

DETERMINANTS OF CUSTOMERS' SATISFACTION IN COMMERCIAL BANKS: A CASE OF UCHUMI COMMERCIAL BANK LIMITED IN MOSHI MUNICIPALITY, TANZANIA

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Abstract

The study centered on understanding the determinants of customers' satisfaction in commercial banks particularly Uchumi Commercial Bank Limited in Moshi Municipality, Tanzania. A cross sectional research design was deployed where data were collected by using interviews and questionnaire to a sample of 55 respondents obtained conveniently. Factors revealed to influence customer satisfaction levels significantly include; timeliness (ability to deliver service timely), reliability (performance of service facilities, goods, and staff), staff competence (skills, expertise and professionalism with which the service is executed), staff attitude (politeness and friendliness), look and feel (appearance, comfort of environment, facilities and staff). Based on these findings it is recommended that, there is a need to increase coverage area, improving reliability and use of modern technology to improve service delivery and maintain customer satisfaction.

Key words: Bank, Customer, Satisfaction, Services, Tanzania

INTRODUCTION

Customer satisfaction is considered important in defining organizational performance. Enhancing customer satisfaction is critical because it is a key to business success of any banking institution. In the competitive economy, customer's satisfaction has come under limelight due to stiff competition where organizations are trying to take competitive advantage through the human factor and customers (Singh *et al*, 2011). Business environment in developed and developing countries has changed due to globalization and free trade and global competition is increasing with exploding. Because of these reasons, to stay in a competitive environment and deliver acceptable financial returns, managers must know how to handle changes which are unexpected by cementing on customers' satisfaction (Naseem *et al*, 2011).

In developing countries customers' satisfaction has become important to business success of banking institutions. Suggested reasons for this apparent trend include flexible employment, higher mobility and competition in banking industry (Panda, 2003). In this context one may wonder how banking institutions in Tanzania survive in the mentioned environment by cementing on customers' satisfaction. Thus, understanding customers' satisfaction in banking institutions is important not only from economic perspective but also from creation of good image of banking institutions for organizational and staff development. Tanzania banking sector has gone into significant changes after the liberalization of the banking system. The reforms removed barriers to the entry of commercial banks and supported the improvement of institutional framework and more efficiently the performance of banks which increased banking competition (Qin and Pastory, 2012). The liberalization increased the banking sector and shift the markets from the government owned banks to private owned banks. Recently there are about 56 banking institutions in Tanzania (BOT, 2013).

Banking institutions across the globe have recognized the importance of customers' satisfaction and developing and maintaining enduring relationship with their customers as two crucial parameters leading to increased business profits. At the same time, several banking institutions are experiencing increasing level of retail customers' dissatisfaction (Mistry, 2013). The causes of dissatisfaction are not well known empirically however from rational point of view, the probable causes may include low technology, low responsiveness from bank employees and unreliable service. However, whether any of these really holds true and the extent to which they impact on customer satisfaction is not known. Moreover, there may be other causes which are out of the above list of possible causes but none has been established.

Bank customers are likely to focus on banks employees responsiveness, how banks fulfill their promise and how they show interest to do work. This includes criteria like, promptness in giving service and willingness to help customers. Also customer assurance like

safety of transaction and consistency in service delivery are other criteria which customers are likely to focus on. Therefore banks whether they are private sector or public sector they should give more focus on increasing reliability, responsiveness and assurance (Mistry, 2013).

Several studies on satisfaction of bank customers have been conducted including Shanka (2012) which described relationship between service quality, customer satisfaction and loyalty in Ethiopia; Awan *et al.* (2011) centered on the service quality and its relationship to customer satisfaction in Pakistan, Haq and Muhammad (2012) study compared public and private sector banks of Pakistan by evaluating their customer satisfaction, where a study by Shah (2012) focused on factors affecting customer satisfaction in retail banking in India. On top of that Mboma (2006) conducted a study on the effects of ATMs on customers' satisfaction in the Tanzanian banking sector. This study aimed to identify the determinants of customers' satisfaction in commercial banks.

LITERATURE REVIEW

Empirical studies

Mukhtar *et al.* (2014) documented on customer satisfaction towards financial services of banks in Bahawalpur, Pakistan. The study used correlation analysis to check the intensity of relation of customer satisfaction with dimensions of service quality. These dimensions included reliability, assurance, responsiveness, empathy and tangibility. The study found that service quality is positively correlated with customers' satisfaction. The most important variable that affects customer satisfaction is tangibility, which is followed by assurance. Regression equation derived from regression analysis shows that only assurance and tangibility has significant correlation with customer satisfaction, but reliability, empathy and responsiveness has no importance relationship with customer satisfaction. Banks utilize their assets in right direction, providing better tangibility and assurance to customers about their services. Banks focus their attention towards their tangible services, such as; Auto Teller Machines (ATM), building and interior designs.

Customer satisfaction can be determined by either subjective factors (e.g. customer needs, emotions) or objective factors (e.g. product and service features). Applying to the banking industry, there have been numerous studies that examined attributes that clients expect regarding customer satisfaction. In this regard, Oduro (2013) investigated factors that determine customer satisfaction level in banking institutions from Ghanaian Banking Industry. His study used factor analysis and found that three factors influence consumers' satisfaction level of the banks. These factors were found to be customer relation and service, staff competency and responsive and convenient banking. Potluri and Zeleke (2009) investigated the

influence of employees' competency to customer satisfaction in Ethiopian banking sector. The study asserted that competencies are observable behaviours, knowledge, skills, and abilities of marketing personnel to attract and retain customers by delivering quality service. The study found that competent frontline employees are invaluable assets for any organization's survival in the dynamic and competitive environment. The study recommended that in assessing the competency level of employees helps organizations to communicate desired behaviours, control costs and increase customer satisfaction.

Shanka (2012) studied the relationship between service quality, customer satisfaction and loyalty using five dimensions of SERVPERF model which are reliability, assurance, tangibility, empathy and responsiveness in private banks in Ethiopia. The study used correlation and multiple regressions to analyze data from a convenient sample of 260 respondents. The study shows that all service quality dimensions are positively correlated with customer satisfaction indicating quality banking service as a prerequisite for establishing and having satisfied customers. Mboma (2006) studied the effects of ATMs on customers' satisfaction in Tanzanian banking sector by interviewing customers of three banks as a case study. The study established that ATM services enhance operations and customer satisfaction in terms of flexibility of time. Also they add value in terms of speedy handling of voluminous transactions which traditional services were unable to handle efficiently and expediently. However the level of satisfaction is reduced by technological and processing failures, the perception that the service delivery mode is expensive and insecure regarding stand-alone ATMs, which creates customer dissatisfaction.

Awanet *al.* (2011) investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks. They carried a survey using a modified SERVQUAL scale to 200 walk-in customers conveniently drawn. The study used regression analysis and identified five service quality dimensions namely; empathy, service architecture, convenience service encounter, employee service criteria, customer focus and five customer satisfaction dimensions: responsiveness, competency, safe transaction, competitive services and knowledge for the overall banking. Haq and Muhammad (2012) compared public and private sector banks of Pakistan by evaluating their customer satisfaction. The study used questionnaires which were distributed to 351 respondents. The study showed that customers' satisfaction varies according to the nature of services and in this case, highest customers' satisfaction is shown in such areas like price charged by banks which is nominal, convenient location of bank branches and staff attitude toward problem solving of customers. Moreover, when the private sector banks are compared with public sector banks, private bank

customers were more satisfied with their bank because of their multiple branches at convenient locations and technology.

METHODOLOGY

Description of the study area

This study was conducted in Uchumi Commercial Bank (UCB) which is found in Moshi Municipality in Kilimanjaro, Tanzania. The bank was selected because it was the only bank that gave quick response when requested to get information from its customers. Thus selection of UCB reduces the biasness; therefore the results have represented banks with similar characteristics.

Sampling Techniques and sample size

Convenient sampling was used to select a sample of 50 customers; 5 key informants were purposively selected because of their positions in the bank. Key informants included operations manager, credit manager, marketing manager, head of Information Communication Technology (ICT) and general manager.

The Data

For this study both primary and secondary data were collected. Primary data collected included characteristics of the respondents and customers attitudes toward the bank services. These data were collected from employees and customers of UCB. Secondary data such as services provided by the bank and targeted customers were used. They were collected through reviewing literatures from various sources such as journals, books, reports from UCB, internet and research publications from libraries. In-depth interviews were used to collect the qualitative data from 5 key informants. Also unstructured interviews were used to supplement the structured interviews and questionnaire in cases where the respondent's feelings and perceptions were noted. To capture satisfaction of the respondents towards service delivery the questionnaire was constructed by using a modified SERVQUAL scale to operationalize the constructs. These include timeliness, reliability, staff competence, staff attitude, look and feel. The first part of the questionnaire intended to understand personal information of respondents using nominal scale. The second part consisted the perceptions of respondents regarding the constructs of the model using ordinal scale. All constructs were measured using multiple items by a five point Likert-type scale (1= very dissatisfied, 2= dissatisfied, 3= neutral, 4= satisfied, and 5= very satisfied)

Data Analysis

Data gathered during the field were analyzed according to their types. Analysis of quantitative data obtained from the field is presented in tables and figures, and this was after the compilation, coding and processing of numerical data that was facilitated by the use of Statistical Package for Social Sciences (SPSS). Content analysis was employed to analyse qualitative data from the customers on service satisfaction and from the key informants. This was done by summarizing, categorizing, explicating and structuring the data collected (Bryman, 2009).

EMPIRICAL FINDINGS AND DISCUSSION

Services influencing customers satisfaction

This study revealed from customers' point of view that there are services which influence customers' satisfaction which are; loan services (33%), savings (29%), ATM services (13%), quality customer care (12%), group lending through SACCOS (4%), quick cheque/cash transactions (4%) and shares (4%). Customers were more interested in how flexible a loan needs to be and not only its accessibility, how much was involved and its associated interest rate. They also wanted more innovative way of service provision like ATM services that will excite and satisfy their needs and improved customer services.

Efforts towards Enhancing Customer Satisfaction and Retention

Towards enhancing quality service provision, satisfying, and retaining customers, various measures have been proposed by customers. In view to the measures proposed, 22% of the customers emphasized that education provision to customers can be useful towards enhancing customer satisfaction and retention. Training should focus on variety of products offered by the bank and how customers can properly use the loans for their benefits such as consumer loans and productive loans. Listening to customers demand and provide timely solutions is among the measures proposed by interviewed customers. Since banking business is a highly competitive sector, then timely provision of services is among the innovative ways to attract and retain customers. This finding is in line with Kotler (1997) who asserted that the cost of finding a new customer is five times as much as the cost of making the existing happy. Thus, it is imperative to try as much as possible to retain customers for the better performance of the bank. With the emergence of foreign banks, UCB needs to improve its service quality by providing more experienced employees to serve the customers in the operations as perceived by 21% of interviewed customers. Other customers (16%) were of the opinion that bank employees may visit customers regularly particularly those who take large loans to make follow up whether the

loan are used as proposed. Increasing number of ATMs in areas where UCB does not have a branch can be useful to satisfy and retain customers. Thus, through these efforts UCB can adequately satisfy and retain its customers and survive in the current competitive financial service market.

Implication of customers' satisfaction

From the findings several benefits have been revealed for the bank with regard to customer satisfaction. The satisfied customers are likely to convince other prospective customers to join the bank including their friends, relatives and fellow workers as indicated by 38% of the interviewed customers. This finding reflects the fact put forward by other commentators in the field of customer satisfaction research such as Harris (2007) who pointed out that satisfied customers are likely to bring in other customers.

Customer satisfaction builds loyalty and thus creates friendlier environment for customers and workers interaction which then result into trust as revealed by 12% of the customers. This observation is in line with the findings of Panda (2003) who affirms that, success of a service provider depends on the high quality relationship with customers which determines customer satisfaction and loyalty. Furthermore, service quality and customer satisfaction have been found to be related to customer loyalty through repurchase intentions as perceived by 19% of the interviewed customers. Thus it can be comprehended that delivering quality service to customers is a must for a success and survival in today's competitive banking. It has to be noted that loyalty is developed over a period of time from a consistent record of meeting, and sometimes even exceeding customer expectations (Teich, 1997).

Thus customer loyalty portrays itself in the sense that, the degree to which a customer exhibits repeats purchasing behavior from a service provider, possesses a positive attitudinal disposition towards the provider, and considers using only this provider when a need for this service exists. In today's banking business customers are more educated and knowledgeable; their demand is also on an increasing trend. In order to stay in the business, banks need to improvise their customer service campaign. Loyalty program can be used as one of the tools to retain customer. Retaining customers creates more capital pool as most of them are likely to buy shares and become part of the owners of the bank.

Customers' satisfaction and retention

The banking sector around the world and in Tanzania particularly has faced number of challenges. A number of challenges that have been revealed from the customers' perception include; increased competition in the banking sector (32%), inadequate number of branches in

other areas (31%), staff turnover (23%), emergence of mobile phone money transfer services (5%), and the use of outdated technology (9%). Increased competition in the banking sector has been revealed to be the leading challenge in the sector in Tanzania.

Inadequate number of branches is a challenge to UCB and based on this, it cannot afford to expand to other areas and tap the opportunities existing outside Moshi Municipality. Apart from having single branch, emergence of mobile phone money transfer services has jeopardized the banking sector where people now save and transfer their money through mobile phone network as revealed by 5% of the interviewed customers. The question is how banks can adopt innovative ways to integrate their business in line with rapid change in technology particularly information communication technology. The increase in branches of commercial banks in Moshi Municipality and other areas has resulted into staff turnover where employees want to be employed in banks that provide more remuneration and attractive work conditions. The interviewed customers (23%) revealed that, UCB experiences staff turnover due to lack of attractive remuneration and attractive working condition as compared to other banks of similar nature.

CONCLUSION

Different factors have been revealed to contribute to customer satisfaction levels significantly including; timeliness (ability to deliver service timely), reliability (performance of service facilities, goods, and staff), staff competence (skills, expertise and professionalism with which the service is executed), staff attitude (politeness and friendliness), look and feel (appearance, comfort of environment, facilities and staff). Similarly, the test results show that there is no significant difference between perceptions of different groups in terms of customer satisfaction. This study has provided insight into the effect of service offered by the bank on overall customer satisfaction. It gives evidence that the provision of service that meets customers' needs it is an important factor that could influence their satisfaction with banking services. This study, also, increases existing knowledge on the issue of customer satisfaction with banking service in Tanzania particularly with small banks, which has not received much attention in the literature.

RECOMMENDATION

It is therefore recommended that emphasis need to be placed on improving reliability (*Performance of service facilities, goods, and staff*) of services provision facilities particularly coverage of Automatic Teller Machines in areas where there are no branches. Applications of modern technology can help improve service excellence, by improving operating processes and

helping to gain and collate more information for the customers' satisfaction and improve service delivery to customers and maintain customer satisfaction levels.

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