THE EFFECT OF CUSTOMER SATISFACTION ON THE PERFORMANCE OF

THE ROYAL BANK IN KUMASI

BY

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DECLARATION

I hereby declare that the submission of this compilation is the true findings of my own researched work presented towards an award of Masters in Business Administration (strategic management and consulting option) that, to the best of my knowledge, it contains no material or materials previously published by another person nor submitted to any other University or Institution for the award of degree except where due acknowledgement has been made in text. However, references from the work of others have been clearly stated.

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ABSTRACT

Customer satisfaction with the products and services being delivered by an organization is often seen as the key to the company's success and long term competitiveness. In most cases, customer satisfaction is normally seen as an important determinant of customer retention. However, few empirical evidence from research indicates that there is either none or insignificant relationship between customer satisfaction and retention. The ability of an organization to increase in terms of financial gains and efficiency is mostly dependent on the level of satisfaction enjoyed by the customers. Customer satisfaction of services delivered by the bank is important since it increases the ability of the organization to deliver quality service. The focus of the study therefore is to assess the effect of customer satisfaction on the financial performance of The Royal Bank. The study collected data from 120 customers of the Bank in Kumasi through the use of questionnaire. The study adopted random sampling method in the selection of respondents. The study explored how customer satisfaction impacts on financial performance and customer retention. Issues discussed include assessing customer service perception of the Royal Bank customers in Kumasi, how customer satisfaction impacts customer loyalty in the Kumasi branches of The Royal bank and examine how customer satisfaction impacts on the financial performance of the Kumasi branches of The Royal bank. Findings from the research indicate that customers are particular about the organizations ability to deliver robust and proper services that meet customer expectations. Based on the findings of the study, the researcher recommends that there must be regular education of the services being offered, proper and regular customer needs survey, internet and online banking services to the customers.

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INTRODUCTION

1.1 BACKGROUND

Among some of the important goals of organizations are to reduce cost, improve sales, and ultimately to maximize shareholders wealth. Customers are very essential partners in business if such goals are to be achieved. In this day of fierce competition in business especially in the Ghanaian banking sector, where similar if not the same product are being sold, customer satisfaction is perhaps the major factor that can help Ghanaian banks to increase their sales.

Quality customer service delivery has several benefits. When customers receive satisfaction from services provided to them, they are likely to repeat purchase, make customer loyalty recommendations which will ultimately increase profitability of the service provider. Customer satisfaction is not only one of the most important determinants of consumer purchase making decisions, it is also at times the point of differentiation. In order to satisfy customers there is the need to improve on service quality, and meet the concerns and expectations of customers. In a competitive market environment where companies strive and compete among themselves for clients, the loyalty of the consumers is of paramount importance to the organization and what differentiate one organization from the other. Organizations that are able to survive and make profit are the ones that have incorporated customer loyalty as one of the major components of their business technique.

Theoretically, customer service delivery could improve firms' performance, and various researchers examine the relationship between customer satisfaction and organizations performance. For example, Aaker and Jacobson (1994) in their research concluded that a good outcome in terms of stock has a corresponding effect on customer perception on the

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quality of product or service. In a similar research conducted by Fornell and Lehmann (1994) saw a close relationship between return on an organizations asset and customer satisfaction. Ittner and Larckner (1996) also see a positive relationship between customer satisfaction and shareholder wealth or return.

This study investigates the effect of customer satisfaction and bank performance based on a case of the Royal Bank in Kumasi. The Royal Bank Ghana Ltd. is a wholly Ghanaian owned commercial bank headquartered in Accra (South Legon). It established its presence in Ghana in 2011 and started operation on 10th December 2012, and within this short period of time, the bank has chalked remarkable successes. For example, the bank now has 25 branches spread across 5 regions of Ghana and as such won the best bank in bank growth in the 14thGhana banking awards. The bank also made profits of (GHS 3m) in its first year (2013) of operation which is rare in the banking sector and (GHS 3) in the third year (2015) of operation. An important feature of The Royal Bank which may perhaps explain part of its success story is its claims to take customer service delivery very seriously. In its mission statement, for example, the bank claims to provide an excellent, innovative and world class banking experience.

 The Royal Bank has defined its customers to include anyone who walks into the banking halls to be a customer of the bank, and thus tries to satisfy these parties. In addition, as part of the bank's strategy to use customer satisfaction to increase its market share, the bank organizes frequent customer service training programs for not only frontline staff but for all staff. This is because research by the banks strategic department has shown that everyone gives customer service in one way or the other. Furthermore, the term "customer satisfaction" in the Royal Bank at the moment is being replaced with "customer delight". This suggests

that management is keen on not only satisfying their customers but exceeding the customer's expectation.

Overall, since The Royal Bank claims to make customer service a key aspect of its competitive strategy, it may be important to explore the relationship between its customer service satisfaction and its financial performance, and this study seeks to do that.

1.2 PROBLEM STATEMENT

As at 31st December 2015, the Bank of Ghana (i.e. regulator of the financial services sector) had licensed a total of twenty-nine banks including The Royal Bank. All these banks together with other non-banking financial institutions such as microfinance and savings and loans institutions are competing for the same customers and offering similar products and services. This has generated fierce competition and raised customer service awareness in the banking industry in recent years. Indeed, the banking public has also become more knowledgeable in the activities of a bank and even more sophisticated that they would want to dictate what their bankers should do, and this is also so because they are aware of the large numbers of financial institutions which gives them options of where to bank.

Notwithstanding the competitive conditions that exist in the Ghanaian banking industry, The Royal Bank in a span of three years has seen considerably consistent growth. The Royal bank which started its operations in 2012 now has twenty-five branches spreading across five regions in Ghana namely Greater Accra, Ashanti, Brong Ahafo, Western and the Central regions. The Royal bank has staff strength of about 400, and a customer base of over 20,000. The bank in its operations declared profits at the end of the first and third year of (GHS3.9m) and (GHS 3m) respectively. As part of its success story, the bank won awards in five categories in the 14th Ghana Banking Awards in 2015. These awards are the

Best Bank in Bank growth, Customer care, Advisory Services, Household Finance, and Long- term Loan Finance.

What remains unclear is the extent to which the customer service-driven strategy of the Royal Bank to ensure customer satisfaction relates to its success story, particularly its financial performance. The most critical issue is the ability of customer satisfaction among customers of the bank to affect the ability of the bank to improve its financial performance.

Thus the study sought to assess the effect of customer satisfaction on performance of The Royal Bank Limited in Kumasi.

1.3 RESEARCH OBJECTIVES

The objectives of this study are as follows:

1. To investigate customer satisfaction perception among the Royal Bank customers in Kumasi.

2. To establish how customer satisfaction impacts customer loyalty in the Kumasi branches of The Royal bank.

3. To examine how customer satisfaction impacts on the financial performance of the Kumasi branches of The Royal bank.

1.4 RESEARCH QUESTION

In order to address to the stated objectives this study is to answer the following questions

1. What is the nature of customer satisfaction of The Royal bank branches in Kumasi?

2. Does Customer satisfaction affect customer loyalty at the Kumasi branches of the Royal Bank?

3. Does customer satisfaction influence the Royal bank's financial performance in Kumasi?

1.5 SIGNIFICANCE OF THE STUDY

The findings of the study are important for policy making at the Royal Bank, in particular, and for future academic research. Given the fact that customers are an essential part for an organization to achieve its goals, understanding the factors that leads to their satisfaction in the banking industry will go a long way to help banks and generally the service industry to develop policies that will lead to effective and efficient management of its customers. The banks will also be able to identify the main internal factors that affect satisfaction delivery and take steps to address those factors. Scholars and students who specialize in customer care and banking studies will find the content of this study relevant for their future research.

1.6 SCOPE OF THE STUDY

The study is primarily focused on The Royal bank Gh. ltd, Kumasi Branches. To this end the study covers only the royal bank branches located inKumasi, Ashanti region.
Furthermore, the study is focused on assessing the effect of customer satisfaction on The Royal banks' performance using mainly financial performance.

1.7 LIMITATION OF THE STUDY

The study will mainly be concentrated on the activities leading to customer satisfaction and its relation to the organizations performance with the focal point being the four branches of The Royal bank located in Kumasi. This presents a limitation in that (due to time constraint and proximity) only customers of four branches out of the twenty five (25) branches will be

used as respondents. This might not reflect the overall outlook of customer satisfaction situation in the entire country which may also be because of the peculiar nature of the population present in the focal area. As a result, any generalization of the findings to other banks or industries must be done with extreme caution.

1.8 ORGANIZATION OF THE STUDY

The study was organized in five chapters. Chapter one provides an introduction to the study, the problem statement, research objectives, significance of the study, a brief on the methodology, and the organization of the study. Chapter two incorporates the review of related and relevant literature. It looks into detailed theories relating to customer care, factors that lead to customer satisfaction, and an overview of the banking sector in Ghana. The review will be done by reviewing relevant articles in journals, working paper series, past thesis and relevant books.

The third chapter examines the research methodology and design. Specifically, the chapter examines the population and study sample, the sampling technique, sources of data and methods of data collections. The issues of reliability and validity in relation to the study will also be examined and addressed. The chapter also details the measures used to address any ethical issue that may arise in this research.

The fourth chapter presents the analysis and discussion of the data obtained from the field. The result is then interpreted using theory and the extant empirical literature. Chapter five presents the summary of the key findings, recommendations and the conclusion of the entire study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction:

Increasing competition in the banking sector for profitability and sustainability coupled with the increasing technological and information has changed the face of consumer care system and service marketing in the banking sector. This has made service marketing an important component of marketing. Customer satisfaction became an important component of service marketing in the 1990's. This moved the attention of marketers of organisations from transactional marketing to customer service. It emphasises the benefits that the consumer stands to gain from a product rather than the features on the product itself.

Due to the increasing competition in the banking industry, the needs of the customer and the desire drives of the customer are well managed in order to achieve high customer satisfaction level. Khirallah(2005) in a research defined customer satisfaction as the ability of a product or service to fulfil the needs and expectations of a product or service. The purpose of customer satisfaction is to create a sense of intimacy between consumers of products and services of an organisation. This ensures a continuing commitment from the customer (Lee and Carter, 2005).

This chapter takes a look at the various variables that may influence customer satisfaction and organizational performance amid fierce competition from the point of view of some writers and researchers. It starts with giving an insight into customer satisfaction, determinant of customer satisfaction, measurement of customer satisfaction, barriers to

customer satisfaction, customer loyalty, customer satisfaction and related literature on customer satisfaction and organizational performance.

2.2 CUSTOMER SERVICE AND SATISFACTION

A customer as defined by (Dei-Tumi 2005) is the user of products and services of an organisation. The customer may be within the organisation or outside. Those customers within the organisation; employees who use the service or products of the organisation. External customers include the general public, government and other businesses. According to Harris (2007), customer service largely includes the various things that are done by an organisation in order to enhance customer experience. As the needs of customers vary, providers of services must also vary their needs assessment in order to provide customers and consumers with quality service for an enhancement in the customer satisfaction. Harris (2007) concluded that a good customer service is the least expensive in the process of service delivery. However, it provides the best opportunity for marketing not only the product but the business as a whole. According to Jamier (2002), "Customer service is a sequence of activities that has been designed to increase the satisfaction among customers- it predicts the level of happiness when the expectation and the demands of the customer are met. Customer satisfaction was also defined as a function of a customer's expectations and perceptions of performance according to the expectancy - disconfirmation paradigm (Tse & Wilton, 1988).It also has a strong relationship with perceived service quality (Magi &Julander, 1996).

Kotler (2006) added in a research conducted that, it is five times more expensive to keep a new customer than an old customer. Kotler (2006), as a person's overall feelings of pleasure or disappointment that come about as a result of comparing a particular product's perceived

performance. According to Berry et al (1985), customer satisfaction has been categorised into ten distinctive dimensions and are explained below:

Access- defines the easiness with which a customer can obtain a product or service. That is the service provider having flexible working hours, how they are contacted and the amount of time it takes to obtain a service.

Communication- this defines how information is conducted between the organisation and the customer. This includes prompt attention, the use of language understood by all parties and the advantages that come with it.

Competence – explains the extent to which the service provider exhibit skills of providing the service efficiently.

Courtesy- defines the extent to which the service providers respect the customers of the bank.

Credibility- this shows the level of trust that is exhibited by the service providers.

Reliability- this explains the level of consistency that is showed by the service provider in the continual provision of service to the consumer.

Responsiveness- it defines the extent to which an organisation is ready to respond to the needs of the customers.

Security- this explain the freedom enjoyed by both the service provider and the consumer.

Tangibles- these levels of credibility exhibited the organisation.

Understanding- indicates the extent to which the organisation understands the needs and expectations of its numerous customers.

Harris (2007) also outlined needs of every customer that have to be met in order to satisfy the customer. These include;

- ➢ **Service:** consumers expect that the service they are purchasing must meet the financial commitment being made.

- ➢ **Price:** this when the financial commitment by the consumer is of great importance.

- ➢ **Quality:** this explains the level of durability that comes with service and products by an organisation. Customers expect products they purchase to be durable and also last till they decide to have them replaced.

- ➢ **Appreciation:** Customers need to know that their businesses are appreciated. Therefore saying thank you to a customer is a good opening formost business opportunities.

Accordingly, the Women's World Banking network, a Microfinance Institutions (MFI) conducted a research in 2003 over a period of four years in their quest to find out what both men and women actually looked out for as customers of an MFI and the type of services they preferred. By using focus group discussions, customers were asked to grade the importance of three characteristics of customer service. From the point of view of these clients, the level of knowledge of loan analyst; advice from the loan officer on their businesses; and service rendered by an officer throughout the course of the customers" relationship with the MFI were ranked as the three most important characteristics to them. However a study by Urquizo (2012) rather attributed less client retention to less customer satisfaction through client service. This was explained by the fact that studies conducted in both Central and Southern America showed that just about 3% and 10% respectively of an MFI"s customers would leave an MFI on the basis of poor quality of service rendered. According to the study, majority of the customers of MFIs were not affected due to their emotional attachments to these MFIs. This implied that although customers preferred client services to be improved

upon, they were not so keen to leave the MFI for another MFI. Moreover, the study suggested that if any significant improvement was to be made with regards to client services, then it should be focussed on areas including speedy IT systems and bigger branches.

2.3 DETERMINANTS OF CUSTOMER SATISFACTION.

Satisfaction could simply be defined the level of pleasure or displeasure that a consumer feels about a product or service with a particular expectation in mind (Kotler& Keller 2009).Satisfaction is also defined as the feeling derived from the consumption of a product or service by an individual or the extent of being content with the services offered by an organisation. Satisfaction varies from one customer to the other because of the level of value attached to it (Agbor2011). In order to determine customer satisfaction at the Royal Bank, the following variables were reviewed:

1. Service Quality

2. Complaint Handling

3. Service Features

2.3.1 Customer Satisfaction and Service Quality

Service quality is an important determinant of customer satisfaction. Oliver et al (1997) gave a close relationship between service quality and customer satisfaction in the service provision industry. Service quality is defined as expectations on the part of the customer which shows a relationship between customer expectation and product performance (Cronin and Taylor, 1992). Gronroos (2001) stated that in evaluating the service offered, customers generally compare their expectations of a product and their actual experience with the product. In order to determine the level of customer satisfaction, researchers have over the

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years laid emphasis on significance and measurement of customer satisfaction and service quality offered. Customer satisfaction and quality of service are closely linked. On the one hand, satisfaction has a broader concept while service quality specifically focuses on the various dimensions of service delivered (Wilson et al., 2008, p. 79). In a research conducted by Bitran and Lojo (1993), they concluded that service quality is not a one dimensional thing. It is made up of many different dimensions which together increase service delivery. They described five dimensions of service quality.

This is made up of responsiveness, tangibles, reliability, assurance and empathy. Customer satisfaction should not only be based on the service experienced by the customer. It must also incorporate customer experience with the service delivery process of the organisation that offers the product for sale.

In a research by McDougall and Levesque (1994) they came up with two dimensions with which explain service quality. These are outcome of the service delivered called contractual and the process aspect of service quality also referred to as customer- employee relationship.

Moreover, the literature addressing service outlines a number of major characteristics of services that make them distinctive from physical products (Bitran and Lojo, 1993). Services are often characterized by their intangibility, heterogeneity, non-separable and are non-perishable. Inferences are however made by customers about the service quality on the basis of tangibles that is in the physical environment of the organisation. There is therefore a good justification to conclude that there is a close link between the satisfaction of customer and the evaluation of the environment within which the service is being provided. In the banking sector, there are two important factors that influence the overall satisfaction

level of the customer. These are competitiveness of the bank and convenience, Levesque and McDougall (1996). There is enough evidence which states that the convenience location of a bank has a significant impact on the satisfaction of the customer. This goes a long way to influence the choice of bank by many customers. A convenience place of locating a banking hall means that customers of the bank can easily access the bank and transact business (Levesque and McDougall, 1996). The level of accessibility is also an important factor in determining the customer satisfaction of customers.

2.3.2 Customer Satisfaction and Complaint Handling

In view of the fact that the services provided by an organisation exist in real time, the services offered are consumed at the very moment they are offered. Their quality can only be determined by the consumer of the service or product. It is the customer therefore who determine the level of satisfaction after experiencing the product. The level of dissatisfaction that is experienced by the customer is expressed after service experience (East et al 2008). Customers in the banking sector do not immediately switch banks when they are experiencing dissatisfaction since there is a significant switching cost most especially in the area of retail banking. Customers may complain about the service delivered. The satisfaction level of the customer is mostly dependent on the ability of the organisation to promptly react to complain by customers (Levesque and McDougall, 1996).

2.3.3 Customer Satisfaction and Service features

According to Parasuraman et al (1985) the main features of a service are inseparability, heterogeneity and intangibility which also separate a product from a service. Customers

who are not satisfied will not come back for more business therefore staff must be trained to know that zero defection is a primary performance measurement tool (Gupta 2012).

2.3.4 Measurement of Customer Satisfaction

The continual increase in the expectations of the customer has created a corresponding increase in the level of competition among the banks for customers. The banks have resorted to concentrating on other things rather than the products of the bank itself (Smith, 2003). Niche marketing of services of the organisation and building of strong corporate image has an impact on the satisfaction level of customers of the organisation.

(Ennew et al, 1996).

The subject matter of customer satisfaction is of great importance to modern marketing and practice. Fornell (1992) argues that satisfaction to a greater extent is important to customers of organisations. This is because it gives a positive response to the extent of investment made in terms of resources offered. The concept of customer expectations suggests that when a customer's expectations of a product are met, satisfaction would be the resultant effect. In order to survive the level of competition in the business environment, organisations continue to incorporate the concept of customer behaviour in needs assessment of customers. This concept is an important tool for survival most especially in intense competition and mature market Smith (2012). A reduced level of customer complaints in the banking sector is an indication that satisfaction has increased or customer dissatisfaction is at a minimal level (Oliver et al, 1997).

Other researchers such as Dabholkar et al (1996) indicated that a reduction in the dissatisfaction level of the customer does not automatically mean an increase in the

satisfaction of the customer. Continual transaction between the customer and the bank is a factor in the creating a relationship with the bank, Giese and Cote (2002).

2.4. THE CUSTOMER PERCEIVED SERVICE QUALITY

Customer satisfaction is basically based on the perception of the customer concerning service delivered. The determinants of customer satisfaction rely on many variables. This encompasses how the product is produced to the point where the product is consumed by the customer. Sureshchander et al (2002), due to the complex nature of customer satisfaction indicators, banks find it difficult to forecast and understand the actual indictors or variables that give higher contribution to service quality.

According to Zeithaml et al (2006), giving quality of service is about delivering the promised service to the customer in a dependable and accurate manner. This depends on: the level of responsiveness, assurance, empathy, among others.

A series of research in the area of service management indicates that judging the quality of service is mostly dependent on the pre service encounter a customer had and the service encounter itself. Service encounters are mostly a combination of activities between the organisation and the customer.

Parasuraman, Berry, and Zeithaml (1988), stated that the service that is expected by a customer may not be accurately delivered due to certain constraints that service provider may encounter. This therefore indicates that there is a disparity in the expectations of a service and the actual service delivered by the organisation. Various forms of problems may be responsible for the inability of the organisation to deliver quality service to the consumer.

These include: conditions at the market place, lack of concern or insight on the part of management. This suggest mismatch between management understanding of what constitutes customer expectation and the actual satisfaction derived by the customer.

2.4.1. Good Customer Service

It is expected that all users of service and products of an organisation would be treated in a friendly and respectful manner. Being able to answer the concerns raised by the customer and giving prompt solutions forms major characteristic of quality service delivered. In a research by Ako-Nai (2011), stated that a service delivered according to the promises given by the service provider effectively increases customer satisfaction and experience. A good customer service is also an organisation delivering a service suitable to the expectations of the customer

2.4.2 Exceeding customer expectation

According to Ako-Nai (2011) often firms claim during advertisement that their service delivery have always exceeded the expectations of the customer. These phrases normally find their ways into the mission and core values of organisations. Consumers of service normally have higher expectations of the service they intended to pay for. Expectation of services are achieved when the customer is given the expected service they so desired for.

2. 5 BARRIERS TO CUSTOMER SATISFACTION

In addressing the effect of customer service on customer satisfaction Ako-Nai (2011) mentions that most banks for that have realised the need to satisfy their customers.

Unfortunately this is just on paper most of the time. The actual service or the quality of the service is most at times not delivered as promised. This often leads to customer dissatisfaction.

Service interaction between service providers and customers can be frustrating when customer expectations of service are in sharp contrast with value and quality of service actually delivered. Organisations to a larger extent are expected to accurately analyse barriers of customer satisfaction. The barriers, according to Ako-Nai (2011) ranges from management, environment, employees, processes or communication and systems. Some specific barriers to customer satisfaction include

2.5.1 Insufficient Systems

The customers expect quick delivery of products and services when they make their demands and place their orders. In organizations where systems are of low quality, contain insufficient data or fail to improve the turnaround time and queues, customer satisfaction is bound to drop. A drop in customer satisfaction would lead to a reduction in customer loyalty and organizational performance.

2.5.2 Lack of Understanding about Customer Needs

The needs and expectations of consumers are complex. Businesses that want to grow must understand the needs of their consumers in order to meet them. Organizations that do not have proper databases to capture all the important consumer behaviours and patterns are left to the fate of changes in economic environment. By improving the customer database, firms can reliably make forecasts about future demands and features of products and service which will help improve the bottom line.

2.5.3 Failure to Deliver on Brand Promise

A firms ability to deliver its promises to its customers is proof of it concern for them. The use of unwarranted adjectives and an exaggeration of the performance and quality of a product or service would lead to a decrease in the patronage of the products of the organization if it leads to customer dissatisfaction. It is imperative that organizations avoid the use of such marketing techniques and focus their energies on research and development to improve the quality of products and services.

2.6 Organisational Performance in banking.

The ability of an organisation to perform and remain competitive in the banking sector is a prerequisite for the organisation to thrive and remain successful.

2.6.1 The perception of customer loyalty

Customer loyalty addresses and understanding needs of customers and giving them motivation to continue accessing the services or product of the organization according to Fifield (2008).

Similarly, Neal (1999) defines loyalty as "the rate at which a customer purchases similar product or service without switching his or her preference over time out of the total number of purchases he or she makes over a particular time period". In other words customer loyalty is defined as an increase and maintenance of the preference of customers to the products of an organization.(Köse, 2007).The notable elements in the definitions given above include a repetition of purchases, long-term commitment and relationship and the presence of alternatives. According to Durukan and Bozaci (2011) customer loyalty is best described as

the sincere devotion, fidelity and friendship customers develop towards an organization of product.

Theoretically, researchers have classified customer loyalty into psychological variables: behavioral loyalty and attitudinal loyalty (Day, 1969; Dick and Basu, 1994). In common terms, behavioral loyalty is used to describe customer loyalty but this prevents people from realizing the difference between long-term loyalty and temporary loyalty (Day 1969). The introduction of attitudinal loyalty into the equation brings on board an insight into consumers desires to continue their relationship with the service provider regardless of other variables such as price and improved quality from alternative sources (Dick and

Basu, 1994).Attitudinal loyalty may be caused by constraint-based loyalty which occurs when customers cannot switch to other alternatives dues to social, psychological and economic cost Johnson et al (2008).

In the field of banking, the observed trend when it comes to loyalty is best explained by the work of Szuts and Tóth (2008). In their research, they revealed that banks are more interested in promoting customer loyalty through the creation and implementation of strategies that improve the customer experience in terms of turnaround time, speed of delivery in internet and SMS banking and other product oriented improvement strategies. However these strategies do not yield the necessary result because they can easily be mimicked by competitors. Therefore they proposed a move away from product-oriented improvement strategies to a more customer relationship improvement strategy.

Usually, management of institutions focus and allocate much resource in the areas of customer relationship management, customer satisfaction and marketing activities like event marketing, direct marketing or advertising. These are necessary but in this day of fierce competition they are not enough as they tend to narrow the relationship between company and customer.

Customer satisfaction is doubtlessly very important and is more likely to lead to repurchase. Loyal customers are also more prone to recommend an online service provider to other customers (Heskett et al. 1994). Referrals increase the customer base by reducing the costs incurred in attracting new customers Reichheld and Teal (1996). The dissimilarity is the emotional bond that links the customer closely to the company that he cultivates a clear fondness for these products or brands and is even willing to recommend them to others. Khirallah (2005) writes that a customer's demonstration of faithful adherence to an institution despite the occasional mistakes or apathetic service is Loyalty. Loyal customers actually prefer a product, brand or company over competitive offerings. Thus loyalty goes beyond a rational judgment for identified quality or superior price-performance-ratio. It is about the customers' feelings and the customer perception about the brand or product.

In making a buying decision, the customer evaluates the benefits he perceives from a particular product and compares them with the costs. It involves a set of emotional values as well, such as social status, exclusiveness, friendliness and responsiveness or the degree to which personal expectations and preferences are met. Similarly, the costs perceived by the customer, normally comprise more than the actual price. This includes costs of usage; the opportunity cost of using another product or service and the possible switching costs etc.

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Therefore, the customer establishes a comparison between perceived benefits and perceived costs of one product and that of another.

The significant point here is the connection of feelings, emotions and perceptions. In today's competitive market, these perceptions are becoming much more important for gaining sustainable competitive advantage and must not be ignored if success is to be achieved.

2.7 The impact of customer satisfaction on customer loyalty

Attaining customer satisfaction is not an easy or straightforward task for managers who aim to achieve such feat. Researchers have documented evidence of the how customer satisfaction can lead to customer loyalty. However there is no clear path to achieving this. In terms of the relationship between customer satisfaction and customer loyalty, Kotler and Armstrong (2012), two renowned marketing authorities, in multiple studies have shown that customer satisfaction leads to customer loyalty and improved organizational performance.

In addition to this, there have been several findings in the field of marketing that suggest that the firms that continuously improve their service delivery through the use best business practices are most likely to achieve customer loyalty. In the work of Arokiasamy (2010) which produced findings to support the positive relationship between customer satisfaction and customer loyalty also provide empirical evidence to support the performance improvement link.

In the banking industry one study that documents the relationship between customer satisfaction and customer retention is that of Afzal and Pakistan (2013), who found that the

probability of a bank to retain customers and get recommendations from customers is highly dependent on customer satisfaction. In their study, they established that product and service quality leads to the customers placing the bank on top of it priority list whenit comes to banking transactions.

In the same vein customers are less likely to switch to competitors when they receive improved services form organizations (Fifield 2008). However it is not always the case that low customer satisfaction would lead to lower performance. In some cases the switching cost, lower differentiation in services, geographical immobility and scarcity of resources may lead to customers patronizing a service even though they are dissatisfied (Ennew & Binks, 1996).

In Ghana, a study by Addai-Minkah (2011) revealed that customer satisfaction influences customer loyalty when customers are given a reason to develop repurchase intentions. The growth in customer loyalty is a function of provision of a wide range of services to customers which makes it easy to switch from one product to the other within the same organization. Doyle (2002) reported that customer loyalty and the firm's ability to retain customers is dependent and driven by actual satisfaction levels of customers. He noted that satisfied customers remain loyal for long; buy more products and or services; talks favorably about the company; pays less attention to competing brands and advertising; and it will cost less to serve than new customers (Doyle, 2002).

2.7.1 Customer perception indicators of satisfaction

According to Recklies (2015) Customers play a very significant role in the growth of companies by providing income and financial resources through their use of the company's services or products, their perception must be seen as important. The perception that customers have dwelt on the ability of an organization to meet the expectations of the customer at an affordable price. Also the needs of the customer must be met irrespective of the differences inherent in consumer behaviour. The perception of customers is most likely to shift if there is a drop in the service provider's mechanism to maintain or improve customer satisfaction.

In an industry where competition is very keen, organizations must perfect their product and service delivery in order to score high points from customers. In such an industry such as the banking industry, consumers are aware of the offers from other banking and nonbanking financial institutions. Customers would like to maximize their investment therefore their perceptions can easily be altered by a change in the offers they receive from competitors. Besides offers from competitors, a mistake or error on the part of the firm may hand it an unfavourable perception from consumers as it was in the case of Shells intention to dump its Brent Spar platform into the ocean (Recklies, 2015).

2.7.2 Customer Satisfaction and organization's Performance

In recent years, organizations and researchers have emphasized the need and the impact that customer satisfaction has on financial performance. The true measure of financial performance by several organizations have been limited to a continuous improvement in profitability, which encompasses areas such as financial, capital and economic or accounting

measures (Neely 2000). According to Zeithamel (2000), there is no clear cut or simple relationship between customer satisfaction and profitability due to the three reasons. First he stressed on the measurement issues that researchers face when it comes to operationalizing profits. Profits are the product of accounting techniques and standards as such is some element of subjectivity. Secondly, the existences of a time lag between when both customer satisfaction and performance is measured. Lastly, there are other key behavioural variables that must be taken into consideration before any meaningful relationship between the degree of satisfaction and the results expected by the firm.

Furthermore the benefits of achieving a high level of customer satisfaction are evident in the variations in consumer behaviour. However what constitute customer satisfaction has expended beyond the usual over-the top service to a more solid and continuous improvement in service by way of being friendly, surpassing customer expectations and minimizing customer compliant (Fornell et al 1994).

According to Richard et al. (2009) a breakdown of organizational performance brings out three distinct indicators every organization should concern itself with. They include an improvement in sales and market share (product market performance), profitability (financial performance) and maximization of return on assets and equity.

2.7.3 Revenue as a measure of organisational performance.

Once all the various dimensions of customer satisfaction are met, the possibility of an organization realizing an improvement in organizational performance is expected. Others like Stivastava et al. (1998) have documented empirical evidence which shows that a rise in the volumes in cash flows and a reduction in the risk attached to the cash flow are signs on an improvement in organizational performance. Gruca and Rego (2005) assert that by

maximizing the factors that control to customer satisfaction, an equal or greater improvement in cash flows and the risk associated with achieving high cash flows. This shows that an improvement in the cash flows of an organization can be used as a yardstick for measuring financial performance.

2.8 Conceptual Framework

In order to achieve the themes set for the purposes of the research, the researcher adopted the satisfaction- profit chain model since it explains the relationship between customer satisfaction, retention and organisational performance in terms of profitability. Organisational performance is a by-product of customer satisfaction (Reichheld and Sasser, 1990). Further evidence is provided by Homburg et al. (2005) who found that firms that do not exploit the consumer surplus of their consumers achieve high customer satisfaction. This entices customers to be more loyal to the product and services of an organization. This is in line with the findings of Reichheld and Teal (1996) whose study revealed customer satisfaction leads to customer loyalty (retention) which in turn translates into an increase in profitability. The model explain the relationship between customer satisfaction, customer loyalty and profitability is the satisfaction-profit chain. The philosophy behind the satisfaction-profit chain theory is managers of organizations should focus on improving the quality of their goods and services which will influence the satisfaction that customers derive from consuming their products. It is assumed that an increase in customer satisfaction will lead to a high level of customer retention and recommendations, which lead to an increase in revenue. In short customer satisfaction is positively correlated to customer loyalty and profitability (Mittal et al 1998). However Bolton et al., (2000), who found that a general

improvement in returns is may not necessarily follow the satisfaction-profit chain theory

since consumer behaviour is not influenced by ability to meet customer satisfaction.

The diagram below represent a conceptual framework for the study.

```
┌─────────────────┐          ┌─────────────────┐
│    Customer     │ ───────► │  Organizational │
│  Satisfaction   │          │   Performance   │
└─────────────────┘          └─────────────────┘
```
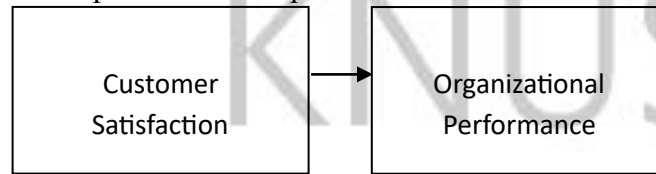
Figure 2.1 A Conceptual Framework of Customer Satisfaction-Profit Chain. Source: Mittal et al (1998).

CHAPTER THREE

METHODOLOGY

3.1 Introduction

According to Saunders et al., (2007) a methodology in research was defined as the techniques and processes employed by a researcher in order to analyse and give meaning to data obtained. It is made up of research design, data collection and analysis methods.

3.2 Research design

Adams et al (2007) defined research design as a master plan specifying the methods and procedures for collecting and analyzing the needed information. The study has adopted the descriptive method. Roberts and Burke (1989) define descriptive research as a non-experimental research design used to observe (and measure) a variable when little conceptual background has been developed on specific aspects of the variables under study. This study is deemed to be quantitative since it seeks to establish and explain the effects of customer satisfaction and performance. Also, it goes a step futher to ascertain whether there is a causal relationship between customer satisfaction and financial performance.

3.3 Population

The population of a research is a collection of the total objects or individuals which are the main focus of a research. The total population of the study are the three thousand six hundred (3600) customers of The Royal Bank in Kumasi. The researcher used all the four branches in the Kumasi Metropolis since they fall within the scope of work of the study.

The number of customers in each branch and the sample selected are represented in the table below.

Name of Branch	Number of Customers	Sample chosen
Ashtown	1238	50
Adum	1136	50
KNUST	1025	50
Nhyiaeso	201	50

3.4 Sample and Sampling technique

The sample of a study is that part of the population that becomes a representative of the whole population (Bryman and Bell, 2003). Due to limitations of time and funds, the sample was taken from among customers of the four branches of the bank in Kumasi. The sample size is the number of the respondents chosen to represent the total population. This is the number of people chosen from the total population to serve as a representative of the total population under study (Saunders et al, 2007).

The researcher used the probability sampling in the research work. The sample was chosen from the four branches (Adum, Ashtown, KNUST and Nhyiaeso). A total of two hundred (200) customer respondents were sampled for the study; meaning fifty (50) customers from each branch. Therefore fifty (50) questionnaires were distributed to customers in each branch. The researcher used this technique because every member of the population has equal chances of being selected for the purposes of the research. The Kumasi Metropolis has four branches and the study covered all the branches.

A representative part of a population is normally used for the purposes of research due to a number of reasons. It is obviously cheaper or less expensive to consider part of the population rather than taking the whole population into consideration. In this research, an

investigation into various kinds of sampling procedures was made before random sampling was eventually settled on. The sampling frame therefore is a list of all the various cases in the population within which the sample will be derived (Saunders et al. 2009).

3.4.1 Sources of data

The researcher used two major sources of data for the research. These include primary and secondary sources. The researcher obtained the primary sources from the use administration of questionnaire. The secondary data was obtained from the bank's annual, monthly and quarterly branch performance reports, journal and articles for publication. The questionnaires were used to measure customer satisfaction, customer loyalty and customer service perception. These variables can only be measured through a primary source.

3.4.2 Data collection

This research used both primary and secondary data. The primary data was gathered from customers from the four branches of Royal Bank in Kumasi. Customers were presented with a self-administered question which required them to rate the various statements on the questionnaire which centred on customer loyalty, customer satisfaction and customer service perception. Questionnaires were used because of the convenience that come with them (Mittal and Mehra, 2008).Mean while interviews was conducted for the staff (frontline) of the Kumasi branches to ascertain their perception on the satisfaction of customers and the bank's performance

3.4.3 Questionnaire design

The self-administered questionnaire used for the study was distributed at all the study areas specified in this study. The use of questionnaires gives the researcher the opportunity to observe and clear all confusions related to the questionnaire (Matzler et al., 1996). The survey was conducted during working hours (Between 8:30AM and 5:00 PM) continuously for a week. To prevent misunderstandings the respondents who are no literate were guided in answering the survey questions.

The first section of the questionnaire covered respondent's profile. Questions in this section covered the gender, age, educational level and length of membership with the bank. The second section of the questionnaire had eleven questions which sort the perception of customers about the quality of service they receive from Royal Bank. Respondents were required to indicate their level of agreement through a Likert scale rating from very poor to excellent. This was followed by the third section which covered the customer loyalty. Customers were asked to indicate the level of agreement to eight statements which centred on their loyalty to Royal Bank. The last section covered the main variable of interest, customer satisfaction. Through literature review questions were drawn to measure customer satisfaction with the services Royal Bank provides them. Again respondents were asked to use a likert scale ranging from strongly disagree to strongly agree. Respondents were then asked about ways of improving the banking services provided by Royal Bank.

3.5 ETHICAL CONSIDERATIONS

Due to the irrationality of human behaviour, it is important for researchers to observe all ethic principles to avoid making any bias findings. Through the years, researchers have

developed ethical standards which must be followed to minimize any form of subjectivity. Among these standards is the voluntary participation of respondents and test subjects. In this vein the prevention of any bodily or psychological harm to test subjects or respondents must also be ensured at all time. Lastly, the identity and opinions of respondents must remain confidential and anonymous. This research at all point in time ensured that all these important ethical principles were maintained.

During this research no respondent (customer) was forced to answer the questionnaires that were administered. In addition to this no harm was brought to participants in of this research. The identity of respondents was limited only to the Branches where they bank and their opinions sheltered from banking officials of the various Branches. Lastly the respondents were made fully aware of the purpose of the study and the ethical principles before they participated in the research.

Also due to the sensitivity of the secondary data which is an internal data of the Royal Bank ltd, only approximated figures were used in order not to breach the issue of confidentiality. By the above methods the researcher will ensure neutrality and objectivity which helped the findings to be representative views of the respondents.

3.6 Method of data analysis

This study utilized a quantitative approach to in analyzing the primary and secondary data collected for the study. All data processing protocols needed to ensure that validity and reliability of the data is not compromised was employed. The questionnaires were collected and grouped according to the various branches before coded into the SPSS (version 19) and Microsoft Excel software (version 2013). Reliability analysis and all other results that were

obtained from the statistical software were presented in table. A breakdown of the various analyses is as follows.

The first step of the analysis was analysis of the customer perception about customer service provided by Royal Bank. An analysis of the means and standard deviations of the various item used to measure the customers perception were presented alongside a

Cronbach's Alpha reliability test of all the items in the set. The same technique was used for both customer loyalty and customer satisfaction.

The second and third aspects involved a regression analysis of the effect of customer satisfaction on customer loyalty. The mean responses of all the items (statements) used to measure customer satisfaction were computed. The same thing was done for statements used to measure customer loyalty. An OLS regression was ran with customer satisfaction as the independent variable and customer loyalty as the dependent variable. The result of the OLS regression was displayed in a table alongside a summary of the model statistics. The final analysis involved a regression analysis of the effect of customer satisfaction on performance. As discussed earlier on, customer satisfaction was measured through Likert scale rating of statements in the questionnaire which was administered to customers. Performance was operationalized as profit for the year. The mean profit for the branches involved in this study was computed. Based on the average, the performances of the branches were grouped into high and low performance. Dummy variable of two was assigned to high performing branches and one to low performing branches. A logistic regression was the conducted with the profit as the dependent variable and the customer satisfaction as the independent variable. The results of the regression alongside the summary of the model statistics was then displayed in tables.

Interview conducted for the staff of the bank was to enable the researcher assess their perception on customer satisfaction and the performance of the company in Kumasi Metropolis using content analysis.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

Chapter four of this study illustrates the various information collected from the respondents on assessing the effect of customer satisfaction on organizational performance. The case of Royal Bank in the Kumasi. The findings achieved from analyzing the data was based on the various objectives set for the study. The first aspect of the study dealt with assessing customer service perception of the Royal Bank customers in Kumasi. The second aspect of the study dealt with how customer satisfaction impacts customer loyalty in the Kumasi Branches. The third aspect of the work examined how customer satisfaction impacts on the financial performance of Kumasi Branches of The Royal Bank. Recommendations were also given based on the outcomes of the findings. The data achieved from the study were presented in the study in by the use of tables and other statistical tools. The study was conducted using a total of 200 questionnaire out of which 120 responses were achieved which represents 80% of the responds rate.

4.1 Demographic Profile of Respondents

In terms of the demography of the respondents, it was made up of the gender of the respondents, age distribution, level of education, and how long one has been doing business with the bank. This first aspect of the research looks at the demographic details of the respondents.

In terms of gender of the respondents 72 of the respondents were male and 48 of the respondents were female. In spite of the fact male respondents form a vast majority of the

respondents, both views have been incorporated into the discussions. The researcher also asked the respondents about their age distribution

Table 4.1 Demography of Respondents

Variable	Frequency	Percentage
Gender		
Male	72	60.%
Female	48	40.%
Age of respondents		
18 to 24	20	16.6%
25 to 34	42	35%
35 to 44	26	21.7%
45 to 54	23	19.2%
55 and above	9	7.5%
Level of education		
Postgraduate (Master)	4	3.3%
Bachelor's degree	36	30%
Secondary and diploma	50	41.7%
Junior High School	25	20.8%
No formal education	5	4.2%
How long you have been doing business with the bank		
Less than 3 months	21	17.5%
3 to 12 months	45	37.5%
13 to 24 months	32	26.7%
Above 24 months	22	18.3%

Source: Field Survey 2016.

On their age, the following findings were achieved; 20 of the respondents of the banks representing 16.6% are in the age brackets of 18 and 24 years. 42 of the respondents which

represent 35% of the respondents are in the age brackets between 25 to 34 years. 21.7% of the respondents which represents 26 respondents are between the ages of 35 to 44. The age between 45 to 54 had a total of 23 respondents representing 19.2% of the responds rate. 9 of the respondents who represent 7.5% of the respondents are in the age brackets of 55 years and above.

In terms of the education background of the respondents, 4 of the respondents which represent 3.3% post graduate qualification. A total of 36 of the respondents representing 30% are holder of Bachelor Degree. 50 of the respondents are made up of senior high school and diploma certificates. These groups of respondents form 41.7% of the respondents. 25 of the respondents representing 20.8% have junior high school education.
5 of the respondents have no formal education at all.

Respondents were also asked how long they have been doing business with the Royal Bank. The responds reported that 21 of the respondents have been doing business with the bank in less than 3 months. 45 of the respondents representing 37.5% of the respondents have been doing business with the bank between 3 to 12 months. 32 of the respondents representing 26.7% have been doing business with the bank between 1 to 2 years. 22 respondents representing 18.3% have been doing business with the bank for more than 2 years.

4.2 Reliability of Variable using cronbach alpha
 The kind of reliability that has been achieved from analysing the data was purely based on the manner in which the questionnaire for the study was designed. This is because a valid question set by a researcher achieves a good data collected from the respondents. As a result

of this a question that is reliable will mean that data was consistently collected from the respondents (Saunders et al 2009). In order to be able to determine how reliable the various scales used, a Cronbach alpha value was computed on the data collected. This helped in determining the extent to which the various data collected are reliable and consistent in terms of the questionnaire used for the study. This determined the extent to which the researcher resorted to the use of questionnaire and it refers to the degree to which the items that make up the scale 'hang together. That is to detect if they are measuring the same underlying construct. Ideally, the Cronbach alpha value or coefficient value must be above the value of 0.7 (DeVellis 2003). A Cronbach alpha value of 0.7 is considered acceptable while a value of 0.8 is considered to be preferable. For the purposes of this research, the Cronbach alpha value achieved is 0.70

4.3 Assessing Customer Service Perception of the Royal Bank Customers in Kumasi Branches.

Customer service perception at the Royal Bank is important and an important determinant as to if or not the organization is meeting the expectation of its numerous customers. Customer perception of services is an important impact on the performance of the organization. In order to illustrate the customer perception of services at The Royal Bank, the following variables were used;

Table 4.2 Item Statistics for Customer Perception and Service

Customer perception of service	Mean	Std. Deviation	N
How would you rate the accessibility of this branch	4.18	1.004	120
How would you rate the neatness of our banking halls and offices	4.33	.792	120

How would you rate the Bank officials'(in this branch) understanding of your needs	4.07	.914	120
How would you rate the delivery of the Bank's promise to you	3.72	.900	120
How do you rate the timely response to your request, inquiries and queries	3.86	.873	120
How would you rate your waiting time at the banking halls for services	3.58	.967	120
How would you rate your security in transacting business with the Bank's officials?	4.18	.729	120
How would you rate the courteousness of the Bank's officials?	4.30	.774	120
How would you rate the knowledge of the Bank's officials in answering your questions	4.12	.812	120
How would you rate the attention you received from the Bank's officials?	4.15	.847	120
How do you rate the charges on the services/products you received from the Bank?	3.59	1.017	120

Source: Field Survey, 2016.

In all, a total of 11 variables were used to assess customer perception of services at The Royal Bank. They recorded a Cronbach alpha of 0.841. Cronbach alpha is used to determine the level of reliability of the data obtained. A Cronbach alpha value of 0.7 is acceptable although a value of 0.8 and above is most preferred.

Table 4.3 Customer perception of service

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.841	.842	11

Source: Field Survey, 2016.

For the researcher to be able to ascertain customer perception of the service at The Royal Bank, customers of the bank were asked to rate the accessibility of the branches. The response achieved a mean value of 4.18 representing 83.6% of the response given believe that accessibility of banking services is excellent. The bank can be said to be doing well in this regard. Customer accessibility of banking service is important in determining customer satisfaction and retention.

Customers of the bank were asked how they would rate the neatness of our banking halls and offices. This recorded a mean value of 4.33 representing 86.6% of the response. This means that an overwhelming majority of the respondents believe that their banks have high level of neatness of the banking hall and offices. The bank can generally be said to be doing well in this regard. This is in conformity with Fornell (1992). He stated in his research that the satisfaction of every customer is very important. This is because it reflects a positive outcome from the outlay of scarce resources and or the fulfillment of unmet needs. A neat banking hall makes customers feel comfortable and relaxed at the bank. Customers of the bank were also asked to rate the Bank officials'(in this branch) understanding of customer needs. The responds from the respondents recorded a mean of 4.07 representing 81.4%. The affirmation indicates that officials at the bank understand the customer needs and are able to attend to them accordingly. The banks are said to generally be performing well. . Understanding the expectation and needs of the customer is a major determinant of satisfying the needs of the customer. Harris (2007) therefore outlined needs of every customer that have to be met in order to ensure satisfaction. This borders on service, price, quality and appreciation.

When asked to rate the delivery of the Bank's promise to customers, the response offered gave a mean value of 3.72 representing 74.4% of the total respondents. This means that an

overwhelming majority of the respondents believe that the bank is able to deliver on its promise to the customers. The bank can generally be said to be performing well in this regard. It is important for the bank to deliver on its promise to its customers since most of the customers' expectations are tied to how ready an organization is in delivering on the service and promises it offered.

Customers of the bank also gave a high responds rate to timely response to their request, inquiries and queries from the bank. This recorded a mean value of 3.86 which represent 77.2% of the responds. This suggests that customers of the bank believe that their requests and inquiries are promptly and efficiently attended to and dealt with. The implication of this finding is that, customers would be satisfied and better retained since their needs are taken care of at the bank. This is in conformity with Urquizo (2006) rather attributed less client retention to less customer satisfaction through client service.

When customers were asked how they would rate their security in transacting business with the Bank's officials, the responds recorded a mean value of 4.18 was achieved representing 83.6% of the respondents. This means that customers of the bank believe that they are secured in terms of security when dealing with the bank. This has the capacity to increase the customer satisfaction level of the customers. De Moubray (2001). In a research came to the conclusion that customers tend to do return buying when service provision exceeds the expectation.

They were also asked to rate the charges on the services or products you received from the Bank. The response from the customers of the bank received a mean value of 3.59 which represents 71.8%. The bank can be said to be performing bad in this regard. This is because

higher charges would eventually make customers to other similar products with equal quality from competitors.

4.4 Satisfaction level of customers of The Royal Bank

In order to assess the customer satisfaction level of customers of The Royal Bank, 8 variables were used to test for the reliability of the questions on the questionnaire. The variables recorded a Cronbach alpha value of 0.766. In measuring reliability, a value of 0.766 is acceptable although a value of 0.8 is preferable. A Cronbach alpha value of 0.766 for this study is therefore acceptable.

Table 4.4: Reliability Statistics for Customer Satisfaction

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.766	0.783	8

Source: Field Survey, 2016.

Table 4.5: Item Statistics for Customer Satisfaction			
	Mean	Std. Deviation	N
My bank delivers fast services to me at the banking hall	3.80	1.234	120 I do not waste
time anymore at the bank due to changes 3.15 1.653 120 introduced			
It is easy for me to pay my bills and transfer funds 3.81	1.140	120 There is a high level of	
transparency in banking 3.78 1.080 120 transactions			
The is are improved customer services from my bank	3.93	1.128	120

41

My bank offers me round the clock services	3.74	1.088	120
The staff of the my bank understand my needs	3.70	1.058	120
My bank responds quickly to my complaint.	3.52	1.012	120

Source: Field Survey 2016.

To be able to access the satisfaction of customers of service delivered by the Royal Bank, the following questions were posed to them; customers of the bank were asked if the bank delivers fast services to them at the banking hall. The responses from the customers recorded a mean value of 3.80 representing 76% of the respondents. This means that the majority of the respondents believe that the bank delivers timely and fast services to them at the banking hall. The implication on the bank is that customers of the bank spend little time in the banking hall and prevents conjunctions and long queues.

Customers were also asked if it is easy for them to pay their bills and transfer funds in the banking at ease. The response from the respondents achieved a mean value of 3.81 which represents 76.2% of the respondents. The bank can be said to be performing well. The results indicates that customers are satisfied with the way into the bank has integrated the payment of bills into its services. Making the bank a one stop place where the customer can have access to a variety of services is an important determinant of the satisfaction level of the customer.

Customers were also asked if there is a high level of transparency in the service delivery in the bank. The response given by the customers recorded a mean value of 3.78 representing 75.6% of the responds. This means that more than 70% of the respondents believe that there is a higher level of transparency in the transactions service employed by the bank. This may

be due to level of technology that has been incorporated in the banking service thereby reducing human which may be a setback for transparency.

Customers of the bank were asked if the bank offers them round the clock services, the response recorded a mean value of 3.74 representing 74.8%. This response from the respondents indicates that the bank offers its customers 24 hour banking services engineered through the use of robust technology. The bank can therefore be said to be performing very well in this regard. 74% responds rate indicates that the bank has increasingly been offering robust services to its numerous customers.

When asked when if the bank understands their needs, a mean value of 3.70 was recorded which represents 74%. Understanding the needs of the customer requires proper customer needs survey in. recording 74 responds rate means that the bank over the years has to a greater extent been paying attention to the needs of the customers. Understanding the needs of the customers is a significant factor in assessing what goes into service package for the customer. The Royal can generally be said to be performing well in this regard.

4.5 The Effect of Customers Satisfaction on Customer Loyalty

Customer satisfaction is a determinant of several success factors in a business. This study assessed the effect of customer satisfaction on customer loyalty. Arguably, customer satisfaction can lead to an increase in customer loyalty which in turn can translate into an increase in profits. In a banking industry profits depends on the volume of deposits and the loans plus other commissions on services. The greater the number of loyal customer the more likely a bank will see a rise in deposits and loans.

This study measured customer loyalty of Royal Bank through the use of seven items which were rated on a five point Likert scale ranging from strongly disagree to strongly agree. Using the Cronbach's Alpha as a measure of reliability of the items used to sort the level of customer loyalty, the overall and the reliability based on standardized items is displayed in Table 4.6. The overall Cronbach's Alpha of this study's instrument used to measure customer loyalty is 0.722 whereas the Cronbach's Alpha based on standardized items is 0.719. Ideally the acceptable benchmark for determining the reliability of a scale is an Alpha level of 0.7 upwards. This shows that both the overall and standardized items used to measure customer loyalty are reliable.

Table 4.6: Reliability Statistics of items used to measure customer loyalty

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0.722	0.719	7

Source: Field Survey, 2016.

Table 4.7: Item Statistics for Customer Loyalty

	Mean	Std. Deviation	N
I will always use this Bank in every bank activities/ transactions	3.20	1.339	120
I will Say positive things about the bank to other people	3.10	1.305	120
I seldom consider switching away from this bank	2.84	1.609	120

I will never change this Bank even I found another bank which offer different products/transactions	2.56	1.565	120
I will recommend my bank to someone who seeks financial advice.	3.44	1.289	120
I prefer the charges and interest the bank offers even if they are higher than other banks	2.53	1.555	120
I consider the bank as my only choice when it comes to banking transactions	3.41	1.300	120

Source: Field Survey, 2016.

As part of the items used to measure customer loyalty, customers were asked whether they always use Royal Bank in every bank activity/transaction. The mean response for this question was 3.2 which implies that 64% of respondents agree to this statement. Respondents were then asked to whether they will say positive things about the bank to other people. The mean response recorded for this statement was 3.10 with a standard deviation of 1.305. By way of total responses that agree to this statement, a total of 62% out of the 120 respondent agree.

Another way of measuring customer loyalty is by assessing the willingness of customers to switch from their current service provider. Exactly 56.8% of customers agree that they will seldom switch from Royal Bank to other banks with a mean response 2.84 and a standard deviation of 1.609. Though the responses rate was lower than the previous statements, a much lower response rate of 51.2% was recorded when customers were asked whether they were indifferent about the charges they are offered by Royal Bank and other banks.

The fourth statement sought to measure the tendency for customers to recommend Royal Bank to others who seek financial advice. A mean response of 3.44 and a standard deviation of 1.289 was recorded, representing 68.8% of the total response. This shows that almost 69% of respondents will recommend Royal Bank to other people who want financial advice. The lowest level of agreement was recorded when customers were asked whether they prefer the charges and interest Royal Bank offers them even if they are higher than other banks. Only 50.6% of respondents agreed to this statement. This implies that customers are sensitive to interest rate and other bank chargers at the Royal Bank. Lastly, customer loyalty could also imply the sole reliance of the customer on the provision of service or product. As part of efforts to determine whether Royal Bank is the first point of call when it comes to undertaken banking and other monetary transactions. About 68.2% of respondents consider Royal Bank as their only choice when it comes to banking transactions. Though this service provider prefers their brands to be the first that comes to the minds of customers when they need the services they provide, very often than not the steep compaction can reduce this tendency.

4.6 Regression Analysis of the Effect of Customers Satisfaction on Customer Loyalty A regression analysis was conducted to assess the impact of customer satisfaction on customer loyalty. The regression results as presented in Table 4.8 shows that a beta coefficient of 0.195 was recorded for customer satisfaction. This implies that a 10% change in customer satisfaction will lead to a 1.95% change in customer loyalty. Though the relationship expressed by the regression result is positive, it is not statistically significant at a 0.05 level of significance. The results obtained in this study deviates from the findings of Kotler and Armstrong (2012) who reported that several studies revealed that higher levels of customer satisfaction results in greater customer loyalty and hence greater and better company

performance. Also Arokiasamy (2010) reported that the consistent delivery or promotion of customer satisfaction results in customer loyalty.

Table 4.8.Regression Analysis of the Effect of Customers Satisfaction on Customer Loyalty

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.231	.591		3.771	.000
	CS	.195	.146	.122	1.331	.186

a. Dependent Variable: CL

The summary statistics for the regression model used to measure the effect of customer satisfaction are presented in Table 4.9. The correlation coefficient (R) is 12.2% which implies that there is very little linear relationship between customer satisfaction and customer loyalty. The coefficient of determination (R^2) for the model was 1.5% this shows that only very little of the variations of in customer loyalty is explained by customer satisfaction. The adjusted R^2 for the model was 0.6%, which is very low. A consideration of the strength of the constant term in the regression analysis in conjunction with the summary statistics affirm the assertion by some studies that customer satisfaction is not the only factor responsible for customer loyalty (Bitner, 1990; Ennew&Binks, 1996).

Table 4.9:Model Summary Regression Analysis of the Effect of Customers

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Satisfaction on Customer Loyalty
1	.122a	.015	.006	.87237	a. Predictors: (Constant), CS

Source: Field Survey, 2016.

4.7 The Impact of Customer Satisfaction on the Financial Performance

The final objective for this study was to assess the impact of customer satisfaction on financial performance. A binary logistic model was employed in arriving at the results presented in the tables below. Based the average profits obtained by the four branches of Royal Bank in Kumasi, an average profit was obtained. Dummy values of 1 were assigned to low performing branches and 2 high performing branches. The computed mean responses of customer satisfaction were then regressed on the dummy performance

variable. Table (4.10) presents the regression statistics of variables in the equation.

Table 4.10: Binary logistic regression of Customer Satisfaction on the Financial Performance

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 1a	CS	-1.462	.439	11.102	1	.001	.232
	Constant	6.413	1.815	12.488	1	.000	609.639
a. Variable(s) entered on step 1: CS.							

Source: Field Survey, 2016.

Though the parameter estimate of the Customer satisfaction (CS) is -1.462, the marginal effect is 0.232. This implies that there a 10% improvement in customer satisfaction will lead to a 2.32% increase in profit. The marginal effect is significant at 0.01 level of significance. This result is in line with the findings Bolton et al. (2000), that found that increased return

is associated to customer's buying behaviour and perceptions towards the institution whether they have fulfilled their expectations or not. An acceleration of cash flows as well as risk reduction related to cash flows. However the mixed effect as displayed by the negative beta coefficient in the model shows that the relationship between customer satisfaction and profits is neither straightforward nor simple. (Zeithaml, 2000).

Table 4.11 shows the omnibus test of model coefficients. The overall Chi-square for the binary regression model was $\chi^2 = 13.743$ which is significant at 0.01 level of significance. The model statistics is also presented in Table 4.12. **Table 4.11: Omnibus Tests of Model Coefficients**

		Chi-square	df	Sig.
Step 1	Step	13.743	1	.000
	Block	13.743	1	.000
	Model	13.743	1	.000

level Cox and Snell R Square for the model was 0.108 which implies that 10.8% of the performance (Profit) is explained by customer satisfaction (independent variable). A much higher coefficient of determination was recorded by way of the Nagelkerke R Square ($R^2=0.147$). Though these summary statistics of the model are significant, the constant of the model was positive and it has a higher marginal effect on performance. This implies that other relevant variables were not considered in the model.

Table 4.12: Model Summary of Customer Satisfaction on the Financial Performance

Step	-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
1	146.019[a]	.108	.147

4.8 Responses from Staff Interviews

In the literature reviewed in this research it is obvious the staff especially those who come into contact with customers need to be adequately equipped in order to satisfy the needs of customers. Issues such as insufficient systems, overworked staff and failure to deliver on brand promise serve as barriers to satisfying customers.

Results from the interviews conducted with staff (frontline) shows that between 60 to 80 customers are served on daily basis in three of the branches (Adum,Ashtown,KNUST). On the issue of overworked staff, in their quest to meet turnaround time 4 minutes they may end up skipping procedures which reduce theirspeed.Overworked staff turnout to be worn out and are therefore unable to keep a smile on their faces which may be wrongly be interpreted as the staff being unfriendly.

On the issue of challenges faced in rendering customer service all respondents agreed that though the bank carries out regular customer service trainings and ensuring staff are well equipped to carry out their duties judiciously system failures sometimes slows their work.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.0 INTRODUCTION

This chapter of the study illustrates a brief summary of the various findings obtained from extensive analysis of the facts. It is also made up of the conclusions drawn from the analysis and the recommendations given based on the study undertaken.

5.1 Summary of Findings

The main objective of this research is to assess the effect of customer satisfaction on performance of Royal Bank in the Kumasi Metropolis. Responses from a sample of 120 customers were gathered through a questionnaire which covered customer perception, customer satisfaction and customer loyalty. Based on the responses obtained, item analysis, scale reliability and regression analysis were conducted to establish the various relationships between customer satisfaction, performance, customer loyalty and customer perception.

The first part of the study documented the level of customer service perception of the Royal Bank customers in Kumasi branches. In all there were statements used to measure customer perception and customer service. The courteousness of the Bank's officials was highly rated followed by the neatness of our banking halls and offices, then the security in transacting business with the Bank's officials. The lowest rated factors were delivery of the Bank's promise to customers, the waiting time at the banking halls for service and the charges on the services/products you received from the Bank. The overall measure of reliability of the scales used to measure the customer perception and service was above the preferred Cronbach's Alpha level of 0.80

The second objective of the study boarded on impact of customer satisfaction on customer loyalty. A reliability of the factors used in the questionnaire to measure both above the Cronbach's Alpha of 0.70. After which a regression analysis was conducted to determine the exact impact of customer satisfaction on customer loyalty. A positive but insignificant relationship was revealed by this study. The results obtained in this study deviates from the findings of Kotler and Armstrong (2012) who concluded in their research that higher level of satisfaction level of customers leads to better performance of organization.

The third and final objective of this study involved an assessment of the impact of customer satisfaction on performance. A binary logistic model was employed in the assessment. A weak marginal effect of 2.32% of customer satisfaction on performance was documented by this study. The marginal effect is significant at 0.01 level of significance. The result obtained in this study affirms the findings Bolton et al. (2000), that found that increased return is associated to customer's buying behaviour and perceptions towards the institution whether they have fulfilled their expectations or not. In addition a study by Stivastava et al. (1998) established that high level of customer satisfaction leads to an increase in the volume of cash flows, an acceleration of cash flows as well as risk reduction related to cash flows. However a mixed effect was observed as a negative beta coefficient was recorded in the logistic regression employed which affirms that the relationship between customer satisfaction and profits is neither straightforward nor simple. (Zeithaml, 2000).

5.2 Conclusion.

Findings from the study undertaken projects customers' satisfaction as being integral in the performance on organizations in the banking sector. The ability to ensure customer satisfaction is an important factor in ensuring the retention of customers to increase turnover and organizational performance. The environment within which banks are operating today have become complex and the ability of an organization to accurately assess the needs of its numerous customer's entails competitive advantage, performance and customer retention. An increase in the satisfaction of the customer increases the inflow of finances of the organization and reduced risk level. Findings from the study indicate that a slight drop in the customer satisfaction gives a corresponding decrease in customer retention. The main focus of the study has been to assess the effect of customer satisfaction on financial performance of The Royal Bank Limited. What constitutes customer satisfaction differs from one organization to the other. A robust customer needs assessment is a major determinant of putting mechanisms in place to ensure that the needs and expectations of the customer is well taken care. How organizations go about the delivery of service differs from one organization to the other. This largely is dependent on the expectations of the organization.

5.3. Recommendations.

Based on the study conducted, the following recommendations are worth considering.
5.3.1 Education.

Customer awareness is an important determinant of customer understanding of the services available and how customers can conveniently assess services of the organisation. Continues education of customers and the general public about the services is a determinant of customer developing interest in the services delivered by the organisation.

5.3.2 Improvement in internet service and connectivity.

Internet service and connectivity has become an integral part delivering efficient and up to speed service. Increased internet service in the bank would go a long way to enhance selfservice and a decrease in cost to both the organisation and the customers at large. Royal Bank must therefore have continual improvement in internet connectivity and coverage to ensure everywhere banking.

5.3.3 Regular customer satisfaction survey.

Findings from the study indicates that customers' needs and expectations continue to change. As a result of this, there must be the need for regular customer satisfaction survey to be at abreast with the changing needs of the customer. The Royal Banks must therefore step up research concerning customer expectation, analysis of complain and customer panel Parasuraman et al (1985). This would in a way help measuring the needs and customer satisfaction from the customers perspective.

5.3.4 Prompt and efficient service delivery and short turnaround.

The ability of service delivery system to enhance less time spent in assessing the services of the bank. Management in the banking sector must however undertake changes that really reduce time spent by the customer assessing service in the banking hall.

5.4.5 Efficient SMS and internet banking.

Prompt delivery of SMS to customers of the bank after transaction. An increase in internet banking to customers of the Royal Bank would go a long way to affect the efficiency level

of services of the bank. Increase in internet banking reduces human contact and reduces service delivery time.

5.4.6 Efficient and Adequate system

In today's business world technological advancement is the order of the daythere is therefore the need for management to invest in efficient systems to enable staff carry out their assignments without interference. This can also enhance achieving turnaround time, reduce customer waiting time and eventually increase customer satisfaction.
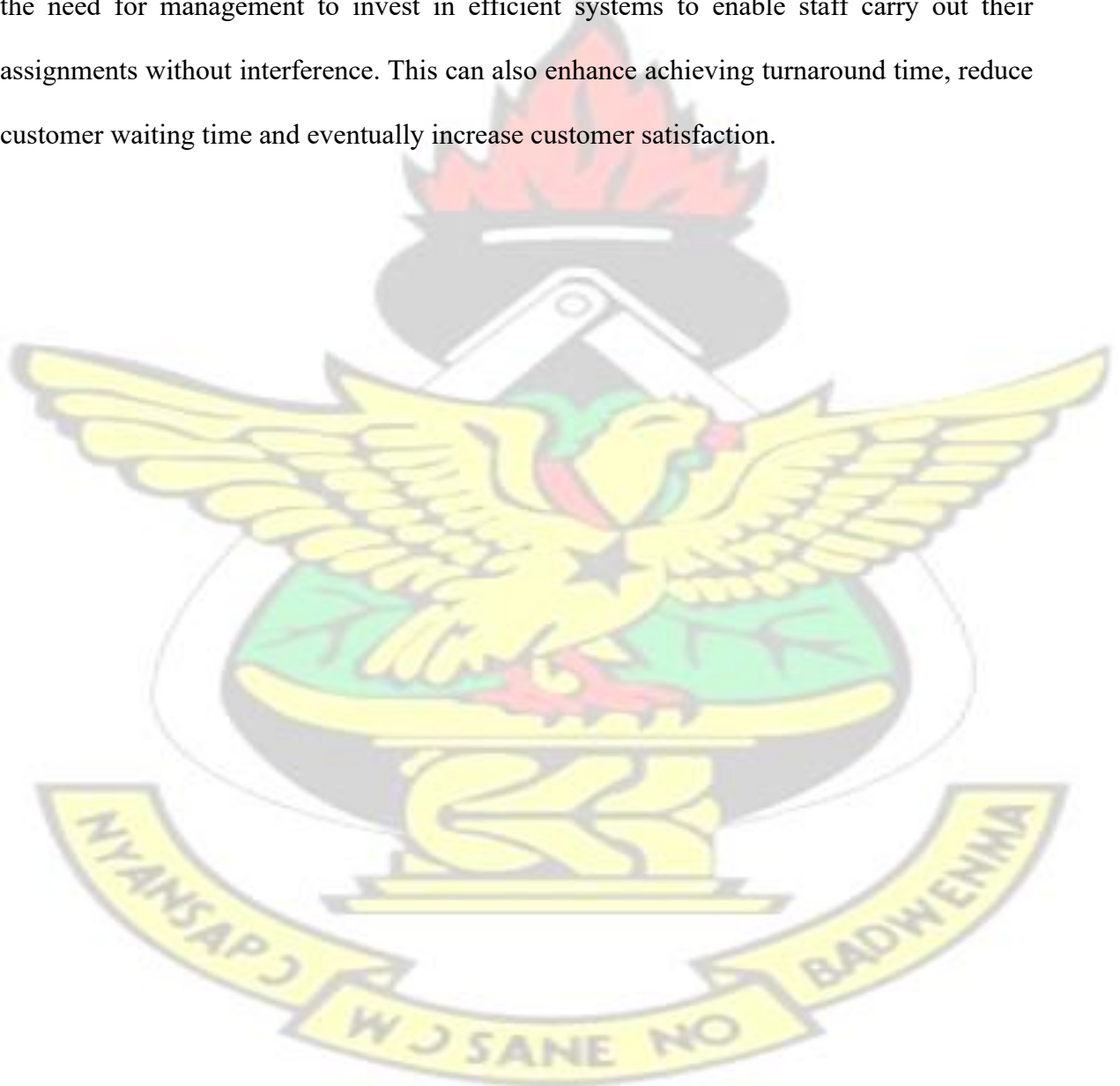
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KWAME NKRUMAH UNIVERSITY OF SCIENCE AND TECHNOLOGY

SCHOOL OF BUSINESS

DEPARTMENT OF MARKETING AND STRATEGIC MANAGEMENT

SURVEY QUESTIONNAIRE

THE EFFECT OF CUSTOMER SATISFACTION ON ROYAL BANK'S

PERFROMANCE IN KUMASI

Introduction

Dear Sir/Madam, This questionnaires forms part of an MBA research project which aims to investigate the Effect of customer satisfaction and the Royal Banks' performance in Kumasi metropolis. Completion of the questionnaire is completely voluntary and returning the completed questionnaire will be considered as your consent to participate in the survey. The questionnaire will take you about 5 minutes to complete. **All data held are purely for research purposes and will be treated as strictly confidential**.

PART 1: Demography of Respondents

Instruction: Please tick the appropriate option applicable to you for the questions below

1. What is your gender?

[   ] Male   [   ] Female

2. What is your age?

[   ] 18yrs to 24yrs [   ] 25yrs to 34yrs [   ] 35yrs to 44yrs

[   ] 45yrs and 54yrs [   ] 55yrs& Above

3. Educational background

[ ] No schooling [   ] Nursery to junior high school   [   ] Senior high school

[   ] Bachelor's degree   [   ] Master's degree and above

4. How long have you been doing business with The Royal Bank?

[   ] Less than 3 month [   ] Between 3 to 12 months

[   ] Between 12 months and 24 months[   ] Above 24 months

Part 2: Perceived Customer Service Ratings

Instruction: Please tick (√) the appropriate box to indicate your perception about the customer service in following questions. Using a five point likert scale where Very poor =1, Poor= 2, Average =3, Good = 4 & Excellent = 5

No.	QUESTIONS	RATING				
		1	2	3	4	5
1	How would you rate the accessibility of this branch?					
2	How would you rate the neatness of our banking halls and offices?					
3	How would you rate the Bank officials'(in this branch) understanding of your needs?					
4	How would you rate the delivery of the Bank's promise to you?					
5	How do you rate the timely response to your request, inquiries and queries?					
6	How would you rate your waiting time at the banking halls for services?					
7	How would you rate your security in transacting business with the Bank's officials?					
8	How would you rate the courteousness of the Bank's officials?					
9	How would you rate the knowledge of the Bank's officials in answering your questions					
10	How would you rate the attention you received from the Bank's officials?					
11	How do you rate the charges on the services/products you received from the Bank?					

Part 3: Customer Loyalty

Instruction: Please tick (√) the appropriate box to indicate your perception about the customer service in following questions. Using a five point likert scale where Strongly Disagree =1, Disagree = 2, Uncertain =3, Agree = 4 & Strongly Agree = 5

No.	Statements	1	2	3	4	5
12.	I will always use this Bank in every bank activities/ transactions					
13.	I will Say positive things about the bank to other people					
14.	I seldom consider switching away from this bank					
15.	I will never change this Bank even I found another bank which offer different products/transactions					
16.	I will recommend my bank to someone who seeks financial advice.					
17.	I prefer the charges and interest the bank offers even if they are higher than other banks					
18.	I consider the bank as my only choice when it comes to banking transactions					

Part 4: Customer Satisfaction

Instruction: Please tick (√) the appropriate box to indicate your perception about the customer service in following questions. Using a five point likert scale where Strongly Disagree =1, Disagree = 2, Uncertain =3, Agree = 4 & Strongly Agree = 5

No.	Statements	1	2	3	4	5
19.	My bank delivers fast services to me at the banking hall					
20.	I do not waste time anymore at the bank due to changes introduced					

21.	It is easy for me to pay my bills and transfer funds					
22.	There is a high level of transparency in banking transactions					
23.	The is are improved customer services from my bank					
24.	My bank offers me round the clock services					
25.	The staff of the my bank understand my needs					
26.	My bank responds quickly to my complains.					

27. Please tell us what The Royal Bank should do to improve the quality of our services to you?

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THANK YOU FOR PARTICIPATING

Research Interview-staff

Introduction

Thank you very much for agreeing to be a respondent and thus taking part in this piece of research which aims to investigate the Effect of customer satisfaction and the Royal Banks' performance, in Kumasi.

Any information you provide will be solely used for this research project and will be handled confidentially.

1. On the average how many customers are served in a day in a day?

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2. What is the average turnaround time?

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3. Howdo u see customer service in this branch?

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4. What customer service activity do you do to ensure your customers are

satisfied?

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5. In your opinion do you think these activities promote customer loyalty?

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6. Do think staffs of the bank are well equipped to render satisfaction to customers?

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7. If yes, how are you well equipped?

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8. What challenges do you face in providing customer service to customers?

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9. How do you think customers perceive the bank?

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10. What do you think is feeding this perception?

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11. How well does the branch perform in terms of its finances ?

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