

**FACTORS INFLUENCING CUSTOMER CHOICE OF ISLAMIC BANKS  
IN KENYA**

**BY  
FATMA ALI  
BBM 2017 42259**

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## DECLARATION

### Declaration by the Student

This research project is my original work and has not been presented to any other examination body. No part of this research should be reproduced without my consent or that of Umma University.

Name: Fatma Ali M. Sign:  Date 14<sup>th</sup> June 2021  
**BBM 2017 42259**

### Declaration by the Supervisor

This research project has been submitted with my approval as The Umma University Supervisor.

Name: Tego Wolasa Sign:  Date: 14th June 2021  
**Lecturer Supervising**

## **DEDICATION**

This research project is dedicated to my sister Halima and friends and colleagues; they have been very instrumental ensuring that I complete my research project.

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## **ABSTRACT**

The purpose of this study was to investigate factors influencing customer choice of Islamic banks in Kenya. The specific objectives were to evaluate the effects of quality of service, competition, information technology and managerial skills on customer choice of Islamic banks in Kenya

The research is of significance to The Bank, Government of Kenya and other researchers. Descriptive research design was used whereby the researcher used primary and secondary data in the study as the primary data was collected through issuance of questionnaires. The questionnaire comprised both open and closed ended, which were distributed in top management, middle management and operational staff of the bank. Stratified random sampling techniques was conducted to obtain the sample size of the respondents. The target population for the study was 86 bank officials with a sample of 45 staffs. The findings were then analyzed quantitatively and presentation of data was by use of tables and figures.

The findings of the study with 96% indicated that competition affects customer choice of Islamic banks in Kenya while 4% disagreed with the opinion. Respondent with 56% indicated that information technology do affect customer choice of Islamic banks in Kenya where us 44% disagreed with the idea. Respondents of 92% indicated that managerial skills affects customer choice of Islamic banks in Kenya while 8% denied. Respondents of 80% indicated that quality of service affects customer choice of Islamic banks in Kenya.

The study recommends that competition should be encouraged through motivation amongst the bank's staff to boost the quality of the service offered. Technological facilities and systems should be upgraded to solve complex scenes like queuing, quality service should be maintained at the highest level possible via putting more efforts like working overtime and managerial skills should be reviewed occasionally.

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## **LIST OF ABBREVIATIONS**

<b>ATM</b>	Automated Teller Machine
<b>BOD</b>	Board of Directors
<b>CEO</b>	Chief Executive Officer
<b>HR</b>	Human Resource
<b>IT</b>	Information Technology
<b>NSE</b>	Nairobi Stock Exchange
<b>PIN</b>	Personal Identification Number

## **OPERATIONAL DEFINITION OF TERMS**

**Competition** - The act or process of trying to get or win something (such as a customer) that other banks are also trying to get or win.

**Information Technology** - The use of any computers storage, networking and other physical devices, facilities and processes to create, process, store, secure and exchange all form of electronic data equipment to store, transmit and manipulate data

**Management Skills** - Characteristics and techniques used in making decision and relating Subordinates to work.

**Quality of Service** - Comparison of expectation that meets customer's quality of service required.

## **CHAPTER ONE**

### **INTRODUCTION OF THE STUDY**

#### **1.1 Introduction**

This chapter introduces the study; it contains the background of the study, statement of the problem, objectives of the study, research questions, significance of the study, limitations of the study and scope of the study.

#### **1.2 Background of the Study**

In the present era banks played an important role in the development and flourish of businesses in all countries. The Islamic bank is separate from conventional banking system as it is totally based on Islam and working according to its teaching. The concept of Islamic bank is not found in commercial banking system. The Islamic banking system operates according to rule and regulation of sharia (Islamic law). In 1975 the new Islamic bank, Dubai Islamic Bank, was introduced. Today approximately 100 operate without interest. The interest is not allowed on both receipt and deposit according to sharia rule. In 1983 the first Islamic bank was established in Malaysia, In fact in that first time the performance of Islamic bank was tested but it did not achieve its objective due to poor planning of management (Kashif-Ur-Rehman, 2010).

The Islamic bank and other parties invest their resources and divide return (profit and Loss) among themselves as per term and conditions agreed. Islam does not allow money to expand itself without investing it at any place. We as Muslims mostly choose Islamic banking due to religious reasons. Because as Muslims, people want to follow the rule given by their religion. Islamic banking has rapidly grown in the last 30 years, it expands in all areas of the world and people in large volume include both Muslims and non-Muslim prefer it (Marimuthu, 2010). Interest (Riba) is completely prohibited in Islam. The need of Islamic banking system is necessary to satisfy the Islamic needs and wants in respect to shariah rulings. The religion creates a strong impact on customer's perception and influences people's attitude in different aspects of life. Islamic teachings are taught through the Quran and Sunnah acts as a guidance in Islamic banking systems. (Mossafa, 2014). First factor that affect the customer's decision in Islamic banking system is State and religion. The operation of Islamic bank is similar to the operation of commercial bank but difference is that Islamic Banking work according to Islamic laws (Henry and Wilson, 2004).

The second factor that affects the customer's perception is awareness regarding Islamic product & service. Most people are not aware of the difference between Islamic bank and commercial bank. The main objective of Islamic bank is to flourish in the economy through or by offering financial products and services based on the principle of Islam and sharia (Subhani, 2012).

In the selection of Islamic financial product and service it is necessary for the bank to give awareness to the customers about such Islamic products and service and provide clear understanding that how it is beneficial with respect to competitor's products and service. The Islamic bank understand the perception of customers in the term of product and service quality. The basic theme of Islamic banking system is to offer an interest free product and service. Islamic bank provides more profit on Murabaha facilities as compared to conventional loans due to profit and loss base of Islamic products (Ahmad, 2010). Various research is done on Islamic banking systems but there is less focus on the attention to use and adopt Islamic banking product and service. There is a need of study on this issue and clarification on points which affect the intention of customers to use and adopt the product and service of Islamic bank (Jamshidi, 2014).

The customers of Islamic banking do not have knowledge that they can know about the returns on its investment and actual return on it. The less information about Islamic banking products is the result of poor understanding of Islamic banking concept and creates a strong impact on customer's perception. The well education is necessary for the awareness of Islamic banking products (Doraisamy, 2011). Advertising is the most important source through which the awareness about anything is given. The bank spends a lot of amount on advertising to attract the customers through giving the awareness to customers about product quality, feature, benefits, and the way of usage characteristics, life time of products and other attribute of products and service. Advertising has become an important tool for the selling of products and service of all organization. Less advertising influencing intention of customers toward Islamic banking. The concept of Islamic bank never gives permission of unethical acts, misleading of information about the products which is given through advertising due to which will lead customers to face problems of loss or selling of harmful products to other customers without awareness. Advertising is to give the true picture without giving wrong information. (Abdullah and Ahmad, 2010). The famous personality (celebrities) are Akhtar, Mehmood, Pervez, Aslam & Akhtar (2016). International Review of Management and Business Research commonly used by the company to promote the company product and service. The purpose of using the famous personality is to attract the customers and make them loyal (Bergstrom and Skarfatah, 2004). Various researchers consider that for advertising purpose the word of mouth is a good way. In this way the cost of marketing is low and the profit of the company enhances. Through word of mouth the customers are retained (Parsa, 2015). This

study shows the result that marketing and word of mouth is a direct impact on customer perception. Organization reputation create strong impact on the perception of customers. When the organization meet the need of customers according to his desire than there is increment in the reputation of an organization and people have more trust in the organization. In this regard, advertising leaves a great impact on firm reputation.

There is strong competition among Islamic banks and conventional banks. The global competitions also raise and provides technical services according to sharia rule. Almost all bank uses the technological services to serve the customers towards their satisfaction. The customers want the low bank charges and expenses and for the reputation of bank, it is necessary that the bank to meet the need of customers according to his/her expectation. Reputation of the institution is an important factor which has an effect on the consumer perception. Bank Networking is a form of bank service provided by the bank through secure website like bill payment, view account balance, statement of account and so forth (Dalhatu, 2014). Any sector grows with continuous improvement in business to gain competitive advantage it is necessary for the firm to bring the innovation in business technology especially in network technology. The internet banking has become famous as these days the customer can access their account at any time even the bank is closed, they can deposit their bill online. As a result, internet banking saves the customers time and money.

At the beginning the preference of people towards Islamic banking was low and at present era Islamic banking system has grown rapidly. The main objective of this study is to discuss the main factors which play the vital role on the perception of customers. The main focus of this study is to check the impact of perception of customer on the bases of religion, awareness regarding product and services, awareness to financial teaching of Islam, advertisement, networking and reputation.

The first problem identified is profit and loss sharing principle which should be the agreement between two or more parties. The bank and other party combine their resources for the investment purpose in a new business or existing business (Marimuthu, 2010). The profit and loss are shared according to prescribed terms and condition on their capital which they invest in the business, in this way the need of both parties are met.

The problem is that there is need for more efficient allocation of resources because the return is based on the production of business. In profit and loss sharing management, the manager takes all necessary action and there is no issue in handling the business activities but, in Mudaraba it become complex because it provides the way through which the Islamic banks control the operation of the firm. The link between service and customer's satisfaction is done by different researchers in the world as customer's satisfaction depends on better quality product and services. Customers leave the firm due to poor quality

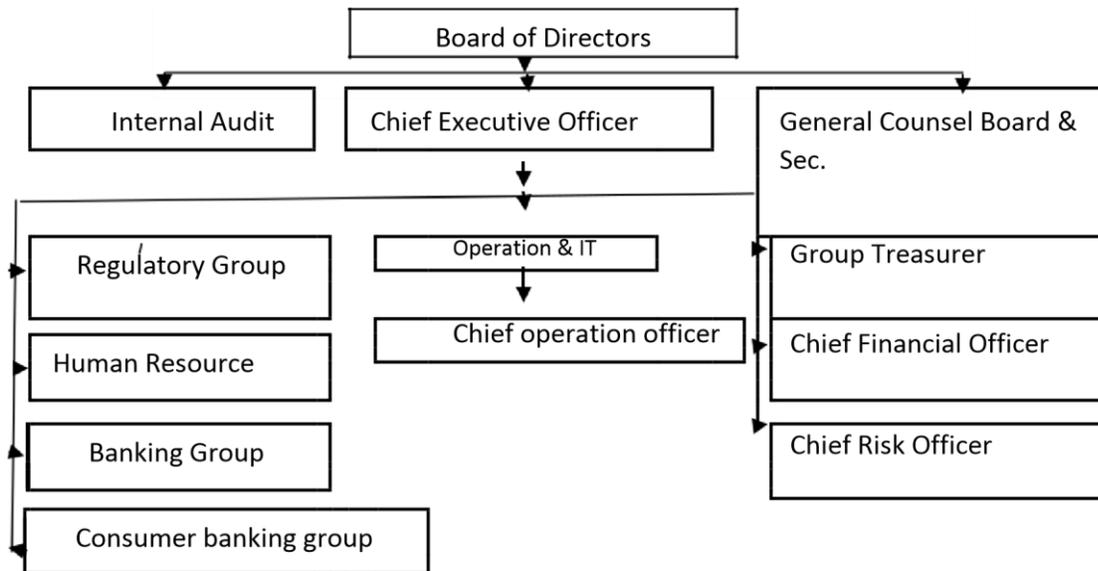
of product and service or not according to customer desire (Saif, 2010). The most respondent consideration that the Islamic banks provide is sufficient interest free loan and not fixed on return on the investment other conventional banks provide fix return on their deposit and Islamic bank face hurdle in this regard (ElBdour,1989). The respondent is not known about the Islamic banking information the major problem in Islamic banking industry is that the people is much little know about financing method especially in immigrant community and countries where the Islamic banking system is newly established. Some factors like any innovation and increasing competition change the relationship of bank and their user (Worthington, 2007). The planning and action are taken to control this problem. This is one of the cause of customer switching.

The customer who satisfy all of these things there are less chance that the customer is shift toward other bank. Another problem in banking is that the loan provided by bank is not properly utilized due to certain reason and the bank face loss and the bank also face the problem of efficient portfolio. The bank also need to provide the opportunity for the investment purpose to the investor according to Islamic principles. The Islamic bank plays a vital role in the development of country. The problem is that there is lack of awareness among people and government regarding Islamic banking system (Aslam, 2015).

### **1.2.1 Profile of Gulf Bank**

Gulf African Bank is 12 years old, also marking 12 years since Sharia Compliant Banking - pioneered by the Bank - successfully debuted in the Kenyan market offering Kenyans an innovative financing and investing model underpinned by trust and ethics. Gulf African Bank's product offering is 100 % Sharia compliant. The products are structured in accordance with the requirements of the Islamic financial model. All products, services and related financial transactions are reviewed and approved by the Sharia board, which sits independent of the bank's board of management. In particular, Islamic law prohibits usury, the collection and payment of interest, also commonly called Riba in Islamic discourse.

**Figure 1. 1 Organization Structure of Gulf Bank**



Sources: Gulf Bank (2021)

### 1.2 Statement of the Problem

In a competitive marketplace where businesses compete for customers, customer choice is seen as a key differentiator and increasingly has become a key element of business strategy. Islamic banks, assaulted by the pressures of globalization, competition from non-banking financial institutions, and volatile market dynamics are constantly seeking new ways to add value to their services (Soteriou & zenios, 2017). The banks are established some decades ago and has remained one of the greatest pillars in the banking sector of Kenya. The banks have a large customer base and branches in the country. The services of the banks continue to be felt in the entire country. With regard to its large deposit base, there is ever-growing pressure on its service delivery and Customer choice across the country.

Thus the need to introduce agency banking becomes paramount. The long queues and huge crowds in the banking halls can be highly devastating and discouraging most times, especially when the weekend is near. Islamic banks have been in the front line in putting in place strategies to ensure satisfaction of its customers and like any other bank. Banking hours is a challenge that cuts across, the banks operate between 8.30am – 4.00pm on week days, 8.30-12pm on Saturdays and remain closed on Sundays and public holidays. This implies that outside the banking hours customers cannot access services. Many business people would wish to deposit and withdraw funds as need arises and would prefer a 24 hour bank. Customers are taking greater control of their banking relationships. They are switching banks, changing their behavior and demanding improvements. Research according to Beck et al, (2007) shows

that agency of Islamic banking which is the offering of selected banking services through third parties appointed by the banks is expected to be one of the solutions to reaching sections of the disadvantaged in society..

## **1.4 Objectives of the Study**

### **1.4.1 General Objective**

The general objective of the study is to determine the factors influencing customers Choice of Islamic banks in Kenya.

### **1.4.2 Specific Objectives**

- i) To determine the effect of competition on customer's choice of Islamic banks in Kenya.
- ii) To find out the effect of information technology on customer's choice of Islamic banks in Kenya.
- iii) To establish the effect of management skills on customer's choice of Islamic banks in Kenya.
- iv) To determine the effect of quality of service on customer's choice of Islamic banks in Kenya.

## **1.5 Research Questions**

- i) How does competition affect customer's choice of Islamic banks in Kenya?
- ii) To what extent does information technology affect customer's choice of Islamic banks in Kenya?
- iii) What are the effects of management skills on customer's choice of Islamic banks in Kenya?
- iv) To what extent does quality of service affect customer's choice of Islamic banks in Kenya?

## **1.6 Significance of the Study**

### **The Management of Gulf Bank**

This study is of value to the managers at the Gulf Bank as they are to gain additional knowledge in relation to the issues that need to be addressed to retain customers. This enables them overcome the competition posed by other banks. Gulf Bank will benefit from this study as they will be adequately informed on what strategies to be adopted by the bank to achieve good customer retention strategies. The findings are, therefore, of great importance in strategic planning on customer retention.

### **1.6.2 The Government of Kenya**

To the government of Kenya, the study will provide information on the financial factors affecting customer's choice at Gulf Bank that can be used to formulate policies to regulate competition and protect various stakeholders in the commercial banks. More so, the finding of this study is useful to the

government because it will enable it to review the banks progress towards service delivery of its citizens.

### **1.6.3 Other Researchers**

The research study will be of great importance particularly for future researchers for it will provide them with adequate information and act as a big source for literature review for their research studies. Researchers will also benefit because the final report of this study on customer retention will act as future reference materials, scholars and future researchers in this area will use this study as a reference in their studies.

## **1.7 Limitations of the Study**

### **1.7.1 Confidentiality**

The respondents might not give adequate information to what might say is leaking of confidential information. The researcher will persuade them that the information is needed for academic's purposes and nobody will be accused for any information provided. The researcher will also show them the introduction letter from the college to convince them to provide information freely.

### **1.7.2 Fear of Victimization**

The secrecy and fear of victimization especially on issues deemed detrimental to the bank by the staffs might end up limiting the study. To overcome the limitation, the researcher will assure and convinced the respondents that there will be confidentiality of information gathered.

### **1.7.3 Lack of Co-operation**

The researcher might find some staff members who may not be willing to share the information. To overcome this challenge, she will plead with the management to be allowed to visit during breaks so as to avoid inconveniences during working hours.

## **1.8 Scope of the Study**

The study will be confined to the factors affecting influencing customer's choice of Islamic banks in Kenya with specific reference Gulf Bank located at Jamia shopping mall in Nairobi Central District and Eastleigh branch located along Kipande Athumani Street. The study targets 86 employees of the bank. The study will take an estimate period of three months more or less.

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.0 Introduction

This chapter reviews existing literature related to the current study. It comprises the review of theoretical studies, critical review, summary and the conceptual framework.

#### 2.1 Customer behavior Theory

Consumer behavior refers to the buying behavior of final consumers. It is the behavior that consumers display when searching for, when purchasing, using, evaluating, disposing the product or the idea that they have for the commodity and if it will satisfy their need. 18 The study of consumer behavior therefore seeks to understand how the consumers make decisions on how to spend their available resources in regard to purchase (Kotler, 201). Consumer behavior is of importance to the marketers as it helps them understand why and how individuals make decisions so that they can make better marketing decisions to have a great competitive advantage at the market place (Armstrong, 2006). Consumers make many buying decisions every day. Most large companies'' research consumer buying decisions deeply with an aim to find answers to questions such as what consumers buy, where they buy, how and how much they buy, when they buy, and why they buy and how they dispose what they have bought and don't need .

The central question for marketers is: How do consumers respond to various marketing efforts the bank might use? The starting point is the stimulus-response model of buyer behavior (Kotler, 2006). This model shows that marketing and other stimuli enter the consumer's mind and stimulate certain responses. Therefore, marketers must figure out what is in the buyer's black box (mind). The black box model assumes that observable behavior is the only valid object of study and that psychological constructs are part of an impenetrable box which should not be opened. Marketing stimuli consist of the product, price, place, and promotion. Other stimuli include major forces and events in the buyer's environment such as economic, technological, political and socio cultural factors. All these inputs enter the buyer's black box, where they are turned into a set of observable buyer responses such as product choice, brand choice, dealer choice, purchase timing, and purchase amount (Kotler, 2006). . The marketer wants to understand how the stimuli are changed into responses inside the consumer black box, which has two parts (Figure 2.1). The first part 19 includes the buyer's characteristics that influence how

he/she perceives and reacts to stimuli. The other part includes the buyers decision process (Gary Armstrong, 2006)

### **2.1.2 Islam and the Theory of Interest**

Theory of Interest (Qureshi, 2016) looks upon banking as a social service that should be sponsored by the government like public health and education. Qureshi took this point of view since the bank could neither pay any interest to account holders nor charge any interest on loans advanced. Qureshi also spoke of partnerships between banks and businessmen as a possible alternative, sharing losses if any. No mention was made of profit-sharing. Ahmad (2016 in his book Economics of Islam envisaged the establishment of Islamic banks on the basis of a joint stock company with limited liability. In his scheme, in addition to current accounts, on which no dividend or interest should be paid, there was an account in which people could deposit their capital on the basis of partnership, with shareholders receiving higher dividends than the account holders from the profits made.

Like Qureshi, above, Ahmad also spoke of possible partnership arrangements with the businessmen who seek capital from the banks. However, the partnership principle was left undefined, nor was it clear who would bear the loss if any. It was suggested that 11 banks should cash bills of trade without charging interest, using the current account funds. The principle of mudaraba based on Shariah was invoked systematically by Uzair (1955). His principal contribution lay in suggesting mudaraba as the main premise for 'interestless banking'. However, his argument that the bank should not make any capital investment with its own deposits rendered his analysis somewhat impractical. Al-Arabi (1966) envisaged a banking system with mudaraba as the main pivot.

## **2.2 Review of Theoretical Literature**

### **2.2.1 Competition**

Creating a customer was initially regarded as the solitary purpose of a business. However, today customer's choice is now regarded important because it has become increasingly difficult for firms to assume that there exists an unlimited customer base. According to Reichheld and Sasser (2010), it costs five times more to gain new customer than to retain an existing customer as the acquisition costs are lowered in the long run which means that customer retention is related to the profitability of affirm (Hunt, 2008). The resource based view on strategy plays pivotal role in retaining customers in the organization. The theory as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firms' disposal (Rumelt, 2004). The growth and performance in the banking industry majorly depends on uptake and usage of the banking products offered by different players in the industry. Competitive strategies play an important

role in achieving customer retention; commercial banks can employ a number of competitive strategies for customer attraction and retention for example generic strategies postulated by Michael Porter (Storbacka and Lehtinen, 2009).

The banking industry in Kenya has become very competitive following the many changes that have occurred over the past ten years. For instance, several commercial banks have joined the industry pushing competition to a higher level. For instance, United Bank of Africa (UBA) and Ecobank Kenya Limited entered into the Kenyan banking industry between the years 2006 and 2011 (CBK, 2013). As each commercial bank struggles to outperform the other by attracting new customers and growing their market share, the level of competition in the industry has gone higher. Several banks are developing differentiated strategies with the aim of attracting new customers as they increase the rate of retention of their existing customers so as to grow their market share. This study aims at investigating the exact competitive strategies developed by commercial banks to increase customer retention. Competitive strategy comprises all those moves that a firm has and is taking to attract buyers, withstand competitive pressure and improve its market position (Thompson & Strickland, 2002).

It concerns what a firm is doing in order to gain a sustainable competitive advantage. Porter (2000) asserts that there are three approaches to competitive strategy. One is striving to be the overall low cost producer, therefore being a cost leader, another is seeking to differentiate one's product offering from that of one's competitors, which is a differentiation strategy while a third involves focus on a narrow portion of the market, which is focus or niche strategy. Leah. (2005) argues that strategy is about seeking a competitive edge over rivals while slowing the erosion of present advantages. Few advantages can be sustained indefinitely, for time eventually renders them obsolete. This means that it is necessary for every firm to craft competitive strategies that will enable it to gain competitive advantage over their rivals. Competitive strategy is that part of business strategy that deals with management's plan for competing successfully how to build sustainable competitive advantage, how to outmaneuver your rivals, how to defend oneself against competitive pressure or how to strengthen the firm's market positioning (Thompson & Strickland, 2006).

Competitive strategy is the distinctive approach which a firm uses or intends to use in order to succeed in the market place and it involves positioning the business to maximize the value of capabilities that distinguish it from its competitors (Porter, 2000). Therefore, industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm. Competitive strategy therefore emphasizes the improvement of the competitive position of a firm's products or services in the specific industry or market segment. Thompson & Strickland (2008) define

company strategy as that game plan that management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance. They continue to say that it consists of competitive moves and business approaches that managers employ in running the company. This shows that strategy is all about competition. However, it is worth noting that good strategies without implementation do not lead to success. Only organizations that are capable of formulating and implementing effective competitive strategies will achieve profitability and growth.

Competitive strategy is a long-term action plan that is defused to help gain a competitive advantage over its rivals.

Competitive advantage is sustainable if competitors are unable to imitate the source of advantage or if no one conceives of a better offering (Barney, 2008). Customer retention is the goal of preventing customers from going to the competitor. It is the way in which firms focus their efforts on existing customers in an effort to continue doing business with them. Still, customer retention can also mean the number of customers who stay with the provider in the course of an established period, such as a year (Dawes, 2009). Therefore, competitive strategies have a direct impact on how much and for how long a bank is able to retain its customers. Competitive advantage is advantage gained over competitors through competitive strategies by offering customers greater value either through lower pricing or providing additional benefits and services that justify similar or possibly high prices (Cole Ehmke 2008). In today's competitive environment banks need to keep up with current and potential customers if they are to survive, grow and continue to prosper. The banking industry is vulnerable to a changing environment and loyal customers can be stolen away through aggressive marketing campaigns (Holider, 2006).

Today banks are focusing most of their competitive efforts on physical presence such as branch network development in very attractive locations and promotions as well as offering supplementary services to differentiate themselves from other competitors (Mylonokis et al 2008). The homogeneity of services offered and competition within the banking industry have put pressure on banks to achieve competitive advantage through the use of competitive strategies such as differentiation which has led to emphasis on service quality. Banks are using service quality as a means gaining competitive advantage this practice has been perceived to be a basis for achieving differentiation and retaining customers in a highly competitive and homogenous industry (Loanna, 2002). Banks must look into the quality aspects of their products and to establish quality control systems for providing services that are consistent and at levels exceeding customer expectation banks should extend their product quality beyond the core service and

expected service with additional and potential service features to be remembered and distinguished by customers (Chang et al, 2007).

Retaining an existing bank customer costs less than creating a new one. The cost of creating a new customer has been estimated to be 5 times more than that of retaining an existing one (Reichheld, 2006). Banks are seeking to achieve a zero defection rate of profitable customers to minimize the customer defection and subsequent loss of customers in addition long term customers buy more and if satisfied may generate positive word of mouth promotion for the bank long term customers also take less of bank's time and are less sensitive to price as a result retaining customers becomes a priority and banks must more carefully consider the factors that might increase customer retention ratio.

### **2.2.2 Information Technology**

Banking environment has become highly competitive today. To be able to survive and grow in the changing market environment, banks are going for the latest technologies, which is being perceived as an 'enabling resource' that can help in developing learner and more flexible structure that can respond quickly to the dynamics of a fast changing market scenario. It is also viewed as an instrument of cost reduction and effective communication with people and institutions associated with the banking business (Priscillar,et.al, 2008) The financial reforms, deregulation, globalization etc. coupled with rapid revolution in communication technologies and evolution of novel concept of convergence of communication technologies like Internet, Mobile/Cell phones etc. Technology has continuously played on important role in the working of banking institutions and the services provided by them. Safekeeping of public money, transfer of money, issuing drafts, exploring investment opportunities and lending drafts, exploring investment being provided.

Information Technology enables sophisticated product development, better market infrastructure, implementation of reliable techniques for control of risks and helps the financial intermediaries to reach geographically distant and diversified markets. Information technology refers to the acquisition, processing, storage and dissemination of all types of information using available online at computer technology and telecommunication systems (Maxwel, 2008). Formation technology architecture is an integrated framework for acquiring and evolving IT to achieve strategic goals. These technologies are used for the input, storage, processing and communication of information. Information technology includes ancillary equipment, software, firmware and similar procedures, services etc. Modern high throughput technologies are providing vast amounts of the sequences, expression and functional data for

genes and protein Boller. (2000). One of the most difficult challenges is turning this enormous pool of information into useful scientific insight and novel therapeutic products.

The data can be sent and received in any part of the world. In no time, internet facility can do many a job for us. It includes the following: this net can work as electronic mailing system, it can have access to the distant database, which may be a newspaper of foreign country. Internet is a fast developing net and is of utmost important for public sector undertaking, education institution, and research organization etc. At present more than 3000 banks are the members of the network. To cater to the growth in messages, SWIFT was upgrade in the 80s and this version is called SWIFT-II. Many banks are hooked to SWIFT-II system. SWIFT is a method of the sophisticated message transmission of international repute. This is highly cost effective, reliable and safe means of fund transfer (Jenny, 2008). This network also facilitates the transfer of message relating to fixed deposit, interest payment, debit-credit statements, foreign exchange etc. This service is available throughout the year, 24 hours a day. This system ensures against any loss of mutilation against transmission. It serves almost all financial institution and selected range of other users. Automated Teller Machine (ATM) is an electronic machine, which is operated by the customer himself to make deposits, withdrawals and other financial transactions.

ATM is a step of improvement in customer service. ATM facility is available to the customer 24 hours a day. The customer is issued an ATM card. This is a plastic card, which bears the customer's name. This card is magnetically coded and can be read by this machine. Each cardholder is provided with a secret personal identification number (PIN). When the customer wants to use the card, he has to insert his plastic card in the slot of the machine. After the card is a recognized by the machine, the customer enters his personal identification number Viola (2007). After establishing the authentication of the customers, the ATM follows the customer to enter the amount to be withdrawn by him. After processing that transaction and finding sufficient balances in his account, the output slot of ATM gives the required cash to him. When the transaction is completed, the ATM ejects the customer's card. Cash Dispensers Cash withdrawal is the basic service rendered by the bank branches. The cash payment is made by the cashier or teller of the cash dispenses is an alternate to time saving. The operations by this machine are cheaper than manual operations and this machine is cheaper and fast than that of ATM (Rael et.al, 2005) the customer is provided with a plastic card, which is magnetically coated. After completing the formalities, the machine allows the machine the transactions for required amount.

Electronic Clearing Service in 2004, RBI appointed a committee to review the mechanization in the banks and also to review the electronic clearing service. The committee recommended in its report that electronic clearing service-credit clearing facility should be made available to all corporate bodies /

Government institutions for making repetitive low value payment like dividend, interest, refund, salary, pension or commission, it was also recommended by the committee Electronic Clearing Service Debit clearing may be introduced for pre-authorized debits for payments of utility bills, insurance premium and instalments to leasing and financing companies. The Applications of Bank Net are the message of banking transaction can be transferred in the form of codes from the city to the other, quick settlement of transactions and advices, Improvement in customer service-withdrawal of funds is possible from any member branch. Easy transfer of data and other statements RBI, Useful in foreign exchange dealings. Access to SWIFT through Bank net is easily possible (Flora, et.al, 2004). The customer of the bank is provided with a special type of credit card which bears customer's name, code etc.

The credit amount of the customer account is written on the card with magnetic methods. The computer can read these magnetic. When the customer uses this card, the credit amount written on the card starts decreasing. The customer has to deposit cash in his account for re-use of the card. Again the credit amount is written on the card by magnetic means. Phone banking customers can now dial up the bank's designed telephone number and by dialing one's ID number will be able to get connectivity to bank's designated computer. The software provided in the machine interactive with the computer asking him to dial the code number of service required by her and suitably answers her Koleta (2001). By using Automatic voice recorder (AVR) for simple queries and transactions and manned phone terminals for complicated queries and transactions, the customer can actually do entire non-cash relating banking on telephone anywhere, anytime. Tele-banking is another innovation, which provided the facility of 24 hour banking to the customer. Tele-banking is based on the voice processing facility available on bank computers. The caller usually a customer calls the bank anytime and can enquire balance in his account or other transaction history.

In this system, the computers at bank are connected to a telephone link with the help of a modem. Voice processing facility provided in the software. This software identifies the voice of caller and provides him suitable reply (Micky, 2008). Some banks also use telephonic answering machine but this is limited to some brief functions. This is only telephone answering system and not Tele-banking. Tele banking is becoming popular since queries at ATM's are now becoming too long. Internet banking enables a customer to do banking transactions through the bank's website on the internet. It is a system of accessing accounts and general information on bank products and services through a computer while sitting in its office or home. This is also called virtual banking. It is more or less bringing the bank to your computer. In traditional banking one has to approach the branch in person, to withdraw cash or deposit a cheque or request a statement of accounts etc. but internet banking has changed the way of

banking. Now one can operate all these type of transactions on his computer through website of bank (Mulibuko, et.al, 2000). All such transactions are encrypted; using sophisticated multi-layered security architecture, including firewalls and filters. Mobile banking facility is an extension of internet banking.

For this service, mobile phone should either be SMS or WAP enabled. These facilities are available even to those customers with only credit card accounts with the bank. With expansion of technology, it is now possible to obtain financial details from the bank from remote locations. Basic transaction can be effected from faraway places. Automated Teller Machines are playing an important role in providing remote services to the customers. Withdrawals from other stations have been possible due to inter-station connectivity of ATM's. The Rangarajan committee had also suggested the installation of ATM at non-branch locations, airports, hotels, Railway stations,

Office Computers, Remote banking is being further extended to the customer's office and home. There are several banks main foreign banks now offering very advanced touch tone telephone answering service which route the customer call directly to the department concerned and allow the customer to leave a message for the concerned desk or department, if the person is not available (Lelila, 2000). E- - banking is of recent origin. The traditional model for growth has been through branch banking. Only in the early 2000s has there been a start in the non-branch banking services. The new private sector banks and the foreign banks are handicapped by the lack of a strong branch network in comparison with the public sector banks. Many banks have modernized their services with the facilities of computer and electronic equipment. The electronics revolution has made it possible to provide ease and flexibility in banking operations to the benefit of the customer.

The e-banking has made the customer say good-bye to huge account registers and large paper bank accounts (Sophy, 2001). The e-banks, which may call as easy bank offers the following services to its customers like Credit Cards/Debit Cards and ATM, the first and foremost compulsion is the fierce competition. While deciding on the required architecture for the IT consideration is given to following realities. The requirements of the banks are different individually depending upon their nature and volume of business; focus on a particular segment, spread of branches and a like.

Many a time's banks to have the required information but it is scattered. The operating units seldom know the purpose of gathering the information by their higher authorities. As stated earlier the banks have most of the needed data but are distributed. Further the cost of collection of data and putting the same to use is prohibitively high. The accuracy and timeliness of data generation becomes the causalities in the process. Best of the intentions on computerization are wished away because there is non-visible reduction in cost/ efforts/ time required for the required data gathering.

In case a bank is unable to provide the required service at a competitive price and in an accurate manner with speed. Awareness of customers about the availability of services and their pricing as also available options have brought into sharp focus the issue of customer satisfaction. It has become necessary for the banks to vitalize the process of product development. Marketing functionaries needs a lot of information not only from the outside sources but also from within the banks. Banks are looking to retail segment as the future market places for sales efforts (Walker, et.al, 2001). Having full-fledged information of existing customer is the key for this purpose. The emergences of data requirement and an appropriate architecture to support the same are significant issues to be handled in this regard. End-of the Non-technical staff banking being a service industry, it is the staffs at counters that deliver the products.

In financial scenario, virtual banking is likely to have a few more years to establish. The dependence on counter staff is unavoidable. The staffs are large in number and the majority is non-technical. The customer satisfaction levels at the counter determine the ultimate benefit of IT offensive. Giving due consideration to this aspect in choosing architecture is necessary. Emerging trends of information technology in banking sector is one of the most talked about as also a controversial issue (Cellar, et.al, 2009).

Mishra and Ritu (2012) defined information technology as a means that is used to produce process, store, retrieve, and send information, whether it is in the form of written digital or image. The outputs of information technology are represented in the appearance of many areas of development like a sophisticated program, which include expert systems, artificial intelligence, databases, office automation, Internet, extranet, e-mail and remote communications technology. In this context, it can be said that information technology depends mainly on the use of techniques and software also its applications depends on several stages to its launch, from data acquisition, which includes the organization, tab, storage, coding, analysis to get to the results ranked stage processing to take advantage of them at the appropriate time. In this we note that information technology represents the technological aspect of the information system which is also used as an alternative to it at other times.

The study carried out in London (Jackmill, 2009), it's been indicated that Information and Communication Technology (ICT) has in particular brought a complete paradigm shift on the bank's performance and on the customer service delivery in the banking industry. In a bid to catch up with global development, improve the quality of customer service delivery, and reduce transaction cost, banks have invested heavily in ICT, **and** have widely adopted ICT networks for delivering a wide range of value added products and services. The ICT development has a significant effect on development of more flexible and user friendly banking services. Technology has several contributions that it makes on

bank's performance and facilitation of service delivery after its adoption. Customer satisfaction and customer service delivery is a key parameter for banks to ascertain how effectively they are able to deliver on institutional goals.

In Zimbabwe background Adesina and Ayo (2010) indicates that today, information and communication technology has become the heart of banking sector, while banking industry is the heart of every robust economy. If it collapses so will the economy. It is absolutely evident from the current recession, in European banks crises, and in turn. ICT has created a new infrastructure for the world economy to become truly global and also provided the users of new technology a competitive advantage over their rivals. Electronic banking system has become the main technology driven revolution in conducting financial transactions. However, banks have made huge investments in telecommunication and electronic systems, users have also been validated to accept electronic banking system as useful and easy to use. Castells (2007) reveals that, now transactions worth billions of dollars can only take place in seconds in the electronic circuit throughout the globe by pressing a single button, consequently this advances to contribution to financial performance of the banking industry.

According to Loonam *et al* (2008) in a study carried out in Zaire, although, ICT has revolutionized the way of living as well as conducting businesses and study of banking industry has received increased attention over the last decade, it continues to pose challenges for marketers and academic alike. ICT advancements, globalization, competition and changing social trends such as heightened customer proactivity and increased preferences for convenience have caused intense restructuring of the banking industry. Apparently, to identify and examine the impact of ICT on banks performance and customer service delivery, the researcher explored various articles/journals, relevant literature and existing practice of Electronic banking. In today's business, competition, deregulation and globalization have compelled Banks to offer service 24 hours around the globe, whereas the significance drawback, on the other hand, lies in its inconvenience and security factors. However, both these factors have a significant and profound impact on banks' performance and customer service deliver. The relationship that revolves between ICT expenditures, banks performance delivery is conditional upon the extent of network effects. If the networks are low, ICT is likely to: Reduce payroll expenses, Increase market share, Increase revenue and profit.

Interestingly in Kenya, Kozak (2005) investigated the influence of the ICT evolution on the profit and cost effectiveness of the banking industry within the stipulate period of 1992-2003. For this period, the study declares a significant relationship between the executed ICT, productivity and cost savings. The modernization of ICT has set the stage for extraordinary improvement in banking procedures throughout the world. For instance, the development of worldwide networks has considerably decreased the cost of

global funds transfer Vietnam, (Berger,2008), reveals banks that are using ICT related products such as online banking, electronic payments, security investments, information exchanges, and financial organizations can deliver high quality customer services delivery to customers with less effort

Furthermore, in a broader perspective, ICT, deregulation and globalization in the banking industry could reduce the income streams of banks and thus the strategic responses of the banks, particularly the trend towards internal cost cutting, mergers and acquisitions are likely to change the dynamics of the banking industry. The main issues that can prevent consumers positively include the convenience aspect of the service, ease of use and its compatibility with their lifestyle. Apparently, there are always potentials of crisis which make the bank endure an insufficiency; advanced ICT supported by a superior mechanism control is required to make certain that ICT has achieved the required processes insufficiency; thus, advanced information system supported by a superior mechanism control is required to make certain that ICT has achieved the required processes. A review of some related literatures reveals that ICT may essentially affect negatively banks efficiency and may reduce productivity. This notion was noted (Solow, 2007), "you can see the computer age everywhere these days, but in the productivity statistics".

### **2.2.3 Managerial Skills**

In the words of Adler (2001) in classical era there are certain inborn qualities such as intelligence, courage, initiative and humor, which collectively pre destine a man to be a manager, where the essential pattern is given at birth. Whereas Krygier (2005) states that great man theory is described by individuals who tried to explain history by the impact of great man or heroes who are highly influential individuals, either from personal charisma, genius intellects, or their strong political impact.

During historical upshots such as World War II are bonded directly to “great men theory” because of their decisions and orders. Adler (2001) also added that, not that everyone who has managerial traits will be a leader. Whereas McMahon & Romano (2002) posited that the trait theory concentrates on factors such as height, weight, appearance, intelligence and disposition of the individual. This theory focuses on individual characteristics of a manager. The most demanding character for a manager is an individual person who must learn to satisfy the motives of his or her internal and external stakeholders. The team acts as strong role models communicate high expectations and inspire followers. In other words, management is the product of a situation in a particular group. It is assumed that the traits and skills which characterize a good manager will vary from group to group and situation to situation.

The reason behind the study was to locate a variety of characteristics that are bound with each other and to provide indices of management effectiveness. After extensive analysis, the researchers study indices that the manager studies were classified as job centered or employee centered. In their research study it is expressed that the employee centered is described as a general supervisor and the job centered manager as a close supervisor. According to Caldwell and Dixon (2010), trust, support and forgiveness are critical values used by management. The individual in managerial roles within an organization who treat employees with respect and dignity can improve the work performance of the employees. The study on management continues to grow germinating in to more managed disciplines in the present business environment (Early and Davenport 2010). Managers strive to improve its operation by streamlining their organization processes, procedures, structures, and strengthening the values of the employees to obtain better results of production.

Management is a process by which a person influences others to accomplish objective and directs the organization in a way that make it more cohesive and coherent. Managers carry out this process by applying their knowledge and various styles to accomplish the goals. This may be referred to as process management. Poor management has a number of effect to an organization as it can affect their output both directly by mismanaging resources and indirectly by not taking the best out of organization member's e.g. the employee's managers who do not inspire members of the organization nor prove their abilities through rational and accurate administration can be the reason of low morale between individuals as indicated by (Aldooro, 2002) Management is one of those concept which can be seen widely in the people and the organization; (Bethel, 2003) argues that management has a strong ability to affect employee while (Grafton, 2002) defines management in a new way that creates a new vision. Management increases self-confidence of employee through coordination and communication, the most recent published theory of management is divided into two i.e. type transactional and transformational management.

Management is a wide concept that has biasness on influence according to (Devis, 2000); it is being able to create the kind of meaning for people i.e. the value that make sense to them, where there is enough trust in the organization. (Devis, 2000) continues to explain that management is not about ranks and titles but rather about responsibility. Management is therefore not the act of doing things for people but the act of doing things with people (employees) in managing of jobs. It is the job holder's capacity to obtain the commitment of employee to the objectives of the organizations.

According to (Allan, 2005) management is the (sum total) shared responsibility of all those in authority and control of institutional resources or charged with organizational responsibility to achieve corporate

goals management is a multilevel distributed function. Management requires participation and contribution at all organization levels; it is singularly responsible for the achievements of an organization hence it involves all customers in the organization. The success or failure of an organization is solely determined by its management. Therefore, it is proper to conclude that leadership is a corporate organization responsibility shouldered by all members of that organization.

Management skills derives from the theories of management and it includes homothetic management which is associate with scientific management it focuses on efficiency and task oriented with little regard to employee. The second management style is idiographic management style which is based on human relation; it considers the needs and personalities of the customers there are several management theories that determine management styles. According to (Cone, 2006) trait theory explain that management is based on the physical and mental characteristic of the manager while situation theory describes a manager as the one who stands out in a given situation. Functional theory argues that management is a shared responsibility while contingency theory on the other hand argues that management is a combination of trait and tasks to be performed and finally the group dynamics theory will arise out of the compatibility and the task.

According to Armstrong (2003) the management skills plays a vital role in developing and implementing organizational transformation and ensuring that procedures for carrying out change assessments, audits and inspections are implemented. Importantly, the management styles have the duty of monitoring and evaluating transformation and take corrective action as necessary. Managers can exert the greater influence on transformation measures. They are in immediate control and it is up to them to keep a constant watch on work conditions or practices and take immediate action. They are also directly responsible for ensuring that employees are conscious of the likely changes that are to take place within the organization.

Taylor (2005) argues that whereas making the changes completes a management responsibility, the task of managers is twofold; first the employee must know what to do; second this knowledge must be translated into action following the transformation that has taken place within the organization. The management must ensure that the style it has implored complies with the working procedures that are laid down following the transformation within the workplace. Communication and set guidelines during transformation of the organization provide opportunities to practice communication skills in a non-threatening environment. It encourages the free flow of information in both directions and keeps everyone informed on the issues that affect them (employees). Taylor (2005) fosters listening carefully

to the opinions of your employees. He states that the best time to air out or give important information to meet the first part of the obligation, the management style that is used needs to be scrupulous in communication of drills and instructions and the analysis of working situations to decide what the drills should be. That is a much bigger and more difficult activity that can be implied in a single sentence, but the second part of getting compliance is more difficult and more important. Employee failure to comply with clear drills due to the transformation that has taken place does not absolve the employer and the management.

Whereas in Taylor (2004) view, organizations can no longer yield to leave the responsibility for keeping well performing employees in the hands of the HR Department. Responsibility and accountability for retaining talent need to move out to the front lines and into the hands of managers. Management and their skill in building a climate of retention, a culture that speaks to employees in a way that encourages them to stay, will be an organization's best defense against unwanted turnover. Managers are therefore the secret weapon in keeping valued talent longer. A two-way communication is regarded as a core management competency and a key management responsibility. Management should adopt a style that would establish and confirm their managerial authority by means of appearing competent and trustworthy. Employees are more likely to stay with an organization when they strongly feel that their immediate boss shows interest and concern for them, if they know what is expected of them, if they are given a role that fits their capabilities and if they receive regular positive feedback and recognition. The quality of relationship an employee has with his or her immediate managers elongates employee stay in an organization (Ferreira, 2007).

#### **2.2.4 Quality Service**

Customer service is considered as an integral part of any facet of industry and it defines the future of any organization. The rapid advances in technology based systems related to internet are leading to fundamental ways in how different organizations interact. This applies same for relation of an organization with its customer. In different services industries the relationship between customer satisfaction and service attributes have been difficult to identify because services nature is intangible (Hong, Gooet al, 2004). Due to intangible nature of services it is difficult for the firms to analyze how the customers perceive and evaluate the desired outcome of the service quality. As customer evaluate their level of satisfaction by experimenting the service quality, satisfaction with services is related to conformation or disconfirmation of expectations (Smith and Houston 2002).

The issue of highest priority today involves understanding the impact of service quality on profit and other financial outcomes of the organization. As organizations are increasingly becoming customer

focused and are driven by customer demands. It is becoming equally challenging to satisfy and retain customer loyalty. Research by Oliver (2009) suggests that both service quality and customer retention are two distinct but related constructs. It is particularly true for the services firms where increased level of customer satisfaction results in profit maximization. Therefore, experts say that customer satisfaction should be the fundamental principle of all the service firms as it is the key indicator of firm's performance. Loyalty and satisfaction is proved to be the major determinant for long term survival and financial performance (Jones and Sasser, 2005) also customers are considered as final judges to judge the quality level of services offered. So it can be said that the improvements in quality standards bring positive outcomes for the firm. When service firms well understand this fact that continuous improvements in service quality and offerings effects the satisfaction level of customers, they can better allocate resources to attain quality standards in order to meet their client's expectations.

This research mainly focuses on those improvements and processes to manage the process of quality services delivered to the final consumers and examines the relationship between service quality and customer retention. The high quality demands on customer's end is becoming prominent due to the growing fact that high level of service quality leads to sustainable competitive advantage in the competitive business environment (Suresh chandaret al., 2002). It is not surprising to know that quality level of services is the leading phenomena to plan strategies in the services firms (Khamalah and Lingaraj 2007). To better understand the concept of quality and satisfaction, the definitions of the two main concepts of this research customer retention and service quality, are discussed in details. The concept of customer satisfaction has drawn the attention of practioners and academics from last several years based on the fact that customers are the primary source of Profit for most of the firms operating in the market (Tam, 2004).

According to Churchill and Surprenant (2002), "customer satisfaction is an outcome of clients and use resulting from the services' comparison of the rewards and costs of the services in relation to the anticipated consequences". It is also defined in terms of an emotional state that usually arises in response of evaluating a particular service (Westbrook, 2001). The former concept highlights the fact that satisfaction is determined through a cognitive procedure by comparing what customers give up to get a service (cost) and what they receive in response (reward) however the later concept takes satisfaction as an emotional feeling that results during the process of evaluation (Tam, 2004). Consistent with this concept, that "customer satisfaction is defined as an emotional response, which results from a cognitive process of evaluating the service received against the costs of obtaining the service"

(Woodruff et al. 2001). Customer satisfaction facilitates the measure of how service provided by bank meet customer expectation.

It is a key performance indicator in business terms. Typically, service firms monitor and examine the satisfaction level of customers on an ongoing base by using different scales like Likert, to measure the level of customer satisfaction which is mainly based on service encounter experienced on their last visit (Peterson and Wilson, 2002). Quality and customer satisfaction both have long been recognized as crucial role for success and survival in today's competitive market. Considerable evidence supports relationship between organization performance and level of satisfaction reported by customers (Anderson et al.2008). Therefore, it is argued that customer satisfaction should be considered the ultimate goal for all firms. Empirical evidences have supported that customer satisfaction reduces the likelihood of defection and/or is positively related with retention (Anderson and Sullivan, 2003). But satisfaction is mainly present in consumer's perception of the service or product attributes, which relates to the specific individual. Therefore, different customers will express different levels of satisfaction for the same service encounter or experience (Ueltschy et al., 2007).

There are many definitions for the term Quality defined by different authors. " Quality can be defined broadly as superiority or excellence" (Zeithaml, 2008). The previous research suggests that quality is not perceived as a one-dimensional concept by customer. Dabholkar, et al (2000) also found that customer satisfaction strongly mediated the effect of service quality on behavioral intentions. The data used in their study were systematically randomly collected from 397 banks. A test of discriminated validity revealed that the construct of service quality was different from the construct of customer retention. The result of regression analysis in structural equations modeling supported their proposition that customer satisfaction had a stronger effect on behavioral intentions than service quality did (Dabholkar et al., 2000). Service quality literature indicated that perceptions of high service quality and high service satisfaction resulted in a very high level of service intentions. (Boulding et al, 2002) claimed that customer loyalty was affected by product quality and service quality.

### **2.3 Review of Critical Literature**

Competition geared in banking sector has a significant impact on the service quality offered (Walcraft, 2003). Stiff competition is known to have many favorable effects: it facilitates quality performance reduces poor services among different sectors'

Competition ensures a sound assurance of long term service delivery and attainment of profit generating process. Though this is true, the study failed to emphasize on the effect of competition on customer's choice, hence leaving a gap to be filled.

Information Technology has a significant impact on service quality and customer's choice in Islamic banks in Kenya. Improved technology is known to have many favorable effects: it reduces workload as a cause of failure among complex operations. On the other hand, there is general consensus from literature that lack of improved technology also induces some failures to the banks systems. The study didn't exploit on the effects of information technology on customer's choice thus leaving a gap to be filled.

Different managerial skills in banking industry are developed to curb the effect that affect the customer, they will be aware of give-away sign and take immediate control of the situation before the damage become extensive. Managerial skills are to be well laid in an organization to foster customer's choice. Managerial skills have not well shown how customer retention can be achieved as the study intended to thus a gap left to be filled.

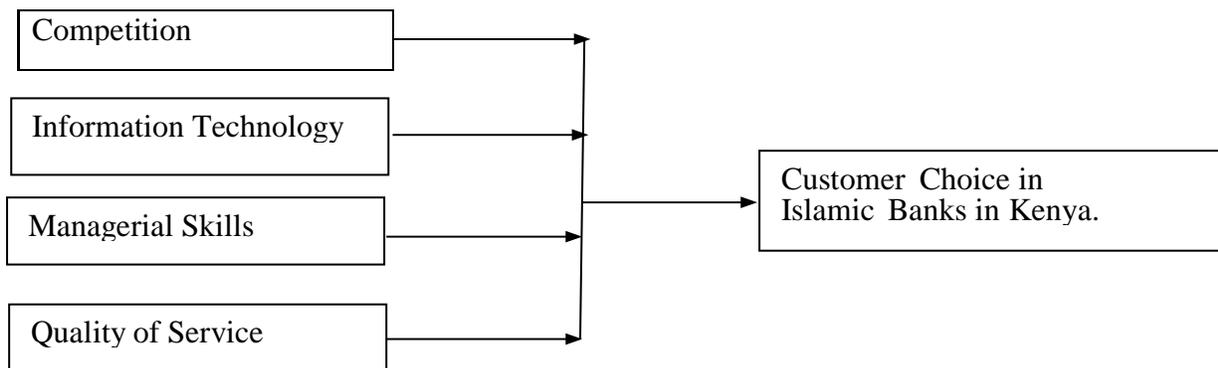
Regarding the Service Quality, Fries (2008) need could be a motivator to the effect on customer's choice therefore the management would come up responsibility at work that would give them access or customer's opinion. The management should understand that the customers are trying to increase access opportunities from the effect on retention through satisfaction. And therefore come up with stringent measures like stop the act of denying customers accessing huge loans. The study dint clearly state how quality service affects customer's choice hence left a gap that this study will tent to bridge.

## 2.5 Conceptual Framework

This shows how independent variables are related to the dependent variables

**Figure 2. 1 Conceptual Framework Independent Variables**

### Dependent Variable



**Source: Author (20 21)**

### **2.5.1 Competition**

Competition geared in banking sector has a significant impact on customer's choice through the service quality offered. Stiff competition is known to have many favorable effects: it facilitates quality performance reduces poor services among different sectors' competition ensures a sound assurance of long term service delivery.

### **2.5.2 Information Technology**

Information Technology has a significant impact on service quality and customer's choice in Islamic banks in Kenya. Improved technology is known to have many favorable effects: it reduces workload as a cause of failure among complex operations of banking systems

### **2.5.3 Managerial Skills**

Different managerial skills in banking industry are developed to curb the effects of the customer, they give-away sign and take immediate control of the situation before the damage become extensive. Managerial skills are to be well laid in the institution to foster customer's choice.

### **2.5.4 Quality of Service**

Service Quality need could be a motivator to the effect on customer's choice, therefore the management's responsibility at work is to give access to customer's opinion. The management should understand that the customers are trying to increase access opportunities from the effect on retention through satisfaction. And therefore come up with stringent measures like stop the act of denying customers from accessing huge loans.

## CHAPTER THREE

### RESEARCH DESIGN AND METHODOLOGY

#### 3.1 Introduction

This chapter highlights the methodology and the procedures which were used to obtain research data. It covered research design, target population, sample designs, data collection procedures instruments which were used and data analysis methods.

#### 3.2 Research Design

Kothari (2001) defines a research design as a master plan specifying the methods and procedures used for collecting and analyzing the needed information. In this study descriptive research design was used by researcher since information gathered involved administering questionnaires. The main purpose of the design was to describe systematically the situation or area of interest factually and accurately. It was useful for addressing questions that are related to what, why and how much and can be used to measure the incidence of phenomena.

#### 3.3 Target Population

According to (Mugenda and Mugenda, 2003), target population is group, individual, objects or items from which samples are taken for measurement in research. The target population of the staffs for this research study were 86 employees of The Gulf bank. The target population of the study included top management, middle management and operational staffs of the bank. The target population was as follows:

**Table 3. 1 Target Population**

<b>Category</b>	<b>Frequency</b>	<b>Percentage</b>
Top Level Management	2	2
Technical Staff	3	3
Middle Level Management	7	8
Operational Staff	74	85
<b>Total</b>	<b>86</b>	<b>100</b>

**Source: Gulf Bank 2021)**

### 3.4 Sampling Design

According to Kothari and Kothari (2001) sampling is the process by which a relatively small number of individuals, objects or events is selected and analyzed in order to find out something about the entire population from which is selected. A sample is a small proportion of targeted population selected using some systematic form. The researcher used stratified random sampling because it enables generalization of a larger population with a margin of error that is statistically determinable. A sample size of 45 staffs of the bank were selected. According to (Kothari and Kothari, 2001) a sample is representative if it is composed of 50% and above of the target population. The sample size was as follows: -

**Table 3. 2 Sample Design**

<b>Category</b>	<b>Target Population</b>	<b>Sample size</b>	<b>Percentage</b>
Top level of Management	2	1	2
Technical Staff	3	2	4
Middle level Management	7	5	11
Support Staff	74	37	83
<b>Total</b>	<b>86</b>	<b>45</b>	<b>100</b>

**Source: Author (2021)**

### 3.5 Data Collection Procedures and Instruments

The researcher used questionnaires to collect data from the respondents. They included both open and closed ended questions. The questionnaires were distributed and picked later. This method is easier because all the answers were written and later submitted to the researcher in good time for analysis. Questionnaires were used in the study since they were presented in paper format. There were no opportunity for interviewer's bias. The questionnaires were drafted in such a way that they were simple and understandable in order to encourage high respondent rate.

### **3.5.1 Validity and Reliability of Research Instruments**

Validity refers to whether the research measures, what it intends to. Reliability can be defined as the extent to which the measurement of a test remains consistent over repeated tests of the same subject under identical conditions. A pretest was done using six respondents who were not part of this final study. Specific questions were incorporated in the questionnaires which aimed at capturing specific information from the respondents. These preliminary questionnaires were sending the employees to fill in and send them back for evaluation. The aim of the pilot testing was to check the reliability and validity of the questionnaires to achieve accurate results.

### **3.6 Data Analysis and Procedures**

This is the process of gathering, modeling and transforming raw data with the goal of highlighting useful information, suggesting, conclusion and supporting decision making (Kothari, 2001); the purpose of data analysis was to prepare crude data into interpretable design. The data was analyzed using qualitative and quantitative statistics to be presented in frequencies, percentages, tables and figures.

## CHAPTER FOUR

### DATA ANALYSIS PRESENTATION AND INTERPRETATION OF FINDINGS

#### 4.1 Introduction

This chapter explains the analysis done on the data which was collected by the researcher.

#### 4.2 Presentation of Findings

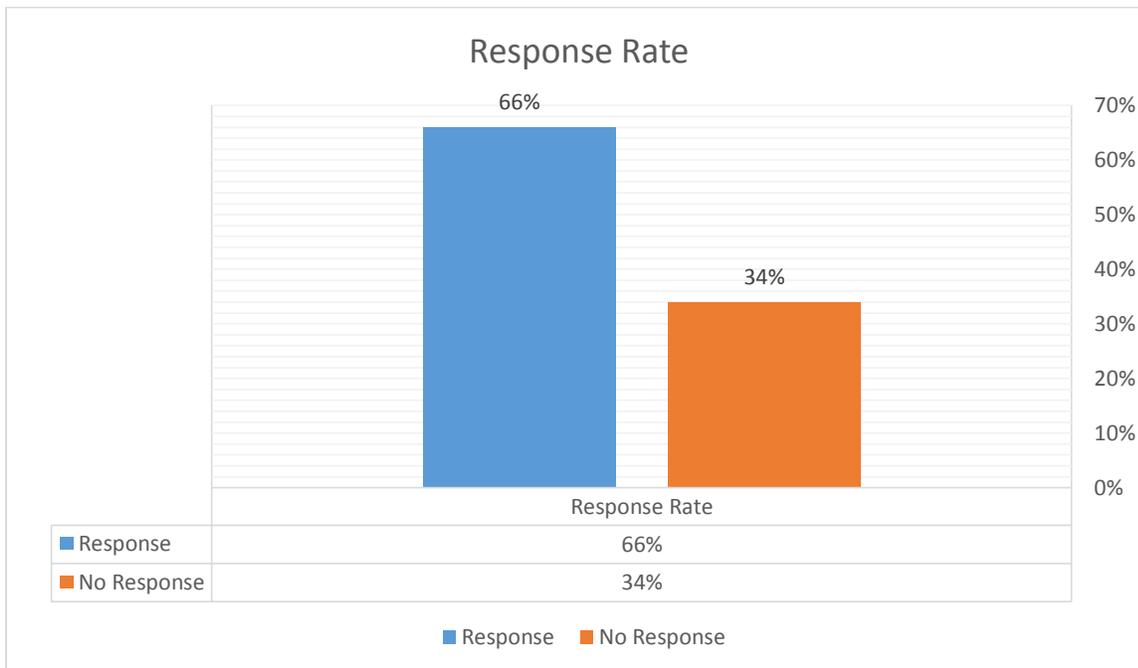
##### 4.1 Response Rate

**Table 4. 1 Response Rate**

Category	Frequency	Percentage
Response	30	66
No Response	15	34
<b>Total</b>	<b>45</b>	<b>100</b>

Source: Author (2021)

**Figure 4. 1 Response Rate**



Source Author (2021)

The table 4.1 and figure 4.1 indicates the response got from the respondents who were given the questionnaires. The response of 66% indicate the response of the questionnaires returned by respondents who contributed to the study, while the response of 34% indicate the response of the respondents who did not return the questionnaires. The research was good enough for the research to proceed on.

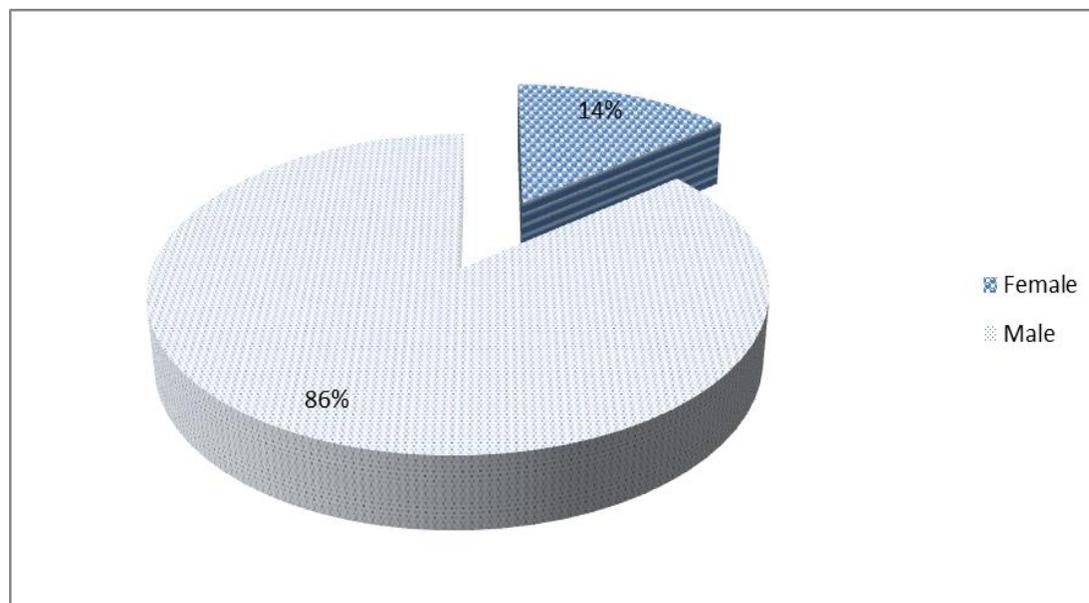
## 4.2 Gender Response

**Table 4. 2 Gender Responses**

Category	Frequency	Percentage
Male	26	86
Female	4	14
<b>Total</b>	<b>30</b>	<b>100</b>

**Source: Author (2021)**

**Figure 4. 2 Gender Response**



**Source: Author (2021)**

The table 4.2 and the figure 4.2 above indicate the gender response. The response of male was 86% indicating the majority response while 14% indicated the response of female respondents. It was indicated that a few ladies take part in the operation of the bank

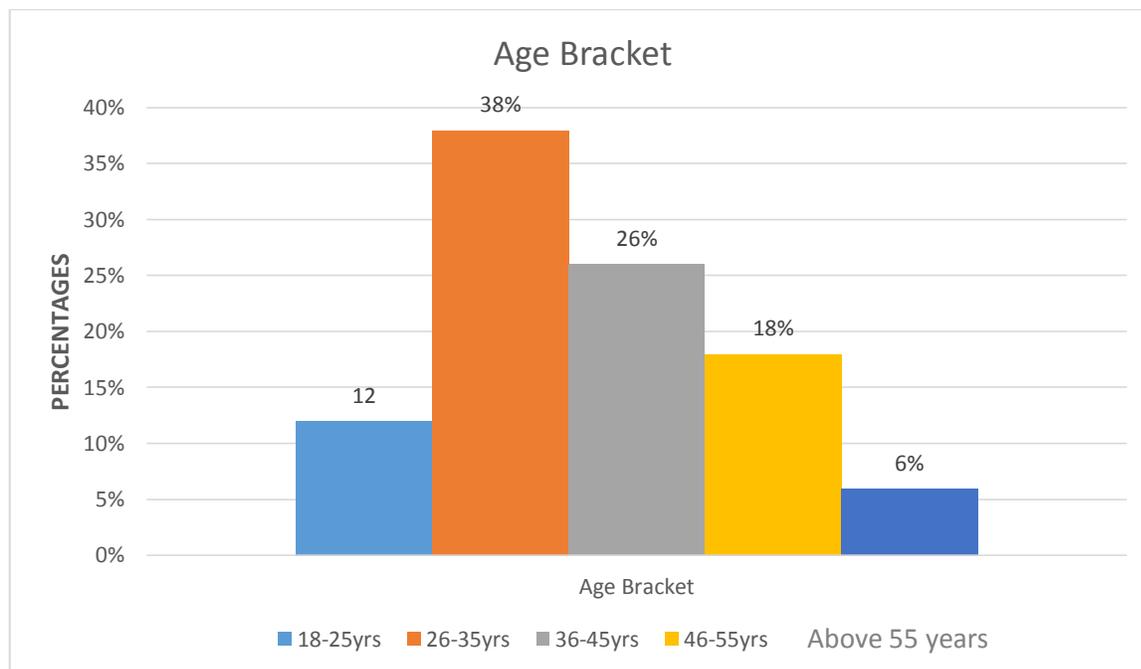
### 4.3 Age Bracket

**Table 4. 3 Age Bracket**

Category	Frequency	Percentage
18-25 years	4	12
26-35	11	38
36-45	8	26
46-55	5	18
Above 55	2	6
<b>Total</b>	<b>30</b>	<b>100</b>

**Source: Author (2021)**

**Figure 4. 3 Age Bracket**



**Source: Author (2021)**

Table 4.3 and the figure 4.3 indicate the response on the age brackets. The age bracket analysis of the respondents was as follows; the respondents with less than 25yrs responded by 12% while the response of those between 26 -35 gave a response of 38%. There was a response of 26% from those with ages between 36-45 yrs. On the other hand, those with 46-55 years gave response of 18% and finally those above 55 years gave a response of 6% indicating the lowest response.

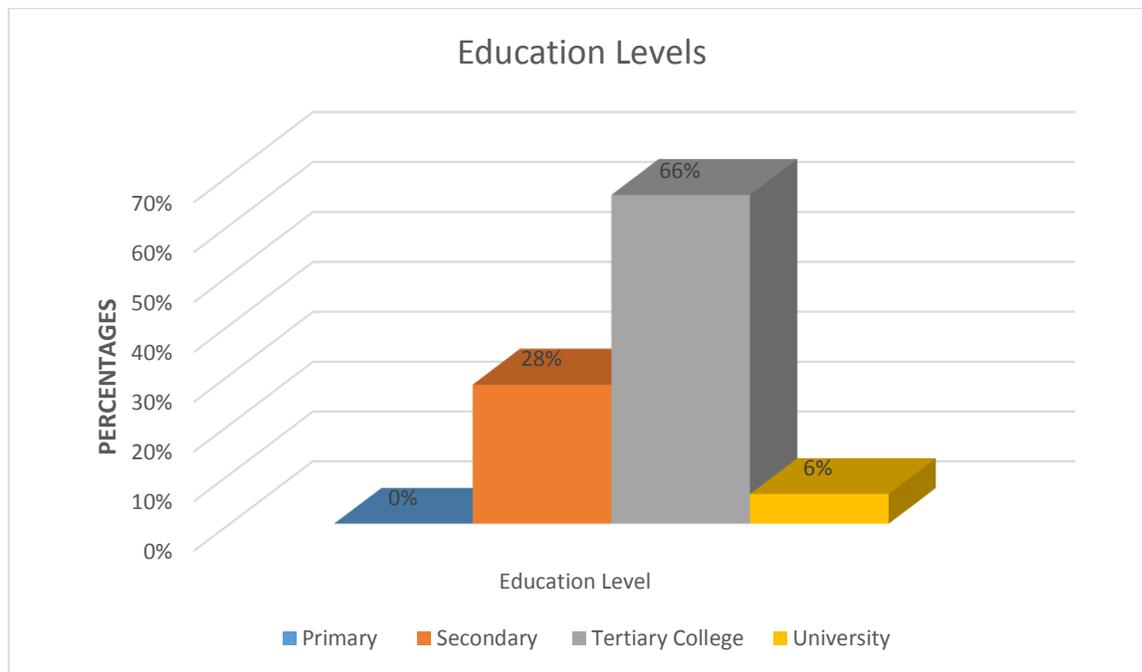
#### 4.4 Education Level

**Table 4. 4 Education Level**

Category	Frequency	Percentage
Primary level	0	0
Secondary	8	28
Tertiary College	20	66
University	2	6
<b>Total</b>	<b>30</b>	<b>100</b>

**Source: Author (2021)**

**Figure 4. 4 Education Level**



**Source: author (2021)**

The table 4.4 and figure 4.4 above indicate the response on the education levels. The responses were as follow: the primary level of education had responses of 0% while the secondary level had a response of 28%. The response of tertiary college had the majority response of 66% and finally the university level had the smallest response of 6%. This indicated that the bank has the potential to perform since the most workers are more qualified.

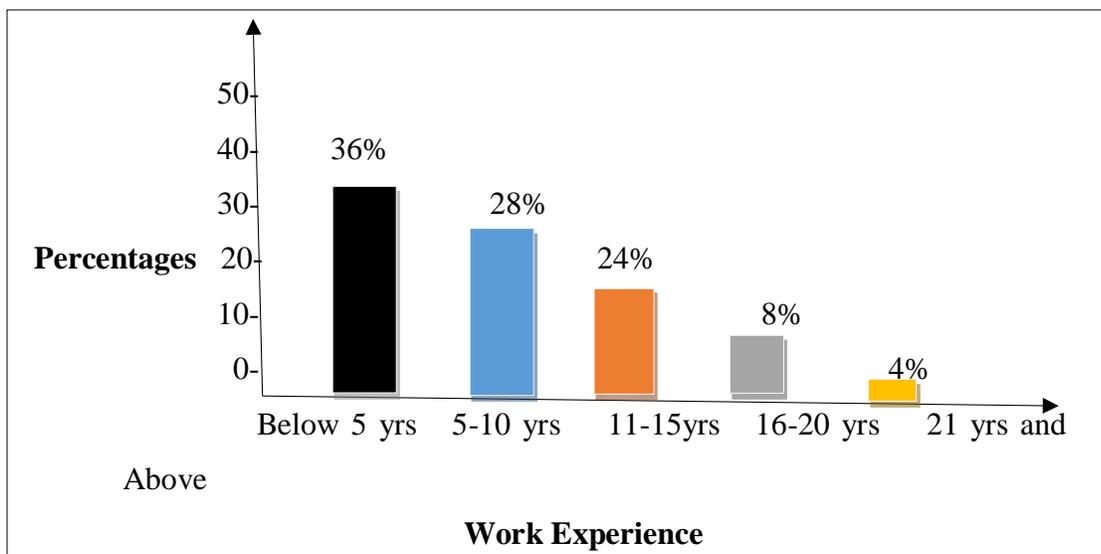
## 4.5 Work Experience

**Table 4. 5 Work Experience**

Category	Frequency	Percentage
Below 5 years	11	36
5-10 years	8	28
11-15 years	6	24
16-20 years	3	8
21 years and above	2	4
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Author (2021)

**Figure 4. 5 Work Experience**



Source: Author (2021)

The table 4.5 and the figure indicate response that was got on the work experience. In this regard the response of those below 5 years was 36% the response of those between 5 -10 was 28% the response of 11-15 was 24% the response of those between 16-20 years was 8%. The response of those above 21 years was 4% and it had the minority response. The majority of the workers who respondents to the questionnaire had worked for less than five years indicating that the bank has employed more employees of late.

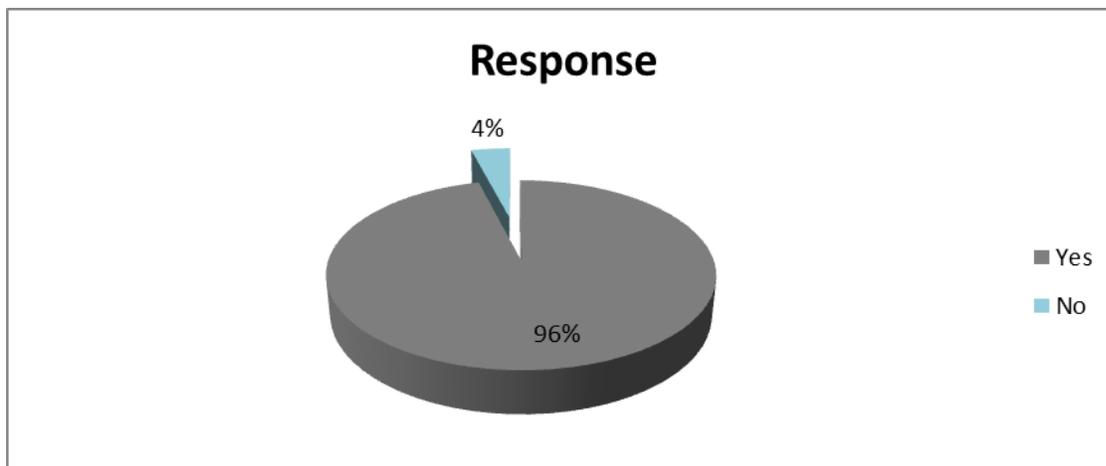
#### 4.6 Competition

**Table 4. 6 Response Effects of Competition on Customer Choice in Islamic bank in Kenya.**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Yes	29	96
No	1	4
<b>Total</b>	<b>30</b>	<b>100</b>

**Source: Author (2021)**

**Figure 4. 6 Response Effects of Competition on Customer Choice in Islamic bank in Kenya.**



**Source: Author (2021)**

The table 4.6 and figure 4.6 indicated the response got on the analysis of whether competition affects customer Choice in Islamic bank in Kenya. The response of 96% indicated yes that competition affects customer Choice in Islamic bank in Kenya. The response of 4% indicated no that it does not affect. By comparing the two, it can be noted competition affects customer Choice in Islamic bank in Kenya.

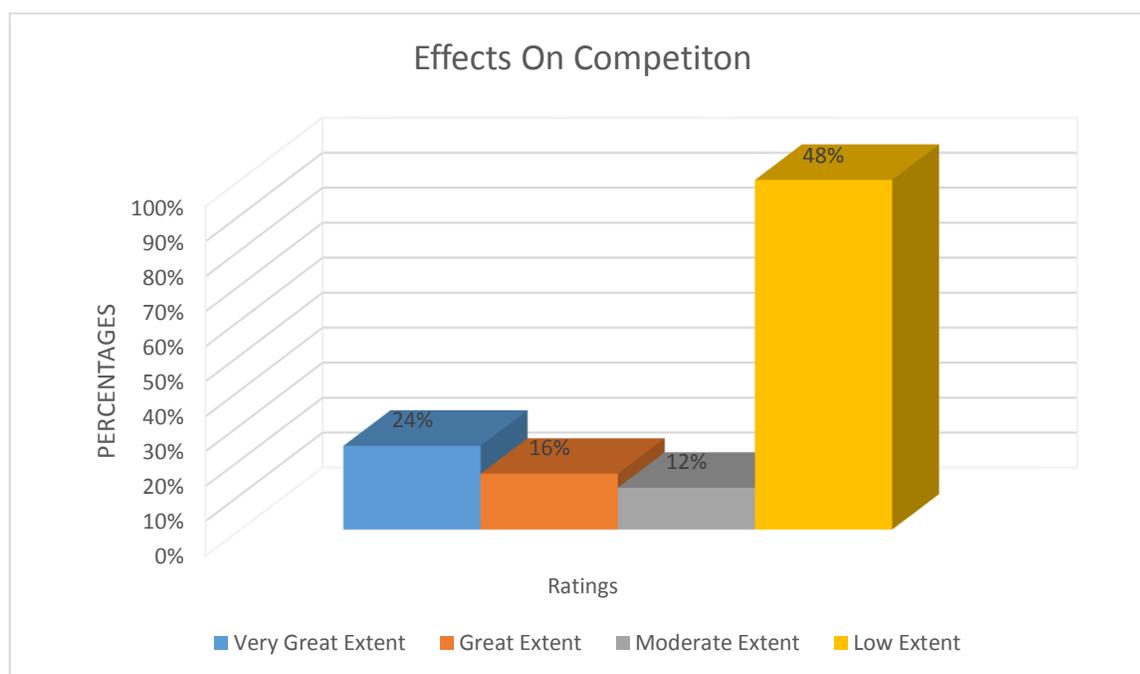
#### 4.2.7 Competition

**Table 4. 7 Extent effects of competition on customer Choice in Islamic bank in Kenya.**

Category	Frequency	Percentage (%)
Very Great Extent	14	48
Great Extent	7	24
Moderate Extent	5	16
Low Extent	4	12
<b>Total</b>	<b>30</b>	<b>100</b>

**Source: Author (2021)**

**Figure 4. 7 Extent effects of competition on customer Choice in Islamic bank in Kenya.**



**Source: Author (2021)**

Table 4.7 and figure 4.7 indicate the extent of the effects of competition by respondents. 48% represents those who were of the opinion that competition greatly affects customer Choice in Islamic bank in Kenya, 24% represent those who were of the opinion that it has a great effect on customer Choice in Islamic bank in Kenya, 16% said it had moderate effects on customer Choice, 12% with the lowest percent indicated that competition has low effects on customer in on customer Choice in Islamic bank in Kenya.

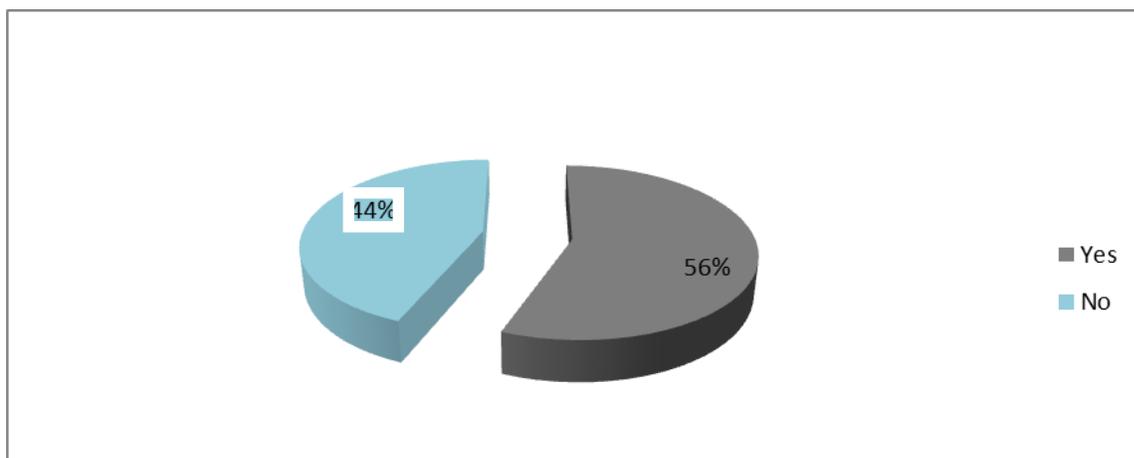
#### 4.8 Information Technology

**Table 4. 8 Response Effects of Information Technology on Customer Choice in Islamic bank in Kenya.**

Response	Frequency	Percentage
Yes	17	56
No	13	44
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Author (2021)

**Figure 4. 8 Response Effects of Information Technology on Customer Choice in Islamic bank in Kenya.**



Source:

**Author (2021)**

The table 4.8 and figure 4.8 indicate the response got from the respondents on whether information technology affects customer Choice in Islamic bank in Kenya. In this regard, 56% said yes while the response of 44% said no, this indicated that information technology affects customer Choice affects Islamic bank in Kenya.

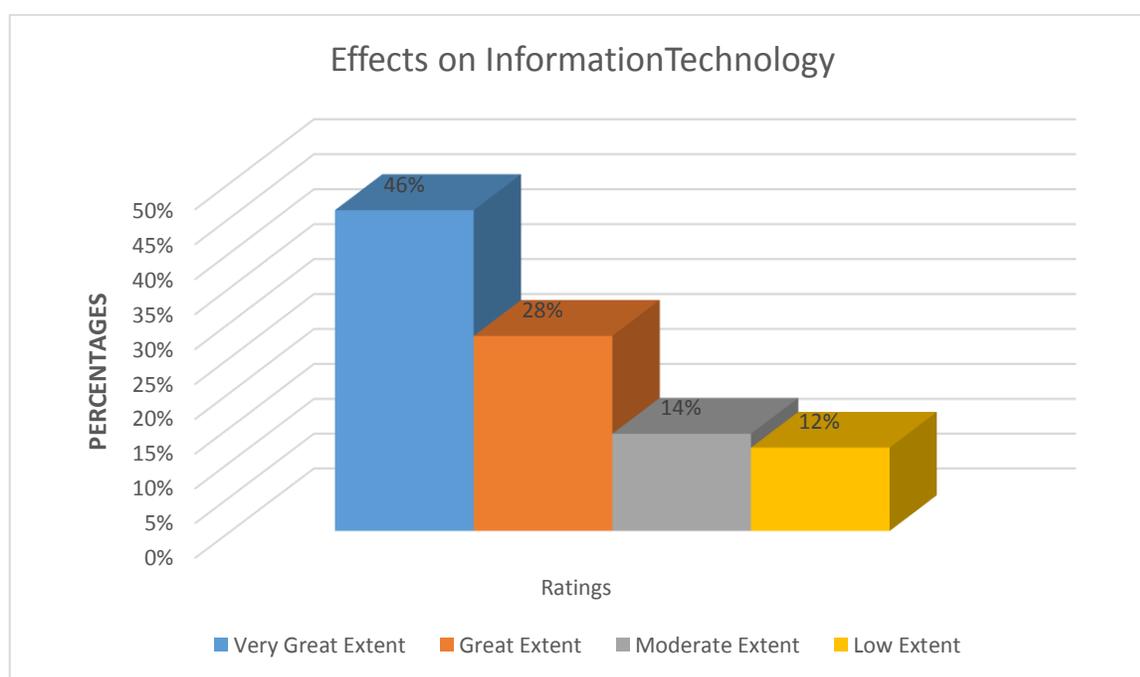
## 4.9 Information Technology

**Table 4. 9 Extent Effects of Information Technology on Customer Choice in Islamic bank in Kenya**

Category	Frequency	Percentage (%)
Very Great Extent	14	46
Great Extent	9	28
Moderate Extent	5	14
Low Extent	3	12
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Author (2021)

**Figure 4. 9 Extent Effects of Information Technology on Customer Choice in Islamic bank in Kenya.**



Source: Author (2021)

Table 4.9 and figure 4.9 indicate the extent of the effects of information technology by respondents. 46% represents those who were of the opinion that information technology greatly affects customer Choice in Islamic bank in Kenya, 28% represent those who were of the opinion that it has a great effect on customer Choice in Islamic bank in Kenya, 14% said it had moderate effects on customer Choice in Islamic bank in Kenya and 12% with the lowest percent indicated that information technology has low effects on customer Choice in Islamic bank in Kenya.

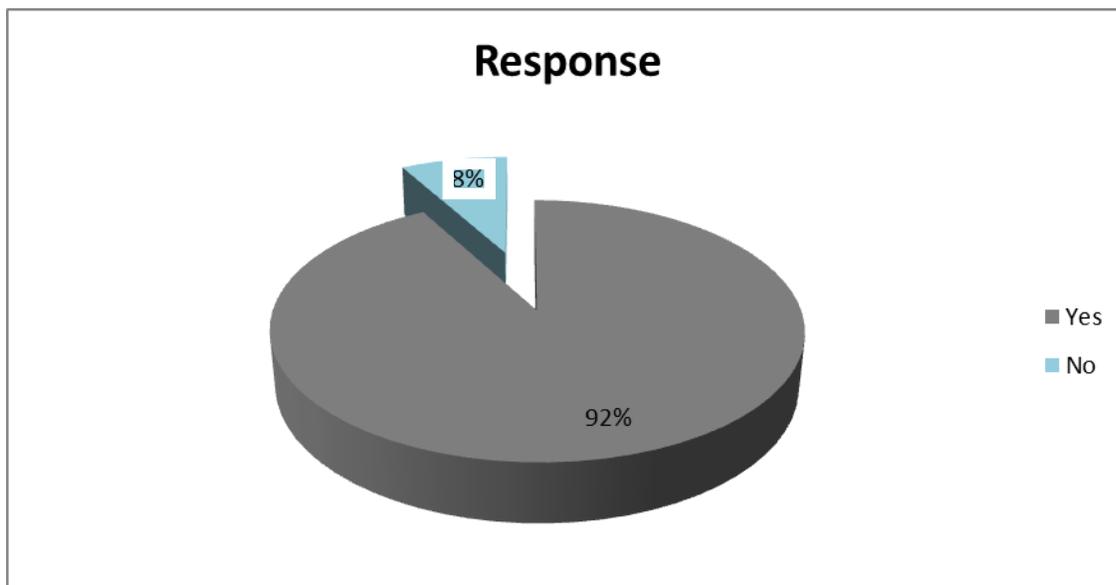
#### 4.10 Management Skills

**Table 4. 10 Response Effects of Management Skills on Customer Choice in Islamic bank in Kenya.**

Response	Frequency	Percentage (%)
Yes	28	92
No	2	8
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Author (2021)

**Figure 4. 10 Response Effects of Management Skills on Customer Choice in Islamic bank in Kenya.**



Source: Author (2021)

The table 4.10 and figures 4.10 indicate the response got from the respondents on what extent management skills affects customer Choice in Islamic bank in Kenya. 92% response indicated that it does affect while 8% indicated that it does not affect. By Comparing the two response it can be noted that management skills affect customer Choice in Islamic bank in Kenya.

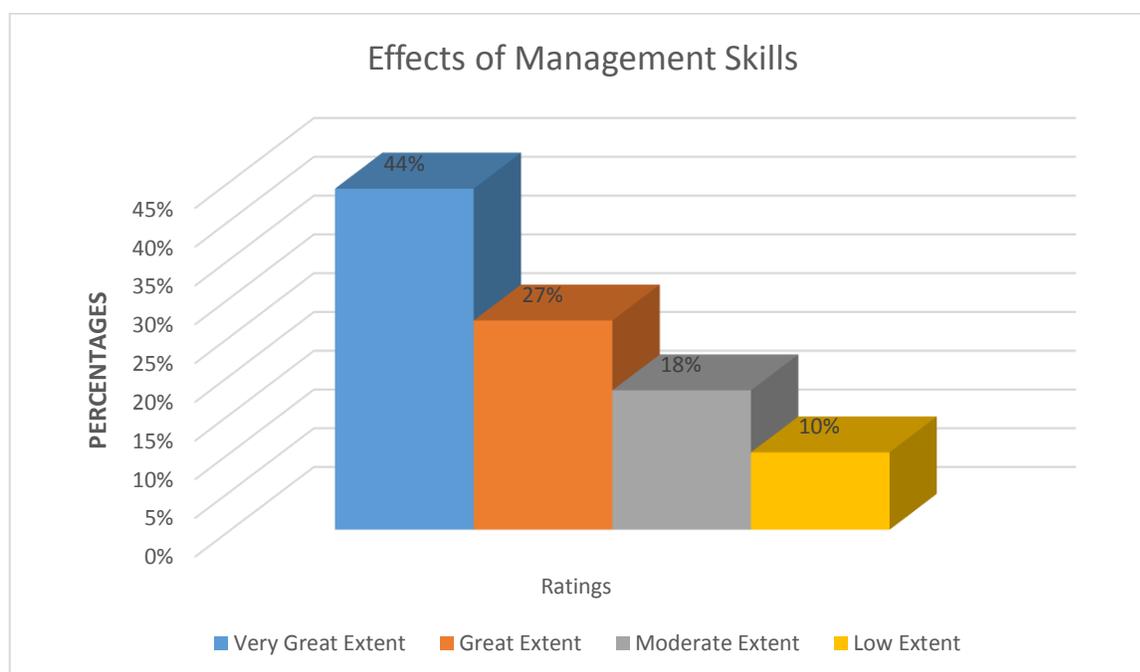
#### 4.11 Management Skills

**Table 4. 11 Extent Effects of Management Skills on Customer Choice in Islamic bank in Kenya.**

Category	Frequency	Percentage (%)
Very Great Extent	14	47
Great Extent	7	23
Moderate Extent	5	16
Low Extent	4	14
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Author (2021)

**Figure 4. 11 Extent Effects of Management Skills on Customer Choice in Islamic bank in Kenya.**



Source: Author (2021)

Table 4.11 and figure 4.11 indicate the extent of the effects of management skills by respondents. 44% represents those who were of the opinion that management skills greatly affect customer Choice in Islamic bank in Kenya, 27% represent those who were of the opinion that it has a great effect on customer Choice, 18% said it had moderate effects on customer Choice in Islamic bank in Kenya, respondents of 10% with the lowest percent indicated that management skills have low effects on customer Choice in Islamic bank in Kenya

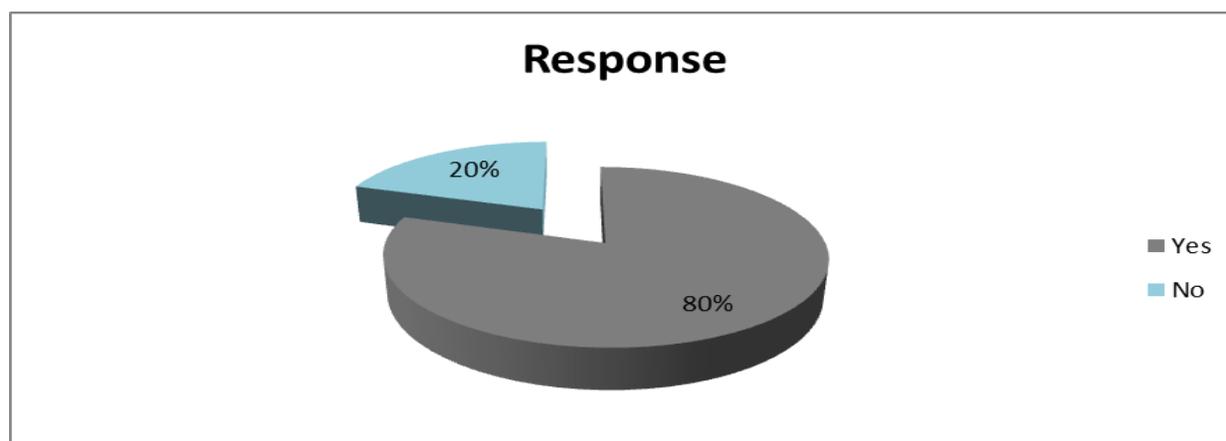
#### 4.12 Quality of Service

**Table 4. 12 Response Effects of Quality of Service on Customer Choice in Islamic bank in Kenya**

Category	Frequency	Percentage
Yes	24	80
No	6	20
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Author (2021)

**Figure 4. 12 Response Effects of Quality of Service on Customer Choice in Islamic bank in Kenya**



Source: Author (2021)

The table 4.12 and figure 4.12 indicate the response of whether quality of service affects customer Choice in Islamic bank in Kenya. The majority response representing 80% said that it affects customer retention while the response of 20% said that quality of service does not affect customer Choice in Islamic bank in Kenya. By comparing the two responses it can be noted that quality of service affects customer Choice in Islamic bank in Kenya.

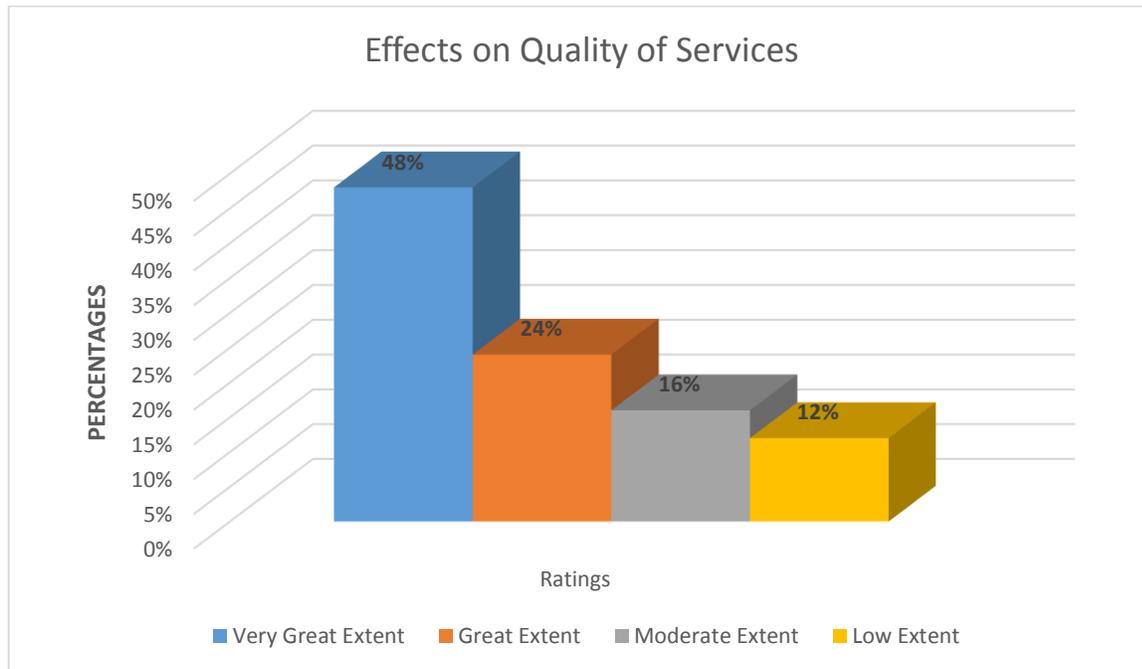
#### 4.13 Quality of Service

**Table 4. 13 Extent Effects of Quality of Service on Customer Choice in Islamic bank in Kenya.**

Category	Frequency	Percentage (%)
Very Great Extent	14	48
Great Extent	9	26
Moderate Extent	5	15
Low Extent	3	11
<b>Total</b>	<b>30</b>	<b>100</b>

Source: Author (2021)

**Figure 4. 13 Extent Effects of Quality of Service on Customer Choice in Islamic bank in Kenya.**



**Source: Author (2021)**

Table 4.13 and figure 4.13 indicate the extent of the effects of quality of service by respondents. 48% represents those who were of the opinion that quality of service greatly affects customer Choice in Islamic bank in Kenya, 24% represent those who were of the opinion that it has a great effect on customer Choice in Islamic bank in Kenya, 16% said it had moderate effects on customer Choice in Islamic bank in Kenya and 12% with the lowest percent indicated that quality of service has low effects on customer Choice in Islamic bank in Kenya.

### **4.3 Summary of Data Analysis**

#### **4.3.1 General Information**

The response of 66% indicate the response of the questionnaire returned which represents the number of respondents who contributed to the study while the response of 34% indicated the response of respondents who did not return the questionnaires. The response of male was 86% indicating the majority response while the 14% indicated the response of female respondents. The respondents with less than 25 years responded by 12% while the response of those between 26 and 35 gave a response of 6% 26-35 gave a response of 58%. There was a response of 26% from those with ages between 36-45 years. On the other hand, those with 46 – 55 years gave response of 18% and finally those with

above 55 years gave response of 65. The primary level of education had a response of 0%, Secondary 28%, College with the majority of 66% and finally the University level had the smallest response of 6%.

#### **4.3.2 Competition**

Majority respondents with 96% indicated that competition is one of the key factors that affects customer Choice in Islamic bank in Kenya. The organization respondents indicate that the competition determines the quality service offered. Majority respondents indicated that it affects customer Choice in Islamic bank in Kenya.

#### **4.3.3 Information Technology**

Majority respondents with 56% indicated that information technology is a key factors in any customer serving firm. The respondents indicated that information technology is a key player in service delivering. Majority respondents indicated that it affects customer Choice in Islamic bank in Kenya.

#### **4.3.4 Managerial Skills**

The financial institution was said to be incurring a lot of changes in terms of service delivering. In this case the majority respondents of 92% indicated that the sector has a well laid managerial board that leads the entire operation process of the bank. The employees however indicated that there is need to look into the managerial skills and make adjustments where necessary.

#### **4.3.5 Quality of Service**

Majority respondents indicated that the institution has managed offer quality services. 80% were of the opinion that it affects with the least 20% not conquering with the views. The employees however indicated that there is need to look into the structure of service delivering and ensure that the appropriate measures concerning delivery of service are adhered to by respective respondents.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter consists of summary of major findings, answers to research questions, conclusion and recommendation of the study.

#### 5.2 Summary of Findings

##### 5.2.1 How does competition affect customer Choice in Islamic bank in Kenya?

According to this finding, competition affect customer Choice in Islamic bank in Kenya and this was indicated by majority of the respondents of 96% while those who disagreed were only 4%. Categorically, 48% agreed that competition affects customer Choice in Islamic bank in Kenya to a very great extent, 24% great extent, 16% moderate extent and 12% to low extent.

##### 5.2.2 To what extent does information technology affect customer Choice in Islamic bank in Kenya?

From the analysis it was indicated that information technology being a factor, it does also affect customer Choice in Islamic bank in Kenya. This was represented by 56% of the respondents who indicated it does affect customer Choice while 44% disagree with that. Categorically, 46% agreed that information technology affects customer Choice in Islamic bank in Kenya to a very great extent, 28% great extent, 14% moderate extent and 12% to low extent.

##### 5.2.3 What are the effects of management skills on customer Choice in Islamic bank Kenya?

According to the findings, 92% of the respondents indicated that managerial skills does affect customer Choice in Islamic bank in Kenya while other 8% indicated that it does not affect customer Choice in Islamic bank in Kenya. Categorically, 47% agreed that managerial skills affect customer Choice in Islamic bank in Kenya to a very great extent, 23% great extent, 16% moderate extent and 14% to low extent

#### **5.2.4 To what extent does quality of service affect customer Choice in Islamic bank in Kenya?**

According to the findings, quality of service affects customer Choice in Islamic bank in Kenya and this was indicated by majority of the respondents of 80% while those who disagreed were 20%. The respondents said that quality of service is crucial in retention of customer Choice in Islamic bank in Kenya. Categorically, 48% agreed that quality of service affects customer Choice in Islamic bank in Kenya to a very great extent, 26% great extent, 15% moderate extent and 15% to low extent.

### **5.3 Conclusions**

Based on the findings of the study, it can be concluded as follows: The study has found that there' are factors affecting customer Choice in Islamic bank in Kenya. The study has found out a general dissatisfaction in staff within the bank on strategies placed to maintain customers.

The bank services are said to be improving through stiff competition in order to facilitate large number of customer Choice. In this case, the majority respondents indicated that the sector has put it place measures to ensure that all departmental performs to the set target.

Information Technology through improving facilities related to customers was said to be improving the services of the sector that leads to general growth of the institutions. Mobile withdrawal and transfers and security facilities boosts the institutions. Through technology, communication has linked different components of the service industry.

Managerial skills were said to be one of the key factors affecting the customer Choice in Islamic bank in Kenya. In this regard, the respondents indicated that the financial sector with good managerial skills enables its employees to perform effectively to a given goal thus retain their customers.

The Islamic banks bank was said to be improving its service delivering practices in order to retain its customers. In this case the majority respondents indicated that the sector has maintained its link with the regulations set. The employees however indicated that somehow the services offered should be boosted to one hundred percent.

## **5.4 Recommendations**

### **5.4.1 Competition**

To be competitive the study recommends that the management of Islamic Banks should renovate the banking hall to make them more customer friendly. In addition, the study recommends a reduction in the turnaround time (TAT) on service delivery at every point. They should also introduce competitive and personalized services.

### **5.4.2 Information Technology**

Based on the findings of the study, it is recommended that the Islamic banks should continuously upgrade and replace outdated IT infrastructure to match the current market trends and demands which will lead to efficiency in service delivery. Further the management of the bank should invest in digitization of its financial products such as Mobile banking.

### **5.4.3 Managerial Skills**

Based on the study it is recommended that management should initiate mentorship and coaching programs to enhance their skills in managing changing customer demands. They should also consider initiating teambuilding activities from which they can learn through sharing of new ideas and experiences.

### **5.4.4 Quality of Service**

The study recommends that banks should hire competent and trained staff to deliver quality services to their customers. It is further recommended that customer surveys should be carried out periodically to assess the level of satisfaction and improve on areas the customers may find wanting. They should also collect and analyze feedback forms on a daily basis to help to monitor and maintain the quality of services offered. Finally, they should introduce flexible working hours to enable customer access more services conveniently.

### **5.4.5 Suggestions for Further Research**

The main object of this study was to investigate the factors affecting customer Choice in Islamic bank in Kenya. The study focused on four (4) variables only. However, in the course of the study it was found out that there are other factors (variables) that affect customer Choice such as interest rates, government policies and political environment. It is therefore suggested that further research be carried out to investigate further the effect of these factors on customer Choice in other bank in Kenya.

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## APPENDIX I: QUESTIONNAIRE

Please tick within the boxes ( ) and fill the structured questionnaire with applicable answers.

### SECTION A: Personal Information

#### 1. Gender

Male [ ]

Female [ ]

#### 2. Age

18-25 years [ ]

26-35 years [ ]

36-45 years [ ]

46-55 [ ]

Above 55 years [ ]

#### 3. Highest level of education

Primary [ ]

Secondary [ ]

Tertiary College [ ]

University [ ]

#### 4. Experience

5 years and below [ ]

5-10 years [ ]

11-15 years [ ]

16-20 years [ ]      21 years [ ]

**SECTION B: COMPETITION**

5. Does competition affect customer’s choice of Islamic banks in Kenya?

Yes ( )

No ( )

Explain

.....  
.....

6. To what extent does competition affect customer’s choice of Islamic banks in Kenya?

Very Great Extent ( )

Great Extent ( )

Moderate Extent ( )

Low Extent ( )

Please explain

.....  
.....

**SECTION C: INFORMATION TECHNOLOGY**

7. Does information technology affect customer’s choice of Islamic banks in Kenya?

Yes ( )

No ( )

Explain

.....  
.....  
.....

8. To what extent does information technology affect customer's choice of Islamic banks in Kenya?

Very Great Extent ( )

Great Extent ( )

Moderate Extent ( )

Low Extent ( )

Please explain

.....  
.....

**SECTION D: MANAGERIAL SKILLS**

8. Does management skills affect customer's choice of Islamic banks in Kenya?

Yes ( )

No ( )

Explain

.....  
.....

9. To what extent does management skills affect customer's choice of Islamic banks in Kenya?

Very Great Extent ( )

Great Extent ( )

Moderate Extent ( )

Low Extent ( )

Please explain

.....  
.....

**SECTION F: QUALITY SERVICE**

**10.** Does quality of service affect customer's choice of Islamic banks in Kenya?

Yes ( )

No ( )

Explain

.....  
.....

**11.** To what extent does quality of service affect customer's choice of Islamic banks in Kenya?

Very Great Extent ( )

Great Extent ( )

Moderate Extent ( )

Low Extent ( )

Explain

.....

.....

**THANK YOU FOR YOUR COOPERATION**