DETERMINANTS OF CUSTOMER LOYALTY IN ISLAMIC BANKING: A CASE STUDY OF GULF AFRICAN BANK.

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DECLARATION

Declaration by the Student

This research project is my original work and has not been presented anywhere. No part of this research work should be reproduced without my permission/consent.

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DEDICATION

This research project is dedicated to my family they have been very instrumental ensuring that I complete my research project.

ABSTRACT

The main cause of this study was to establish factors that determined customer loyalty rates at Gulf African Bank. To achieve this, the study sought to analyze the effect of service quality levels on customer loyalty, to investigate the effect of service or product delivery channels on customer loyalty and finally examined the effect of service cost on customer loyalty rates at Gulf African Bank. The study adopted a descriptive research design using a quantitative methodology using Gulf African Bank as the case of the study. The population of the study was drawn from Gulf African Bank customers with accounts that had been both active in May and June 2017. A Stratified random sampling and Questionnaires was used in ease of data collection and for purposes of explaining contents of the questionnaire to customers. Data was shown using tables and figure. Key findings of this study revealed that most of Gulf African Bank customers perceived customer service quality levels to be good. Consequently, this enhanced the bank's customer loyalty rates. This study concluded that there exists a positive relationship between the levels of customer service as well as customer loyalty rates. The higher the customer service quality levels the higher the loyalty rate for Gulf African Bank customers. The study concluded that use of technology in delivery of banking products and services enhances customer loyalty rates. While technology use in service delivery is key, the use of branches remains vital for customer service delivery. This study recommended that Gulf African Bank should continually improve its customer service levels. In addition, the study recommended that Gulf African Bank continually invests in modern, new and innovative platforms to deliver banking products and services; multichannel delivery of services and products to enhance customer loyalty rates .

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LIST OF ABBREVIATIONS

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

OPERATIONAL DEFINITION OF TERMS

Service Quality	Comparison of expectation that meets customer’s quality of service required.
Clients loyalty	is a measure of a customer's likeliness to do repeat business with a company or brand.
Customer Satisfaction	A measurement that determines how happy customers are with the service of the company.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Islamic banking is a prevention-based industry rising from Shariah (Islamic law) limitations on riba (interest), gharar (business concerning ambiguity or guesswork such as lacking in originality trading and insurance) and businesses linked with meticulous crime sectors such as alcohol, pornography or betting. Customer loyalty is described as the behaviors exhibited by customer when making purchase repeatedly regardless any change on product or service (Montanar & Pina, 2009).

Customer loyalty can be faithful adherence to an organization/institution determined by a customer. There is a continued or maintained relationship over a period. In general, loyalty can be distinguished as an Active loyalty is a type of customer loyalty where the customer will not only use and stick but also recommends to others. On the other hand, Passive loyalty customer uses out of habit but don’t stick to it.Literature on customer loyalty got views on two dimension; one is on behavior and the other on attitude. Blount (2011) points out that customer loyalty is made up of behavior and attitude, and a third component consists of a combination of behavior and attitude. The latter loyalty is as “spurious loyalty.In Attitude the approaches to use attitude as the main foundation of loyalty. Intervening factors such as exorbitant prices does hinder the demand for a product.

The combined approach looks at both the behavioral and attitudinal components. Further, although accepting that loyalty is represented by an aggregated parameter which can be used to establish specific levels of loyalty free of ambiguity, they contend that determining the threshold of customer loyalty or disloyalty is a subjective assessment made by the researcher. A number of scholars have approached the concept of customer loyalty in diverse ways, for instance (Montanar & Pina, 2009). segmented loyalty as; captive, convenience seeking, contented and committed. According to Rowley, captive and convenience seeking loyalty is driven by the availability or unavailability of choice and convenience respectively whereas the contented and committed loyalty is driven by positive attitude. Montanar & Pina (2009) on the other hand views loyalty as either internally or externally driven. Blumberg et al., (2014) contend that customer loyalty should be viewed from the precincts of customer satisfaction and customer trust in combination. Amin, Isa & Fontain (2011) identifies the strong determinants of customer loyalty, as identified by previous studies and rates them by level of significance. According to Dema & Koksal (2014), customer loyalty is influenced by a combination of these factors and is unique for different situations. The identified determinants include; purchase conditions, pricing policies, product quality, product availability, reputation and image, consumer trust, consumer experience, positive recommendation, customer loyalty programmes, customer commitment, customer participation and involvement, switching barriers, product importance and customer expectations.

The three theories of; Islamic banking theory and the Islamic and the theory of interest have been use to enlighten on other problems of capitalism were rooted in the practice of lending on interest. Among these problems is unemployment, inflation, poverty amidst plenty, increasing inequality and recurrent business cycles? It is not until the next decade that Islamic economists are able to fortify these claims by sophisticated economic analysis, especially at the macroeconomic level even though several studies have been done.

1.2 **The Statement of the Problem**

In the past research, consideration was only made on customer acquisition, while persistent competition and low switching costs led to the need of building customer loyalty (Blount, 2011). In the survey of Islamic banking, in Asia-Pacific customer expectations changed in the region because of maintaining quality bank service but having very low customer loyalty. According to Amin (2011), in a competitive environment, loyalty is a key essential element for customer survival. In various studies that has been done on the Kenyan banking industry Baumann (2011), they focused on aspects that contribute to competitive advantage strategies by banks and what drives customer loyalty in the Islamic banking sector. Globally the focus is on customer loyalty and is becoming a major factor in Islamic banking. As the competition widens and grows in Islamic banking industry, it becomes more evident to understand why these drivers of customer loyalty are important in the Islamic banking sector in Kenya. Therefore more study will be carried out to fill the research gap that is in the banking sector.

1.3 **Purpose of the Study**

The purpose of the study is to investigate the factors that drive customer loyalty in the Islamic banking sector in Kenya.

1.3.1 Specific Objectives

1.3.1 To examine how customer service drives customer loyalty to a bank.

1.3.2 To establish how customer satisfaction influence customer loyalty to an Islamic Bank.

1.3.3 To determine how service quality influence customer loyalty to a bank.

1.4 Research Questions

The following were the research questions:

1.4.1How does customer service influence customer loyalty to a bank?

1.4.2 How does customer satisfaction influence customer loyalty to a bank?

1.4.2 How does service quality influence customer loyalty to a bank?

1.5 **Significance of the Study**

To Industry Management.

The outcomes of the study will aid Islamic banks in Kenya to appreciate the strategic imperatives for building a loyal customer base, and possibly use the same to harness the same to build their competitive advantage.

To Policy Makers and Regulators

The study will be useful to policy makers and regulators such as the Government, Central Bank of Kenya and the Kenya Banker's Association to gain a better understanding of the actions taken Islamic banks in their quest for defending their customer bases. It will also help them develop meaningful regulation in the area of competition.

To Academics

This study may form a basis for further research in the future, by providing a reference point. The outcome may also contribute to the body of literature on customer loyalty.

1.6 Scope of the Study

The study will be conducted among Islamic banking customers from Gulf African Bank in East Leigh Branch Kenya. The focus will be on customers based in Nairobi. The data will be collected from willing respondents due to the convenience.

CHAPTER TWO: LITERATURE REVIEW

2.0 INTRODUCTION

This chapter presents a review of related literature theories, conceptual framework and various concepts. It enables the researcher to gain knowledge from previous research and come up with other useful information to strengthen the study.

2.1 Theoretical Foundations

2.1.1 Islamic Banking Theory

What can be characterized as the theory of Islamic banking was till the end of the 1970s, in call of replacing interest by profit and sharing contracts. It has changed the nature of financial intermediation where fund owners share the risks with the fund users. This makes the fund-user bear all the risks of business and allowing a predetermined rate of return ratio . The environment in which productive enterprise was conducted did not guaranty a positive return, so there was no justification for money capital claiming a positive return irrespective of the results of enterprise, it was argued. (Ghanameh, 2016).

It was also argued that most, though not all, the other problems of capitalism were rooted in the practice of 9 lending on interest. Among these problems were unemployment, inflation, poverty amidst plenty, increasing inequality and recurrent business cycles. These problems could be solved by abolishing interest and replacing it by profit sharing. So actually it was not until the next coming decade that the Islamic economists, they were able to fortify these claims by a sophisticated economic analysis, especially at the level of macroeconomic. The focus at this stage was largely on pointing out the deficiencies of capitalism and linking them to the institution of interest, among other things. With this went the arguments showing that it was possible to have banking without interest and that it would not adversely affect savings and investment (Maududi, 2016).

2.1.2 Islam and the Theory of Interest

The early contributions on the subject of Islamic banking were somewhat casual in the sense that only passing references was made to it in the discussion of wider problems concerning to the

Islamic economic system that as a whole. So as to say   in other words, the writers of the early time had been simply thinking aloud instead of presenting well-thought-out ideas. Thus, for example, the book by Qureshi on Islam and the Theory of Interest (Qureshi, 2016) saw banking as a social service that is, should be sponsored by the government like that of public health and education. Qureshi has taken this point of view since the bank could neither charge any interest on loans advanced nor pay any interest to account holders. Qureshi also talked of partnerships which was between banks and businessmen as a possible alternative, sharing any losses if any. profit-sharing was not mentioned. 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 the addition to the current accounts, on which neither dividend nor interest should be paid, there was an account in which people were able to deposit their capital on the basis of partnership, with shareholders getting higher dividends than the account holders from the profits that were made.

Like the Qureshi, above, Ahmad talked about of possible partnership of arrangements with the business people who seeked capital from the banks. However, the partnership principle was not defined, nor was it made clear who would bear the loss if any occurs. 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. He was actually advancing the idea of a two-tiermudaraba which would enable the bank to mobilize savings on amudaraba basis, allocating the funds so mobilized also on amudaraba basis. In other words the bank would act as a mudarib in so far as the depositors were concerned, while the 'borrowers' would act as mudaribsin so far as the bank was concerned.

2.2. Empirical Literature

2.2.1 Customer Service

Prior to automation of banking services, banks conveyed their products and services to their clients through physical bank branches (Kayed & Hassan, 2011). However, this has changed over the years as physical delivery of banking services is being replaced by virtual delivery (Nguyen & Leclerc, 2011).. According to Dema & Koksal (2014), Europe leads in banking innovativeness awards. In east and central Africa, Kenya leads in automating of banking services, as exhibited by growth of mobile money (Nguyen & Leclerc, 2011). Dema & Koksal (2014) state that customers have expectations before transacting with any bank and develop perceptions during service delivery process. They compare their perceptions to the expectations in evaluation of the service outcome..

2.2.2 Customer Satisfaction

Retaining customer is crucial in organizations for them to remain successful in highly competitive markets (Dowling & Uncles, 1997). According to Bell, Auh, and Smalley (2005), customer loyalty is a representation of a customer's commitment to purchase more and varied products from an organization).They noted that serving a new customer involves startup costs such as prospecting, credit checks and costs of entering the customer's account details on a database. Customer loyalty is both an attitudinal and behavioral tendency to favor one brand over others. Behavioral loyalty involves continuous purchase of services from the same service provider, increased scale or scope of a relationship between the customer and the service provider and the act of recommending others. On the other hand, as an attitude, a customer desires and feels the need to continue in a relationship with a service provider because they believe that the services they are offered are the best (Dema 2014). Loyal customers do not look out for competitors and if approached by these competitors, they show no interest in what is being offered. According to Kayed & Hassan (2011), loyal customers minimize time spent on searching, locating and evaluating purchase alternatives. This helps them avoid the learning process that consumes the time and effort needed to get accustomed to a new service provider. A dissatisfied customer either discontinues a relationship or voices their dissatisfaction in case of a negative service experience (Baumann, 2011). Customers, who let their complaints known allow for service recovery, which help, build a relationship on past successes and overcome any weaknesses. This means consistency and continuous purchase even when there may be a problem.

2.2.3 Service Quality

The service industry plays an important role in every economy and thus must be prioritized.It is a difficult task to evaluate service quality, hence differed definitions from quality gurus. Crosby (1984) defines quality as conformance to requirements while, Nguyen & Leclerc (2011) defines quality as fitness to use. Grönroos (1984), in his study found that perceived quality of a service is an outcome of an evaluation between expected service levels and perception of the service quality received Customers know exactly what they want to receive and compare quality. They also are aware of service alternatives on offer, provider organizations and the rising standards for services. It is therefore, essential for service providers to carefully deliver services and frequently assess their service quality to identify problems, help in improving their service and assess customer satisfaction. Kassim (2010), noted that quality is a multi-dimensional concept and it is impossible to achieve it without distinguishing its important aspects. Parasuraman et al. (2005), identified five service quality dimensions; reliability, responsiveness, assurance, empathy, and tangibles. These dimensions have become the basis for SERVQUAL model. Baumann, 2011) noted recovery as the sixth service quality dimension. According to Lau, Cheung, Lam and Chu (2013), tangibility in banks represents physical facilities for customer use and sufficient personnel. Responsiveness means employees having the willingness to assist and provide customers with prompt services. Customers transact in a particular bank due to its reliability, which increases their confidence and trust.It represents the provision of caring and individualized attention to customers, which is a success factor for service industry. For instance, customers feel appreciated in a bank offering good customer service. A customer may experience either a routine or a recovery encounter when purchasing a service (Lau et al., 2013). A routine encounter means that all the customers’ expectations have been met the first time the service is being delivered. On the other hand, a recovery encounter means that the organization responds to the customers’ complaints.

2.2.4 Client Loyalty

Customer loyalty is about commitment of clients to buy various products/services offered by an organization for its success. According to Nguyen & Leclerc (2011) initial research on brand loyalty could not be generalized to service loyalty due to its dependence on the development of m,interpersonal relationships. This is because the customer has the intention to stay with the organization and become committed to increase the breadth in terms of products or services purchased and the depth in terms of increasing the number of transactions Kassim (2010). Customer loyalty is important in service marketing due to its effect on customers' repeated purchases. Nguyen & Leclerc (2011) identifies two dimensions of customer loyalty, which include; relative attitude and repeat patronage. The relationship between these two dimensions leads to creation of four categories of loyalty: True Loyalty, Latent Loyalty, spurious loyalty and no loyalty (Tanisah, 2015).

2.2.5 Trends in Automation of Banking Services

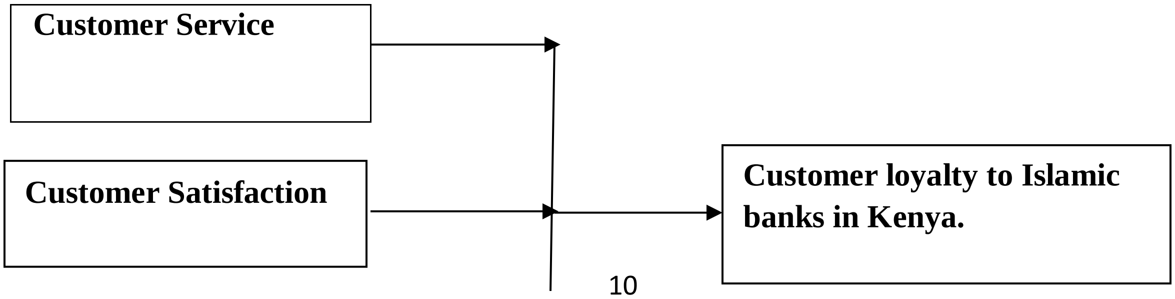
The advancement in technology is moving faster and provides new ways to aggregate and analyze information, improving connectivity and reducing the marginal costs of accessing information and participating in financial services (World Economic Forum, 2015; Okibo & Wario, 2014). Afsar et al., (2010) noted that banks and other financial institutions are investing heavily on innovation labs to pursue research and development to bring more design capabilities in-house. This will help in advancing their management tools to meet future customer needs and improve how they compile and report data. Security, privacy and trust are concepts that keep on changing as transactions expand from the physical world to the electronic world (Amin, Isa & Fontain 2011). Knowing your customer (KYC), privacy and identity protection are becoming more important due to higher risks of cyber-attacks. Banks are continually strengthening their internal systems and incorporating increased security measures like multi-layered authentication and internal control processes. This renewed focus and interest around authentication and digital identity has seen increased adoption of biometrics and tokenization within banks.

2.3 Conceptual Framework

This shows how independent variables are related to the dependent variables

Figure 2.1 Conceptual Framework

Independent Variables **Dependent Variable**



Service Quality

2.3.1 Customer Loyalty

Loyalty 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.

2.3.2 Customer Satisfaction

Customer Satisfaction has a significant impact on the service delivery in Islamic banks in Kenya. Satisfaction is known to have many favorable effects: it facilitates luring of more customers as failure among several banks.

2.3.3 Service Quality

Service quality 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. The service delivery channels are to be well laid in the institution to foster customer acceptance.

CHAPTER THREE: METHODOLOGY

3.1 Research Design

The study used a descriptive design based on Islamic Banks in Kenya. A descriptive research design focuses on the collection of data with the aim of describing problems, solutions or patterns to an issue (Blumberg et al., 2011). Descriptive design was used because it focuses on complex analysis to bring out the correlation of variables. Causal relationship seeks to establish how one variable affects changes in another. This is to focus on understanding, explaining, predicting and controlling relationships between variables. The determinants are the independent variables while customer loyalty is the dependent variable.

3.2 The Population and Sample Design

3..2.1 Population

A population is the total collection of elements about which inferences are made (Cooper & Schindler, 2001). The main participants of this study were existing Gulf African Bank customers and the total population is 200.

3.2.2 Sampling Design

This refers to the procedures used while selecting a sample population and collecting relevant data.

3.2.2.1 Sampling Frame

Sampling frame refers to the total number of individual elements within a case. I used customer of Gulf African Bank in Eastleigh branch.

3.2.2.2 Sampling Technique

A sample can be defined as a group of relatively smaller number of people selected from a population for investigation purpose. Sampling techniques are broadly categorized into two major types Probability sampling methods and Non-probability sampling methods.. Stratified Random Sampling, which is a type of probability sampling, is a type of sampling method is used when population is heterogeneous such that every element of population does not matches all the characteristics of the predefined criteria. The sample is selected from each stratum randomly (Alvi, 2016).In this study, Stratified Random sampling was used. Individual elements within each stratum are given an equal chance for inclusion in the study. The main strata's for this study were existing bank customers enjoying various banking products and services.

3.2.2.3 Sample Size

A sample of 96 respondents was chosen. This sample size has been calculated at 95% confidence interval. Gay (1987) recommends for descriptive studies a sample of 10% of the population is adequate and thus this study used a proportion of 10% of the population.

3.3 Data Collection

The study used primary data collected using a questionnaire. A closed questionnaire questions was justified for use in this study due to the convenience in data collection, efficiency in costs during data collection and ease of administration, collection and coding. This was aimed at gauging the respondent's views on the products and services as well as eliciting specific questions. The questionnaire had five sections each representing a research question, and a general section collecting demographic information about the respondent. Section 1 collected background information about customers.Section 2 collected data on the relationship between service quality and customer loyalty. Section 3 collected data on the relationship between distribution channels, and customer loyalty. Section 4 collected data on costs of banking services and customer loyalty rates. Finally, Section 5 collected data on Loyalty.

3.4 Data Analysis

Data collected using the questionnaires was inspected, edited and cleaned for coding. Analysis of the data was done to get meaningful statistics for interpretation as findings of this study. Analysis of data was done quantitatively using descriptive statistics such as frequency distribution tables, graphs, means, deviations and medians. This aided in the description of trends and patterns in the data. Descriptive statistics analyzed were presented using tables and figures.

3.5 Pilot testing

A questionnaire is pilot tested prior to using it to collect data. Pilot testing is done to review and refine the questionnaire to remove any ambiguity that may.Moreover, it empowers one to get some evaluation of the inquiry's legitimacy and the conceivable unwavering quality of the information that was gathered. Preparatory examination utilizing the pilot test information can be attempted to guarantee that the information gathered will empower the investigative inquiries.

3.6 Ethical Issues

One of the most important ethical considerations in research according to the Centre for Innovation in Research and Teaching (CIRT) is the use of human subjects. To address these considerations, the researcher will advocate voluntary participation and informed consent. These ethical standards will protect the confidentiality and anonymity of the respondents.

Moral issues are the ethical models that researcher ought to consider in all exploration strategies in all phases of the research design. After approval from the University is obtained to conduct the study, permission was obtained from the management of the Banks. In this research three principles of ethics were used namely beneficence, respect for human dignity as well as justice. Following the three principles, sensitivity to the participants' emotions was observed when probing questions that could psychologically harm the participants as well as protect the participants from adverse situations.

CHAPTER FOUR: RESULTS

4.1 The general information results

The information results had 96 respondents of which 73 had complete questionnaire filled and returned. There was a rate of return of 76% .

4.2 The Demographic results

4.2.1 The Gender Respondents.

The study established majority of the respondents were male at 58% while female were 42%.

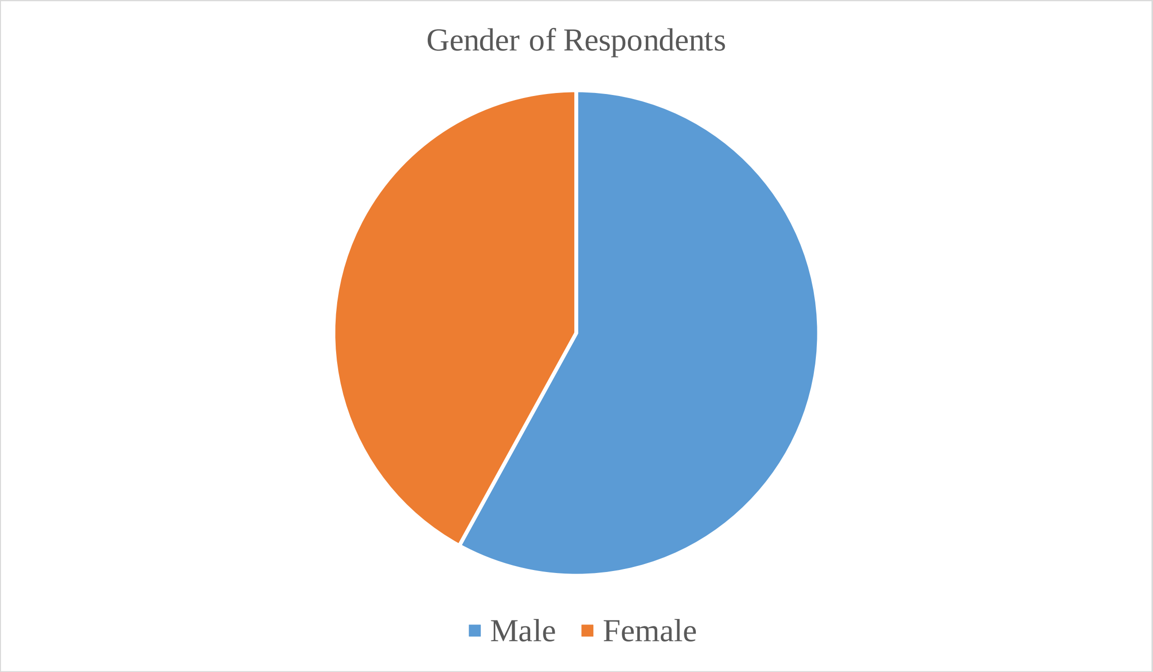


Figure 1: Gender of Respondents

4.2.2 The Age bracket

The study sought the gender of the respondents results to be as in the table below.

Age	Frequency	Percentage (%)
18-25	5	7
26-34	22	30
35-42	23	32
43-50	19	26
Above 50	4	5
Total	73	100

Table 1: Age of Respondents

4.2.3 Level of Education

Concerning the level of education of respondents, the study found results in the figure below

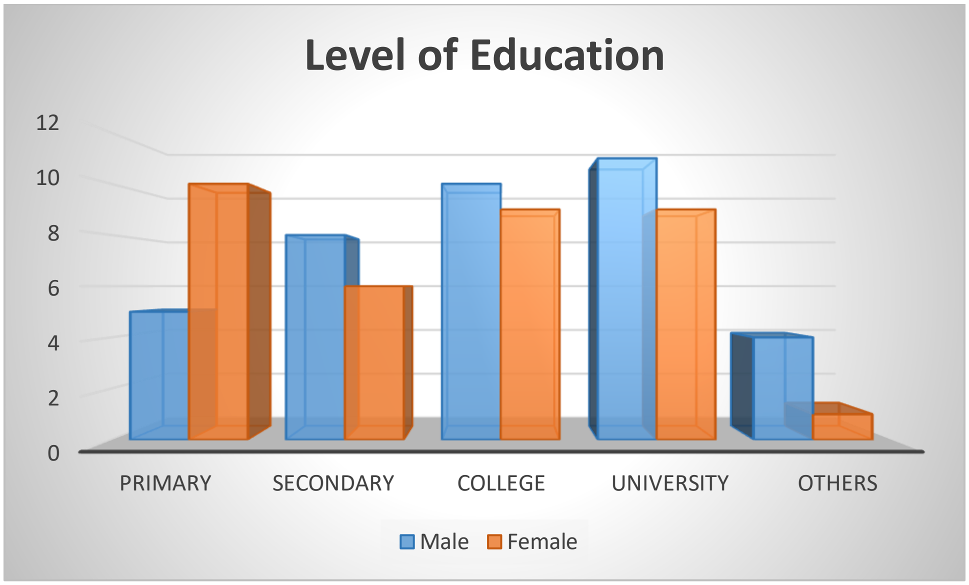


Figure 2: Level of Education

Majority of 27.4% of respondents had university degree as their highest level of education followed by those with college diploma at 26% and those with secondary education were 19.2%. Those with Primary were 20.5% while others were 6.8%.

4.2.4 The Multiple Bank Relationships

The study aimed to establish whether respondents had more than one bank account to establish the extent of loyalty of customers. The results in the figure below were collected.

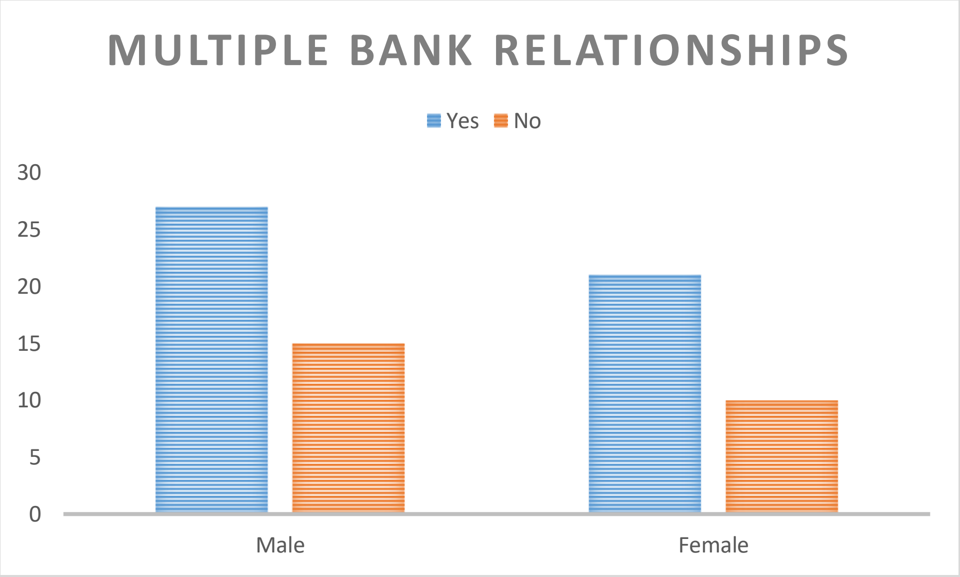


Figure 2: Customers with more than one Bank Account

4.2.5 Number of Banks

When these results are merged with those established in the figure below, it is evident that most of respondents are loyal to one bank.

No. of other Banks	Frequency	Percentage
One	12	63
Two	5	26
Three	2	11
Total	19	100

4.2.6 The Services Sought from the Bank

The study established the key services sought from banks to be as indicated in table

Service	Frequency	Percentage
Savings	24	33
Asset Portfolios	18	25
Salary	23	32
Deposits	8	11

Total	73	100

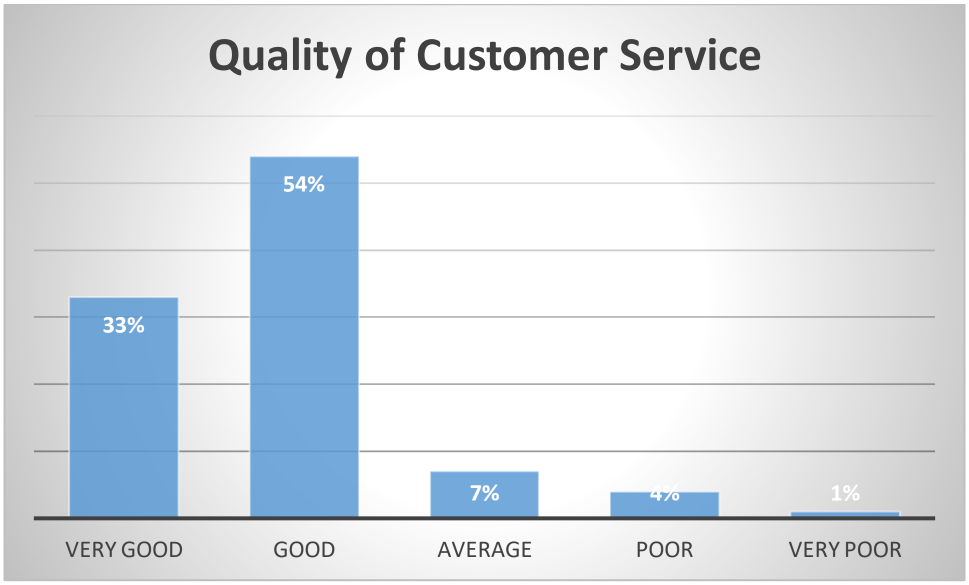
The services that were most sought from banks were savings, salaries and loan facilities provided.

4.3 The Customer Service

This section presents the findings on customer service quality levels and the levels of customer loyalty in Gulf African Bank.

4.3.1 Customer Service

Quality at Gulf African Bank Over 87% of the customers of Gulf African Bank perceived the customer service quality levels to be good and very good. This implies that to most customers, the service levels at Gulf African Bank were good. This is deduced from 33% of the customers indicating the customer service levels were very good, 54% indicated they were good, 7% indicated they were average and 4% indicated they were poor and 1% indicated that they were very poor.



4.3.2 Maintaining Gulf African Bank as their Primary Bank

Customer loyalty levels were measured in this study. Customers were asked of their probability of changing Gulf African Bank as their primary banker. 10% indicated that their probability was very high, 7% of the customers indicated that their probability was high, 38% indicated it was average, 20% indicated it was low and 25% indicated it was very low.

4.3.3 Measurement Customer Service Quality

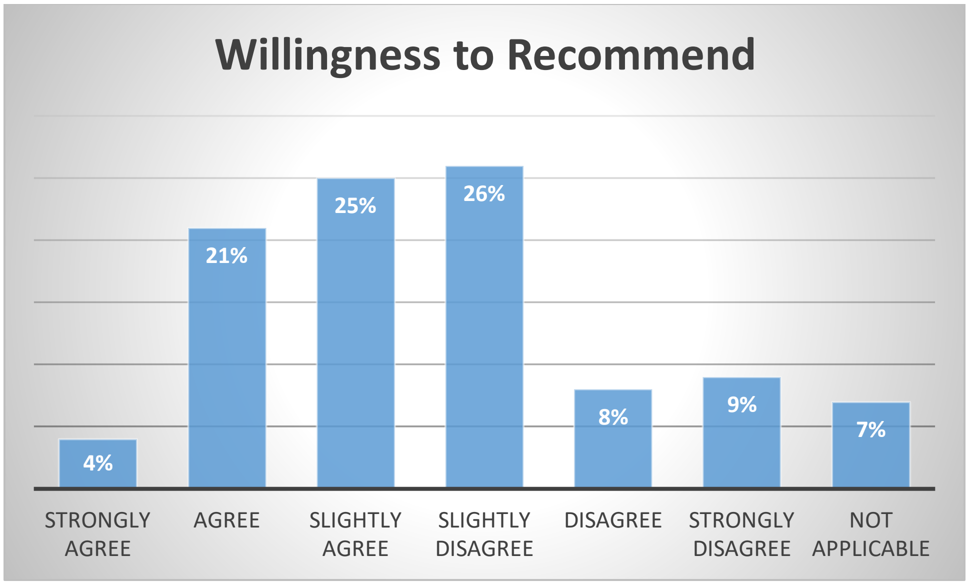
The study sought to find out the respondents opinion in reference to customer service quality of Gulf African Bank. Majority of the respondents at 86% agreed that the customer service levels at Gulf African Bank are good and thus they are loyal customer. 81% agreed that the service levels at Gulf African Bank are good and therefore they frequent the bank for services, 21% agreed that they have many complaints about services at Gulf African Bank and therefore feel they should change bankers. Additionally, 84% state that Gulf African Bank attends to their enquiries and they will therefore continue banking with Gulf African Bank, 62% agreed that Gulf African Bank has provided adequate channels for customers to register complaints. 93% agreed that products and services provided by Gulf African Bank satisfy them and therefore they plan to stay at the bank, 83% agreed that they can access Gulf African Bank banking services on technologies such as Mobile Phone. In addition, 97% agreed that they feel that their finances are secure at Gulf African Bank and cannot change their bank. In addition, 91% agreed that they have a good relationship with Gulf African Bank and will therefore not change the bank, 93% agreed that Gulf African Bank is a reliable partner and therefore will not change the bank and 90% agreed that staff at Gulf African Bank are friendly and helpful.

4.3.4 Hindrances to Joining another Bank

From the questionnaires, 62% of customers interviewed agreed that their current commitments with their main banks on giving loans and credit facilities made them retained their accounts in that bank while 33% did not agree and 5% disagreed on its applicability. 63% of respondents agreed other banks charges high rates while 34% disagreed while the rest did not agreed on its applicable.

4.3.5 The Willingness to Recommend

The study investigated whether respondents could be able to recommend their main bank to other people to establish whether they were confident that their bank was worth being sought. The results were as shown in the figure below



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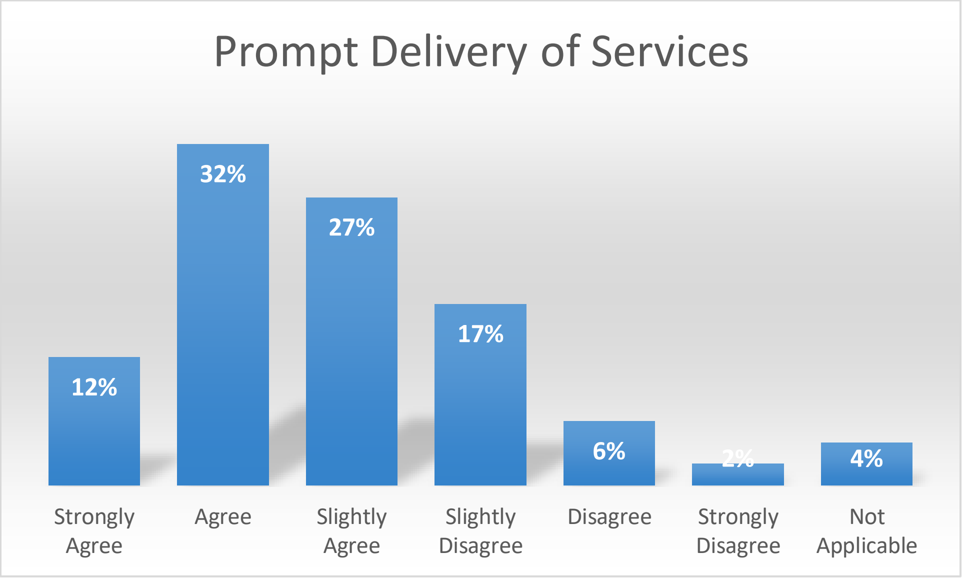
4.4The Quality of Services Offered.

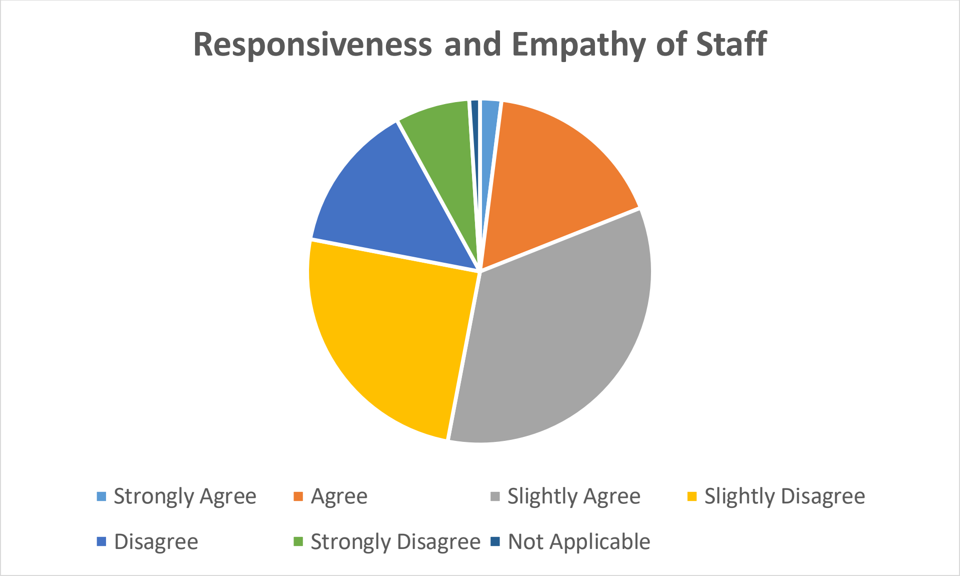
4.4.1 In Delivery of Prompt services

The study established how staffs delivered prompt services to customers when there was a contract. The results were as below.



4.4.2 The Responsiveness and Empathy of Staffs.

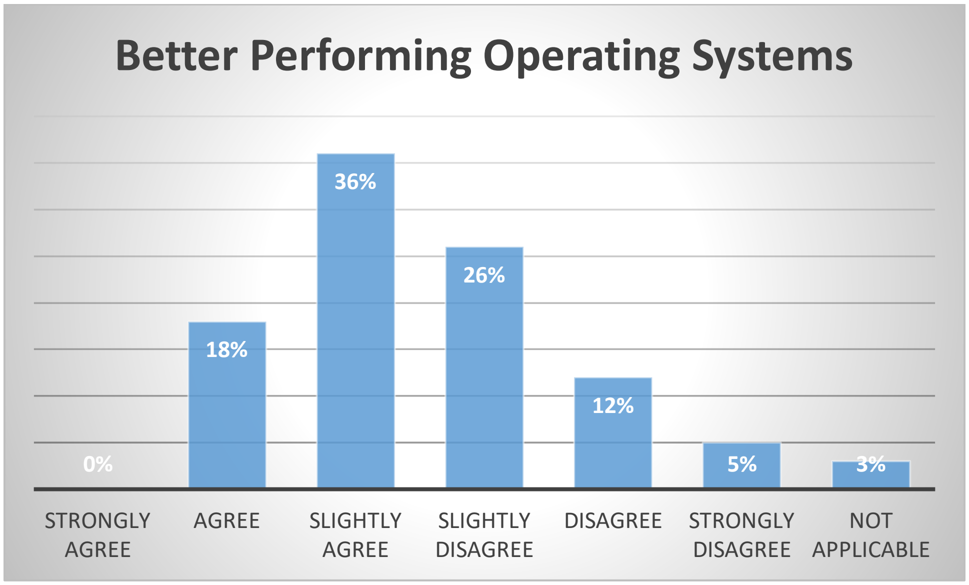
In response to empathy and assuring responsiveness to their customers, the study investigated and the collected results were as presented in figure below.



The majority were 53% who agreed while 46% and 1% chose the not applicable.

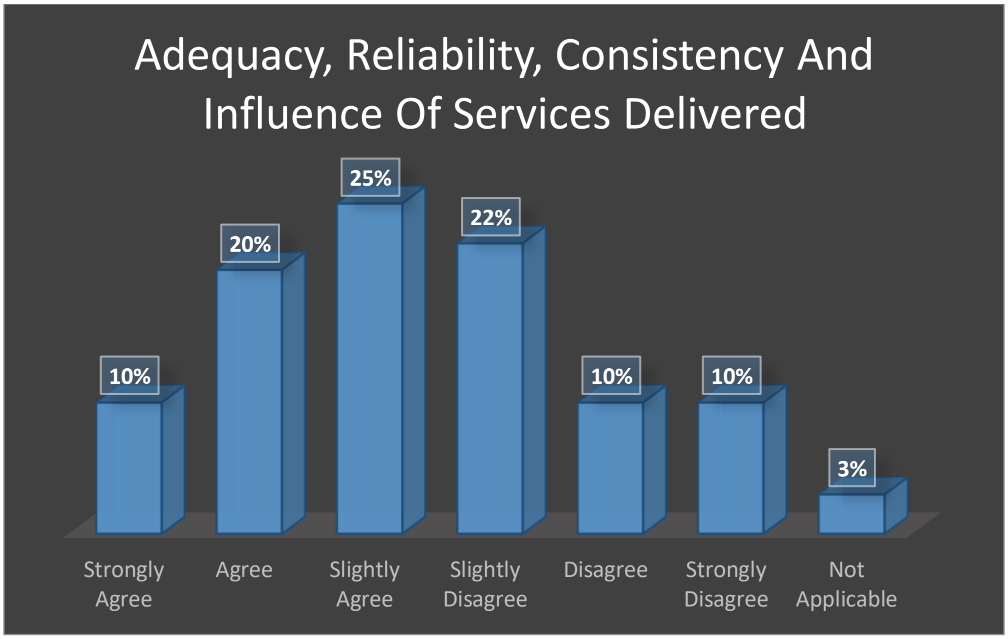
4.4.3 The Better Performing Operating Systems

The study investigated how the operating systems were performing and the results are shown in the table below.



4.4.4 The Adequacy, Reliability,Consistency and influenced of services when delivered.

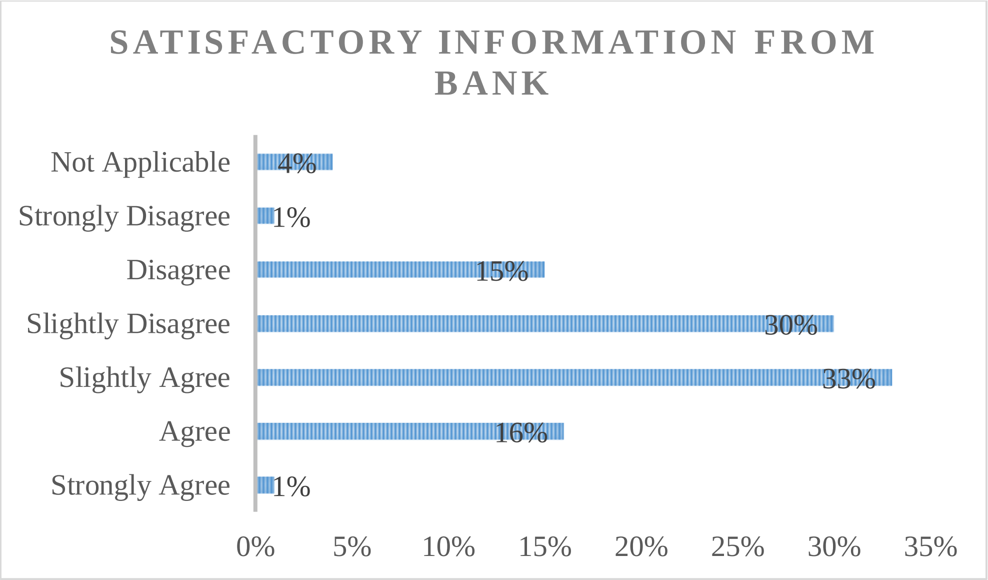
The study established the reliability of the services from the main bank and the results were as below.



Majority of 55% respondents agreed that they consider the services provided by their main bank to be adequate, Reliable, Consistent while 42% disagreed with this and 3% were of the not applicable choice.

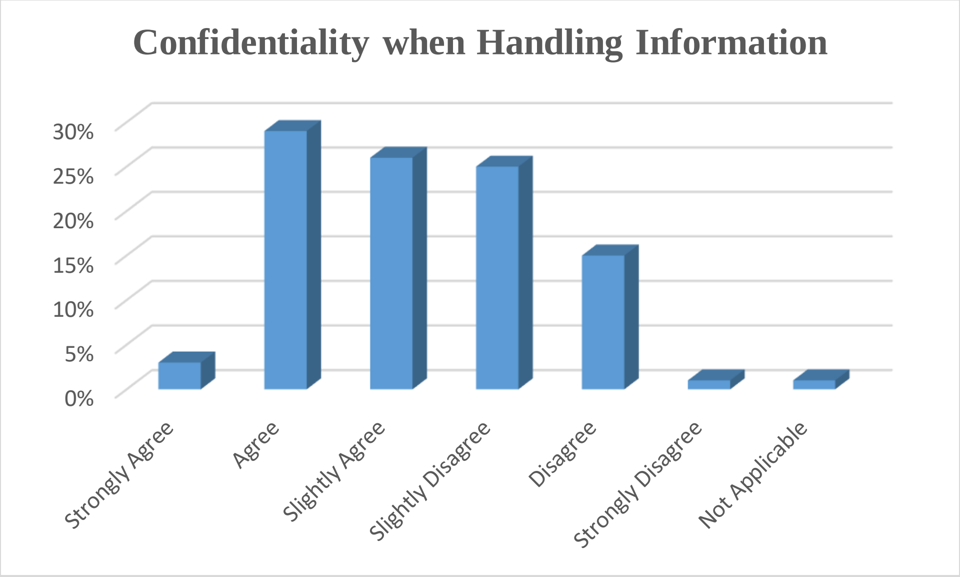
4.4.5 The Satisfactory Information from Bank

It was established from the study on the quality and satisfactory of information where the results collected in response to this were as presented in figure the figure below.



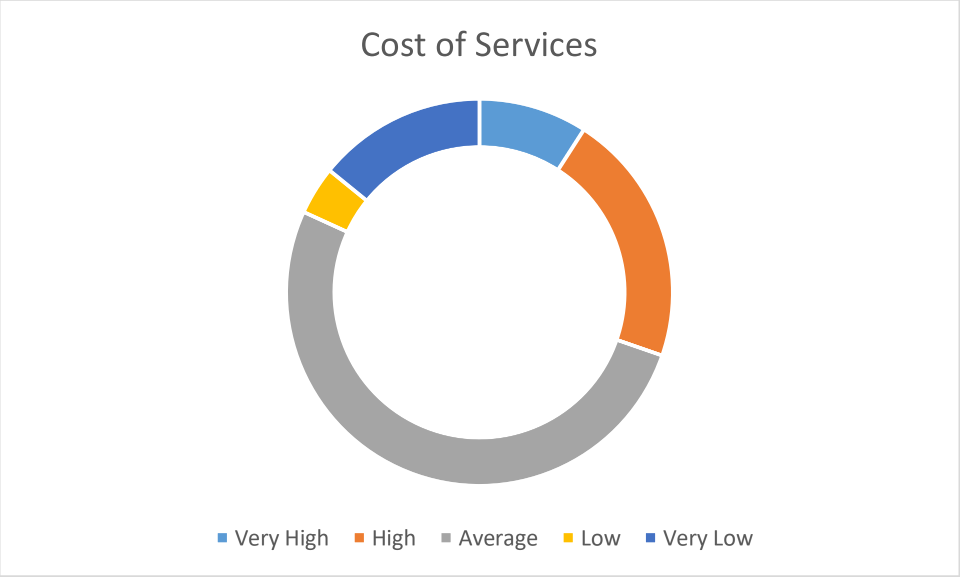
4.4. 6 The Confidentiality on Handling Information.

In the study the information pertaining confidentiality was required and the results were presented below.



4.5 Cost of Services

Respondents to this study were asked to indicate the costs they incurred in accessing banking services e.g. transport costs, internet costs etc. Majority of the respondents (51%) indicated that the costs they incurred was average, 9% indicated the costs was very high, 21% indicated the costs was high and 4% indicated they was low and 14% indicated that the cost to be low. The findings show that overall customers incurred average costs in accessing banking services and products at Gulf African Bank.



4.6 The Significance Determinants of Customer loyalty

In summarizing the determinants of customer loyalty, Customers considered significantly among the most cited items were: reduced (minimum) charges on transactions and services offered low interest rates on loans, relatively high interests on savings, quality customer service, giving value. Others include provision of services that are trustworthy, reliable and honest; credible and confidential on ATM transactions.

CHAPTER FIVE: SUMMARY, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 SUMMARY

In summary, the study focused on determinants which influenced customer loyalty in Islamic banking sector. The research questions aimed to answer what are the main components of customer loyalty towards a bank. The literature review explained the contents of the topic and how the gaps were addressed. The research design used was Descriptive design to describe more on the phenomenal of customer loyalty. The target population comprised of customers of Gulf African Bank in Eastleigh branch. There were 96 respondents that were used to come up with the findings of data, and then we analyzed using tables and pie charts.

5.2 Discussions

5.2.1 Customer Satisfaction

The study established that the Gulf African Bank deliver services according to their customers' expectations meaning they met their need. This tallies the argument by Amin (2011) that customer satisfaction is a great determinant of loyalty such that loyalty will come from the satisfaction they will get. To emphasize the importance of satisfaction of customers to their continued patronage of the services. This is why Alvi (2016) grant satisfaction significant responsibility towards influencing loyalty more than any other factor. Also seeing loans and credit created commitment towards the bank. From this, one can deduce that as much as Islamic banks offer products and serves that satisfy customer requirements. This further substantiates the arguments by Kassim (2010) among others that customer satisfaction leads to customer loyalty.

. This also agrees with the findings presented by Kayed & Hassan (2011) that satisfied customers act positively in building image to new customers.

5.2.2 Quality of Services Offered

The fact that employees of Islamic banks in Kenya deliver prompt servies to their customers as well as the bank understands the value they bring in.These factors simply define Alvi (2016) consideration of what quality services ought to be when they argued about quality in dimensions to reliability of the Bank.

It should be noted that Baumann (2011) identified the human element of service delivery as one mark of quality. Kayed & Hassan (2011) also identified responsiveness and contact as another indicator of quality services. The indicators of quality services delivered to customers, which enhances loyalty of customers to banks. This in reality is true because customers feel well treated and taken care of .This discussion is similar to the one presented by Kayed & Hassan (2011) that quality services enhanced customer loyalty to banks. Islamic banks in Kenya are also determined to offer quality services to their customers as a way of retaining them. This is attributed to the fact that information customers received from their banks was satisfactory; that banks ensured confidentiality when handling customers' information; that the systems the banks used were secure for customers; and that Islamic banks were sincere in solving customers' problems. Since banks majorly deal in services, quality services would be depicted in the uniqueness of the services, the security and confidentiality and the ability to inform the customer adequately as has been explained from the findings. These factors then, certainly, indicate that Islamic banks significantly focused on offering confidentiality, integrity, security, full disclosure of customers' information under the banks custody-signs of quality services. When customers are provided with such quality services, it is less likely that they will leave a bank since they can get the quality services as they desired. All these arguments certainly concur with the discussion pioneered by Afsar et al., (2010) in their study where they found that service quality was shaped by technology-based banking services, customer service, technology security and information quality, technology convenience and technology usage ease and reliability. Tanisah (2015) further argued that together, all these factors enhance customer loyalty. He further also asserted that quality services enhanced customer loyalty.

5.2.3 Customer Trust

Indeed, it is clear that trust significantly affected customers' continued patronage of Islamic banks in Kenya. This means that when customers held trust towards the services a given bank offered them they were likely to continue using the services of that bank. This may be attributed to the fact that a trustworthy bank was considered to offer reliable services that were of value to customers hence the continued patronage. This argument confirmed the argument presented by Tanisah (2015) that trust dedicates customers to a service provider (bank). The results revealed that this trust was built around customers' confidence in using the services of a bank repeatedly and the belief that banks actions on customers' transactions yields positive outcomes just. These are similar to the implication in Baumann (2011) proposition that trust is one party's confidence in the other relationship members' reliability, durability and integrity and the belief that its actions are in the best interest of the customer and will produce good results.When customers believe that a bank acts in their best interest and offers credible services that are of integrity, they will eliminate doubt that the bank can do thinks aimed at their disadvantage hence develop enhanced trust towards the bank.. The trust was also build on the capability of the bank to deliver on its promises to customers just as Alvi (2016) discussed. The study further established that customers saw no need to control or monitor the banks' actions. This indicates that the trust customers had in their banks was so strong that they did not have a reason to doubt the banks. It should be noted that customers will only be disloyal to a bank when they have reason to doubt the services/products of that bank. Given that Kenyan Islamic-bank customers do not doubt their banks' services then they do not have a reason to leave the bank hence their loyalty.

5.3 Conclusion

The major determinants of customer loyalty include friendly, knowledgeable and helpful employees, leveraging on technology to deliver banking products and services, fast and efficient dispute resolution and the provision of products and services that were responsive to the customer needs and wants. All this factors influenced the relationship between the customer and the bank and thus customer loyalty rates. The study also found that some of the significant determinants of customer loyalty include low charges on transactions and services offered; low interest rates on loans; relatively high interests on savings; quality service. Other include giving value for their money; services that are trustworthy, reliable and honest; credible and confidential ATM transactions; high responsiveness, efficiency and timely updates; better products and convenience; better employee-customer relationships and enhanced accessibility to banking halls. These factors can be summarized to resemble the determinants presented by Afsar et al., (2010) which include efficiency, system availability, fulfillment, privacy, responsiveness, compensation and contact.

5.4 Recommendations for Further Studies

This study recommends that a similar study should be replicated in a non-banking sector. This would enhance comparability of the study as well as provide interesting points for discussions on the similarities and dissimilarities of determinants of customer loyalty rates in various industries. Secondly, this study should be extended to analyze the independent variables to organization performance. Consequently, the study should investigate the relationship between service quality and organization performance, product delivery and distribution channels, cost of services and organization performance in the banking sector and other industries.

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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. Are there competition effects of customer acceptance of Islamic banks in Kenya?

Yes ( )

No ( )

Explain

…………………………………………………………………………………………………

…………………………………………………………………………………

6. To what extent does competition affect customer acceptance of Islamic banks in Kenya?

Very Great Extent ( )

Great Extent ( )

Moderate Extent ( )

Low Extent ( )

Please explain

…………………………………………………………………………………………………

…………………………………………………………………………………

SECTION C: INFORMATION TECHNOLOGY

7. Are there information technology systems that affect customer acceptance of Islamic banks in Kenya?

Yes ( )

No ( )

Explain

…………………………………………………………………………………………………

…………………………………………………………………………………………………

……………………………………………………………………

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

Yes ( )

No ( )

Explain

…………………………………………………………………………………………………

…………………………………………………………………………

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

Very Great Extent ( )

Great Extent ( )

Moderate Extent ( )

Low Extent ( )

Please explain

……………………………………………………………………………………………………

………………………………………………………………………………

SECTION F: QUALITY SERVICE

10. Is quality of service a factors of customer acceptance of Islamic banks in Kenya?

Yes ( )

No ( )

Explain

……………………………………………………………………………………………………

…………………………………………………………………………………

11. To what extent does quality of service affect customer acceptance of Islamic banks in Kenya?

Very Great Extent	( )
Great Extent	( )
Moderate Extent	( )
Low Extent	( )

Explain

……………………………………………………………………………………………………

……………………………………………………………………………

THANK YOU FOR YOUR COOPERATION