service, engagement of the customer, price factors and meeting or exceeding customers' expectations, consuming products and services (Prabhakar, 2005). If the performance of a bank falls short of these expectations, the customer becomes dissatisfied. If the performance exceeds expectations, the customer is delighted. Only delighted customers or highly satisfied customers stay loyal to the service provider, (Salmen and Muir, 2003, Dubrovski, 2001).

Customer satisfaction has been of key interest to researchers for the last two and half decades. Researchers have established some of the key antecedents of customer satisfaction in retail banking with respect to customer satisfaction in the competitive world of business as well as the key antecedents to overall customer satisfaction in any other industry (Jamal, 2004). Satisfaction reinforces positive attitudes toward the brand, leading to a greater likelihood that the consumer will repurchase the same brand.

Customer satisfaction has come to be regarded as a key business strategy of every organisation and a benchmark against which many banks have set their standards (Wang, Lin and So, 2003; Anubav, 2010; Sheth, 2000).Maintaining existing customers for organisations is even more important than the ability to capture new ones. Customers are critical for any organisation's success. Without customers, organisations would have no resources, no profits and therefore no market niches that can enable them compete in the global area.

Customer satisfaction has been considered the essence in today's highly competitive banking industry. Prabhakaran and Satya (2003) mentioned that the customer is the king. Heskett *et al*., (1997) argued that profit and growth are stimulated primarily by customer loyalty. Ndubisi (2005), Gee *et al*., (2008) and Pfeifer (2005) pointed out that the cost of serving a loyal customer is five or six times less than a new customer. Several researchers including Tariq and Moussaoul (2009), Ha *et al*., (2008) and Ehigie (2006) found that loyalty is a direct outcome of customer satisfaction. Generally speaking, if the customers are satisfied with the provided goods or services, the probability that they use the services again increases (East, 1997).

Satisfied customers will most probably talk enthusiastically about their buying or the use of particular service, this will lead to positive advertising (File and Prince, 1992, Richens, 1983). On the other hand, dissatisfied customers will most probably switch to a different brand, this will lead to negative advertising (Nasserzaden *et al*., 2008). The significance of satisfying and keeping a customer in establishing strategies for a market and customer oriented organisation cannot be ignored (Kohli&Jaworski, 1990).

The link between service quality and customer satisfaction has been submitted to intense scrutiny by leading service quality researchers (Bitner and Hubbert, 1994; Bolton and Drew, 1994), as well as the links between quality, customer satisfaction, customer retention and profitability (Storbacka *et al*., 1994). The connection between service quality and corporate profitability is now seen to depend on high levels of customer satisfaction, the successful targeting of "quality'' customers and the retention of those customers.

Research indicates that companies with excellent customer service record reported a 72% increase in profit per employee compared to similar organisations that have demonstrated poor customer service. It is also five times costlier to attract new customers than to retain existing customers (Duncan, 2004).In some earlier studies, service quality has been referred as the extent to which service meets customers' needs or expectation (Lewis & Mitchell, 1990). Bank should be known about the expectation and perception of the customer.

Coldwell (2001), under the auspices of "Growth strategies international"(GSI) performed a statistical analysis of customer satisfaction data encompassing the findings of over 20,000 customer surveys conducted in 40 countries by info quest and conclusions of the study were that; a totally satisfied customer contributes 17 times as much revenue as a somewhat dissatisfied customer and a totally dissatisfied customer decreases revenue at a rate equal to 1.8 times what a totally satisfied customer contributes to a business.

Banking is a customer oriented service industry. A bank depends upon the customers for their survival in the market. The customer is the focus and customer service is the differentiating factors (Guo *et al*., 2008). A bank can differentiate itself from competitors by providing high quality customer service (Naeen & Sait, 2009).

Customer satisfaction has a great significance for the future of an institution and it is seen as a basis for securing market position and achieving other objectives of the institution. Therefore, achieving high levels of service is one method to keep customers both satisfied and loyal (Perng, 2007).

Dissatisfaction results when consumer expectations are not met. Such disconfirmation of expectations is likely to lead to negative brand attitudes and lessens the likelihood that the consumer will buy the same brand again. As customer feel more satisfied with services, they will be more likely to remain loyal thus leading to retention, repurchase and encourage others to use the products or services by word of mouth.

II.3 Customer Loyalty

Loyalty has been defined as repeat purchase behaviour led by favourable attitudes or as a consistent purchase behaviour resulting from psychological decision making and evaluative process. According to Walsh *et al*. (2008), three popular conceptualizations of loyalty exist as an attitude that leads to a relationship with the brand' as expressed in terms of revealed behaviour and as buying moderated by individual characteristics, circumstances, and/or the purchase situation.

Oliver (1997), defined loyalty as a deeply held commitment to rebuy or repatronise a preferred product or service consistently in the future, which causes repetitive same brand or same brand set purchasing, despite any situational influences and marketing efforts that might cause switching behaviour. Customer loyalty has been defined as a construct that measures the probability that the customer will return and ready to perform partnering activities such as referrals (Cater and Cater, 2009).

Loyalty to a bank can be thought of continuing patronage over time. The degree of loyalty can be gauged by tracking customer accounts, over defined time periods and noting the degree of continuity patronage (Kotler etal.2006).During the past decade, the financial service sector has undergone drastic changes, resulting in a market place which is characterised by intense competition, little growth in primary demand and increased deregulation. In the new market place, the occurrence of committed and often inherited relationships between a customer and his or her bank is becoming increasingly scarce. Several strategies have been adopted in an attempt to retain customers. In order to increase customer loyalty, many banks have introduced innovative products and services. Marketing success requires understanding and frequently monitoring the product and service attributes which increase loyalty and share of wallet.

Customer loyalty can be referred to as Spurious or true whereby true customer loyalty is a function of psychological decision – making evaluative processes which are resulting in commitment. Spurious loyalty is a function of inertia (Bloemer and Kasper, 1995). Hence, spurious loyalty means that customers stay with the same product, brand, and service or store because they are not prepared to spend effort and time to search for alternatives. The current study looks at customer loyalty holistically to include both spurious and true loyalty.

II.4 Empirical Literature Review

II.4.1 Relationship between Service Quality and Customer Satisfaction

Ntongai *et al*. (2015) conducted a study on service quality practices as a critical antecedent to customer satisfaction with evidence from the Kenya’s mobile phone sector. The study used a proportionate stratified sampling technique to select a sample of 384 respondents on a population of 32.2 million subscribers. The study finding revealed that the R^2 for service quality practices was 0.609, p<.05, indicating that service quality practices account for 60.9% of variance in the customer satisfaction among mobile firms in Kenya.

Cudjoe *et al*. (2015) conducted a study to assess the effect of service quality and customer satisfaction in the Ghanaian banking industry. The expectations and perceptions of Ghanaian Commercial Bank (GCB) customers were assessed under five dimensions of SERVQUAL. The researchers found out that all the five dimensions contribute to quality of service delivery in GCB. Rating the dimensions based on expectations and perceptions of service delivery that need to be improved, it revealed that GCB should work towards enhancing on reliability, responsiveness, empathy, assurance and Tangibility dimensions respectively. The researchers also found out that the expectations of customers with all the dimensions investigated into were higher than what they perceived. From the results obtained, the first dimensions (Reliability) showed a difference of -0.2163,Responsiveness showed a difference of -0.2166,similarly assurance showed a difference that is -0.5666,Empathy showed the difference is -0.3917 and Tangibility showed a difference that is -0.4249.The highest difference was found in the assurance dimensions. The study found that, a link between service quality and satisfaction level can be established following the discussions from the analysis made that, customers’ satisfaction is influenced by the level of total service quality. However, it was revealed that certain service quality dimensions fell short of customers’ expectations as their perceived service quality was less than their expectations.

Sackey *et al*. (2012) carried out a study on the effects of service quality on customer satisfaction, Loyalty and Retention using the SERVQUAL model and revealed that Barclays bank in Ghana implements all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability, and Responsiveness) which is to say that the bank strives to be at its best when it comes to quality. This quality service has also become a major critical cause of satisfaction for the banks customers. However on Empathy level, staffs do not give customers their utmost attention and also make decisions without considering the impact those decisions might have on their customer. The research further showed that when it comes to responsiveness, customer requests and complaints are not authorised and resolved on time enough by staff and managers of Barclays bank.

Saghier and Demyana (2013) in their research on service quality dimensions and customers satisfaction of banks in Egypt also revealed that customer satisfaction in the Egyptian banking services is significantly affected by Reliability, Empathy, Assurance and Responsiveness, while the effect of the dimension of Tangibility does not have any significant impact on customer satisfaction.

Anand *et al*. (2012) sought to examine the impact of service quality on customer satisfaction and loyalty in Indian Banking sector by applying SERVPERF scale. A total of 50 customers of state bank of India were interviewed on convenient basis for the above purpose. Exploratory factor analysis, intercorrelation, Analysis of variance, multiple regression analysis were carried out and the result revealed that out of five service quality factors considered, Assurance is having a highest mean score of SERVPERF. Regarding the association between the demographic variables and the service quality factors, it is seen that there is no significant association found between them except income in case of Empathy and marital status in respect of all service quality factors. It is also observed that there is a significant association found between all the service quality features and the customer satisfaction as well as with customer loyalty. While analysing the antecedents of customer satisfaction and loyalty, factors like responsiveness, reliability and empathy are significantly influenced and also explored respective percentage of relevant changes in the independent variables considered. The sample size considered for this study was very small and the results obtained may not be suitable as a whole having customers with different demographic profiles.

Rashed and Tabassum (2014) conducted a study that sought to discover the impact of service quality on customer satisfaction in private sector banks in Bangladesh. The sample included 110 respondents of different banks selected by using convenience sampling method. From the findings, the research objectives were achieved by identifying the determinants of service quality as reliability, accessibility, responsiveness tangibles and empathy. By analysing the impact of service quality on Customer satisfaction of private sector banks in Bangladesh, it was observed that out of five service quality dimensions, Tangible was having a high Mean score and the bank should concentrate on Responsiveness as it had the least mean score. The study also established that the combination of tangibility, reliability, responsiveness, assurance and empathy together have significant effect on customer satisfaction. Therefore, service quality has positive effect on customer satisfaction. These two variables should work hand in hand to ensure success and survival of the private sector banks. The sample size of this study was too small which may not be used for generalizability of the findings. Convenience sampling is not a reliable sample technique to facilitate generalization and inferences from the data.

In relation to the idea of lee *et al*. (2000), some authors examined the relationship between service quality, customer satisfaction and store loyalty within the retail department store context and found out that, “service quality influences relative attitude and satisfaction within department stores,”(Sivadas & Baker - Prewitt,2000).

Kuu,(2003) conducted a research on service quality of virtual community websites among college students of three major universities in Taiwan and got poor results of the service quality level of this dimension is the poorest in relating customer satisfaction and service quality.

Bennett and Barkensjo (2005) studied relationship between quality, relationship marketing, and client perceptions of the levels of service quality of charitable organisations of service quality and customer satisfaction and got a good result which was suggesting that "the SERVQUAL approach is indeed applicable within the non – profit domain.

Ahmed *et al*. (2010) conducted a mediation of customer satisfaction relationship between service quality and repurchase intentions for the Telecom sector among university students, with SERVQUAL model's 5 dimensions to measure service quality. Gera (2011) investigates the link between service quality, value, satisfaction and behavioural intentions in a public sector bank in India and one of their results states that "service quality was found to significantly impact on customer satisfaction and value perceptions"

Barbara, (2010) conducted a study to explore service quality in a retail bank setting in Slovenia and its influence on customer satisfaction. The study had several limitations where by the SERPERF version of the original SERVQUAL scale, bank service range was operationalised by one item only and a convenience sampling method was used in data collection.

Agbor (2011) did a study to examine the relationship between customer satisfaction and service quality in three service sectors. Convenient sampling technique was used to collect quantitative data from a sample of 220 customers of Umea University (100), ICA (60) and Forex bank (60).Data were analysed using Chi – square to test the hypotheses separately and in a group. The study showed a distinct result for the relationship between service quality and customer satisfaction. For instance, in the case of ICA and Forex, there was a significant relationship between service quality and customer satisfaction. However in the case of Umea University, there was no significant relationship between service quality and customer satisfaction. The researcher found out that service quality is not the only factor that could lead to customer satisfaction in the service sector but failed to unearth other variables that could strengthen the link between service quality and customer satisfaction. Methodically, convenient sampling as was used by the researcher is not a reliable sample to facilitate generalisation and inferences from the data.

A study was conducted by Olgun *et al*.(2014) to investigate the effect of service quality dimensions on satisfaction, identifying the effect of satisfaction on word of mouth (WOM) communication and repurchase intention (RI) and searching a significant relationship between WOM and RI. The study adopted the work of Parasuraman *et al*.'s SERVQUAL variables. A structural equation model (SEM) that utilizes data from 369 patients facing a range of services was used. It was found that only empathy and assurance dimensions are positively related to customer satisfaction. The satisfaction effects of the ingredients of WOM communication and repurchase were found to be highly interrelated. Methodically, convenient sampling as was used by the researcher is not a reliable sample to facilitate generalisation and inferences from the data.

Chaniotakis and Lymperopoulos (2009) conducted a study on service quality effect on satisfaction and word of mouth (WOM) in the healthcare industry and established that satisfaction influenced WOM. The study also showed that responsiveness, assurance, and tangibility had significant influence on patient satisfaction, while in the case of reliability and empathy significance were not confirmed.

A study was carried out by Auka *et al*. (2013) to examine the effect of service quality dimensions on customer loyalty to the providers of retail banking services in Kenya. The study investigated the relationship between service quality dimensions and customer loyalty. To achieve this purpose, data was collected from a sample of 384 current customers of commercial banks on five dimensions of service delivery; Tangibility, reliability, responsiveness, assurance and empathy. The results indicated that all the dimensions of service quality have a positive and significant influence on customer loyalty in retail banking. However, this study concentrated on customer loyalty being its dependent variable, making it not conclusive enough as customer loyalty is an aspect of customer satisfaction. The study does not introduce a moderating variable to increase the strength of the relationship between service quality and customer loyalty.

Rahim *et al*. (2010) carried out a study in a bank in Tehran, Iran which aimed to determine the quality of services offered by Sepah bank, and also to study the relationship between the service quality, satisfaction and loyalty.147 customers of the bank were sampled and the results of this research indicated that in all aspects, customer expectations are higher than their perceptions of the bank's operations, and in fact the quality of offered services is low. Besides the research findings established that customer satisfaction plays the role of a mediator in the effects of service quality on customer satisfacction. The study was carried out on customers of one branch bank. This poses a risk of biasness and weak findings that can barely be used for generalizability.

Cudjoe *et al*. (2015), Sackey *et al*. (2012),Saghier and Demyana (2013), Anand *et al*. (2012),Rashed and Tabassum (2014), Lassar *et al*. (2000), Nai and Shu (2008) and Chaniotakis and Lymperopoulos (2009) conducted studies on the relationship between service quality dimensions and customer satisfaction and found out that not all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability and Responsiveness) contribute to customer satisfaction. The Studies have revealed both positive and negative relationship with customer satisfaction.

III. METHODOLOGY

The study adopted correlational research design. The study population comprised customers of the 11 commercial banks listed on the NSE, Kenya. The total commercial banking population in Nairobi for the listed banks is estimated to be 1,072,500 (CBK, 2014). Commercial banks provide services to customers thus have a direct interconnection with them. Customers are the ones who receive the final service of the banks and thus the researcher anticipated them to give a valid response about service quality, marketing mix strategy and customer satisfaction. The sampling unit was the customers within the banks. Proportionate stratified random sampling technique was used to select the study sample. Stratified random sampling helped in achieving the desired representation of various sub groups within a population of distinct categories of different sizes (Mugenda, 2008). Customer population for each of the 11 commercial banks was determined using market share of these banks. Customers were stratified into three stratums namely Retail, Business and Corporate to constitute 63%, 21% and 16% of the customer population size respectively. Simple random sampling was used to select the samples that constituted each stratum. The sample of each stratum was proportionate to the population size of the stratum. Sample proportions are presented in table 3.1 and 3.2 below. The sample size was determined according to Fisher *et al*.(1998) as below;

$$n = Z^2pq / d^2 \qquad \text{Eq. 3.1}$$

Where: n – The desired sample size (If the target population is greater than 10,000)

Z =The Standard normal deviate at the required confidence level

P =The proportion in the target population estimated to have characteristics being measured

q = 1 –p

d =The level of statistical significance set

If there is no estimate available of the proportion in the target population assumed to have the characteristics of interest, 50% should be used as recommended by Fisher *et al*.(1998). For example: If the proportion of a target population with a certain characteristic is .50, the Z statistic is 1.96 and we desire accuracy at the .05 level, then the sample size is;

$$n = (1.96)^2 (.50) (.50) / (.05)^2 = 384$$

The questionnaire was the main instrument of data collection. The respondents were asked to express their experiences, expectations and levels of satisfaction measured on a five point Likert scale ranging from "1 – Strongly disagree to 5 – Strongly agree. A Likert scale is easy to construct and administer. It is also easy for respondents to understand (Malhotra, 1996). This has been acknowledged by Vickers cited in Hansson and Arnetz (2005). In addition, Hansson and Arnetz (2005) indicate that coding and interpretation are easier.

Data analysis was carried out using descriptive statistics such as mean, frequency, standard deviation, Correlation, multiple regression analysis and moderated regression analysis. Hypothesis was tested through correlation and multiple regression analysis. The use of both descriptive and inferential statistics aided the researcher in gaining higher degree of reliability and validity (Babbie, 1986).

The researcher used a multiple regression model to determine the relationship between the variables of the study as shown in the following equations, (Cohen *et al*.2013).Thus;

$$Y_j = B_0 + B_1X_{kj}+e \qquad \text{Eq. 3.2}$$

$$Y_j= B_0 +B_1X_{kj}+B_2Z_{kj}+e \qquad \text{Eq. 3.3}$$

$$Y_j= B_0 +B_1X_{kj}+B_2Z_{kj}+B_3 Z_{kj}X_{kj}+e \qquad \text{Eq. 3.4}$$

Where;

Y = Customer satisfaction of customer j

X = Service quality provided by bank k

Z = The theoretically defined moderator variable (Marketing mix strategy),

$_{XZ}$=The interaction term

B_n= The regression coefficients

B_0= The constant

k and j represent the banks and customers respectively

e = The error/residual in the equation

IV. RESULTS AND DISCUSSION

IV.1 Response Return Rate

The response return rate of retail customers was 99.6% as shown in the results from table 4.1. Business customers had a response return rate of 98.8% while corporate customers had a response return rate of 98.4%.

The overall response return rate was 98.4%, which is termed as very high response return rate. A minimum response of 75% is considered adequate (Fowler, 1993; Ary *et al*., 1996).

IV.2 Relationship between Service Quality and Customer Satisfaction

In order to achieve the second objective of the study, which was to establish the relationship between service quality and customer satisfaction, Pearson product moment correlation coefficient was carried out to establish whether a relationship existed between service quality and customers satisfaction. The approach aimed at answering this objective utilized a null hypothesis formulated in the study, which stated that "There is no significant relationship between service quality and customer satisfaction of commercial bank customers in Nairobi, Kenya." This hypothesis was tested over all the five types of service quality dimensions and including the overall mean of service quality dimension and customer satisfaction. To start with, all the five service quality dimensions were correlated against customer's satisfaction and individual bi-variate correlations obtained. An overall mean was also obtained and correlated against customer satisfaction in order to make a conclusion about the hypothesis to be tested. All correlations were deemed significant at a set value of 0.05. The results are presented in Table I.

Table I: Relationship between Service Quality and Customer satisfaction of Commercial bank Customers in Nairobi, Kenya

Service Quality Dimensions		**Customer Satisfaction**
Tangibility	Pearson Correlation	0.407^{**}
	Sig. (2-tailed)	.000
Reliability	Pearson Correlation	0.145^{**}
	Sig. (2-tailed)	.005
Responsiveness	Pearson Correlation	0.266^{**}
	Sig. (2-tailed)	.000
Assurance	Pearson Correlation	0.519^{**}
	Sig. (2-tailed)	.000
Empathy	Pearson Correlation	0.396^{**}
	Sig. (2-tailed)	.000
Overall service quality	Pearson Correlation	0.488^{**}
	Sig. (2-tailed)	0.000

Assurance had the highest positive significant correlation with customer satisfaction ($r=0.519$, $p<0.05$). This implies that the high level of assurance of the service is associated with high level of customer satisfaction. Due to the significance of the correlation at 0.05, the null hypothesis was rejected and an alternative hypothesis adopted which now confirmed that there is a relationship between the two variables. The implication is that there is a big relationship between assurance of service quality and customers satisfaction. The second highest significant correlation was between tangibility and customer satisfaction ($r=0.407$, $p<.05$), which is a moderate positive significant correlation (Churchil, 2004). The relationship was also very significant at 0.05 and thus led to the rejection of the null hypothesis and adoption of alternative hypothesis on tangibility dimension. The third largest correlation coefficient was between empathy service quality and customer satisfaction. Pearson product moments correlation coefficient was moderate, positive, and significant at 0.05 ($r=0.396$, $p<0.05$). This also led to the rejection of the null hypothesis and adoption of alternative hypothesis over the same dimension, and thus it was concluded that there is a positive significant relationship between empathy service quality and customer satisfaction. The two remaining correlations between responsiveness and customer's satisfaction, and reliability and customer satisfaction were small. Therefore Pearson product moment correlation between responsiveness and customer satisfaction was low positive and significant at 0.05 (r=0.266, p<.05) and also between reliability and customer satisfaction was low positive significant correlation (r=0.145, p<.05). This implies that there was low level of responsiveness and reliability, but a slightly higher level of customer satisfaction thus leading to low association among these variables. The null hypothesis over the two was however rejected, since the relationships were significant, and alternative hypothesis adopted and concluded that there was a significant relationship between responsiveness, reliability and customers' satisfaction. The results finally revealed that there was an overall moderate significant correlation between overall service quality and customer satisfaction (r=0.488, p<.05) implying that high levels of service quality were associated with high levels of customers satisfaction. This led to the rejection of the null hypothesis and adoption of alternative hypothesis, the concluded that there is a positive significant relationship between service quality and customer's satisfaction thus the service quality offered by commercial banks of Nairobi, Kenya leads to customer's satisfaction.

Table II: Summary Model for the Percentage Change in Customer Satisfaction Explained by Service Quality

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.488[a]	.238	.236	.46998	.238	118.312	1	378	.000

a. Predictors: (Constant), overall service quality

The results in Table II indicate that service quality explained 23.6% change in customer satisfaction [Adjusted R square=.236, F (1, 378) =118.312, p<.05]. This implies that service quality has an influence on customer satisfaction and explains a significant variance in customer satisfaction. The results for the unique contribution of service quality on customer satisfaction were also presented as shown in Table III.

Table 3. Unique Contribution of Service Quality on Customer Satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
1	(Constant)	.875	.306		2.859	.004			
	Overall service quality	.829	.076	.488	10.877	.000	.488	.488	.488

a. Dependent Variable: Customer satisfaction

Table III coefficient results indicate that service quality uniquely contributes to customer satisfaction (β=.488, p<.05). This implies that in the absence of any other variable, one standard deviation in service quality would lead to 0.488 unit change in customer satisfaction. Thus it can be concluded that service quality has a significant influence on customer satisfaction.

These findings are almost similar to studies carried out by Ntongai *et al*. (2015), Cudjoe *et al*. (2015), Sackey *et al*. (2012),Saghier and Demyana (2013), Anand *et al*. (2012),Rashed and Tabassum (2014), Lassar *et al*. (2000), Nai and Shu (2008) and Chaniotakis and Lymperopoulos (2009) who conducted studies on the relationship between service quality and customer satisfaction and found out that not all the five service quality dimensions (Empathy, Assurance, Tangibility, Reliability and Responsiveness) contribute to customer satisfaction. Ntongai *et al*. (2015) concluded that service quality practice is a critical antecedent of customer satisfaction. However he established that along its five dimensions, only three; reliability, assurance, and empathy are the ones that exerted a positive and significant influence on customer satisfaction while the other two tangibles and responsiveness are not significantly important in influencing customer satisfaction. Cudjoe *et al*. (2015) revealed that certain service quality dimensions fell short of customers' expectations as their perceived service quality was less than their expectations, while Sackey *et al*. (2012) found that empathy and responsiveness did not meet customer expectations. Saghier and Demyana (2013) revealed that customer satisfaction is significantly affected by reliability, empathy, assurance and responsiveness and the effect of the dimension of tangibility does not have any significant impact on customer satisfaction, while Anand *et al*.(2012) found out that responsiveness, reliability and empathy significantly influence customer satisfaction leaving out assurance and tangibility. The sample size of 50 customers considered for the study was very small and the results obtained may not be suitable. Rashed and Tabassum (2014) revealed that tangibility was having a high mean score and the bank should concentrate on responsiveness as it had the least mean score while Lasser *et al*.(2000) ignored the use of empathy dimension of SERVQUAL model but only dwelt on the functional dimension of quality. Rashed and Tabassum (2014) used convenience sampling which may not be a good technique to facilitate generalization and inferences while Lasser *et al* (2000) used SERVPERF model instead of the widely accepted SERVQUAL model to measure service quality. Nai and Shu (2008) established that the relationship between service quality dimensions and satisfaction varies with the degree of differentiation of other alternatives, thus the study did not consider the behavioural consequences of customer satisfaction such customer loyalty and repeat purchase. Chaniotakis and Lymperopoulos (2009) established that responsiveness, assurance, and tangibility had significant influence on satisfaction, while in the case of reliability and empathy significance was not confirmed. The studies were not conducted in Kenya and the findings remain inconclusive. The studies have failed to conclude if all the five SERVQUAL service quality dimensions of responsiveness, tangibility, empathy, assurance and reliability have a significant and positive relationship with customer satisfaction. The current study was carried out in Kenya and adopted the SERVQUAL model with a bigger sample size, an elaborate research design and sampling technique. The study revealed that there was a significant relationship between all the five service quality dimensions and customer satisfaction thus it has provided a validated service quality model that can be used to clearly measure levels of service quality in relation to levels of customer satisfaction.

V. CONCLUSIONS AND RECOMMENDATIONS

V.1 Relationship between Service Quality and Customer Satisfaction

Pearson product moment correlation was used to establish the relationship between the five dimensions of service quality and customer satisfaction. The findings indicated that the highest significant association existed between assurance and customer satisfaction ($r=.519$, $p<.05$). The second was between tangibility and customer satisfaction ($r=.407$, $p<.05$) and the third correlation, which was moderate and significant, was between empathy and customer satisfaction ($r=.396$, $p<.05$). The fourth was between responsiveness and customer satisfaction while the least was between reliability and customer satisfaction ($r=.145$). The overall correlation was moderate and significant ($r=.488$, $p<.05$) implying that there was a significant association between service quality and customer satisfaction.

The study concludes that there is a relationship between service quality and customer satisfaction. However, the relationship between the reliability service quality dimension and customer satisfaction was significant but quite low. Still, this implies that the five service quality dimensions are an important aspect in explaining service quality and in turn having an effect on customer satisfaction.

V.1 Recommendations of the Study

Banks have a relatively good service quality which influences customer satisfaction; however, due to the moderate and significant effect that is reflected between service quality and customer satisfaction, more should be done on service quality in order to reap maximum benefit for the long term achievement of customer satisfaction.

The focus for bank management should be to maintain high service quality .The banks should invest in service quality initiatives like training staff on service quality dimensions, good systems and other aspects that will ensure great service quality is maintained. This can help market predictions on customer satisfaction index to be more accurate.

V.2 Limitations of the Study

The study restricted itself to the SERVQUAL service quality dimensions; this may have limited the researcher from exploring other aspects that could have been used to explain service quality. New innovations in service quality were rarely captured, and in addition, the study was limited to the scope of commercial banks, whose findings may not be generalized on all the financial institutions and other service firms in the country. The study was conducted in Nairobi thus limited in location.

V.3 Suggestion for Future Studies

The following suggestions are made for future studies. First, a similar study can be carried out on other financial institutions like insurance firms, Saccos and micro finance institutions. Still; studies can be carried out in other service industry firms like the hotel and the airline industry. Second, future studies should incorporate all the 43 commercial banks and not only the commercial banks listed on the NSE. Thirdly, studies can be carried in other parts of the country apart from Nairobi. Fourth, future studies can focus on specific customer categories and not all the three including retail, business and corporate.

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