# IMPACT OF CUSTOMER SATISFACTION HAS LEAD TO THE PERFORMANCE OF BANKING INDUSTRY IN RWANDA

## A CASE OF INVESTMENT AND MORTGAGES LIMITED (I&M Bank)

**By**

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# DECLARATION

**I, EKERUM MARVISARIKAI** hereby declare that this thesis entitled: "**Impact of customer satisfaction has lead to the performance of banking industry, case study of I&M bank (2019-2022)**" Is my own work and it has not been submitted for award of any degree.

**EKERUM  MARVIS ARIKAI**

Signature……………………..

Date ………………………….

## APPROVAL

This is to certify that this work titled: "**Impact of customer satisfaction has lead to the performance of banking industry, case study of I&M bank (2019-2022)**", a research study carried out by EKERUM **MARVIS ARIKAI**was under my guidance and supervision.

Supervisor name**: Dr NIMPANO DESIRE**

Date : 25 / 09/ 2023

Signature:

# DEDICATION

To my family

My relatives

My classmates

# ACKOWLEDGEMENTS

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**AIEI** :Africa Invest Evergreen Investments

**ANOVA** :Analysis of Variance

**BCR** :Banque Commerciale du Rwanda

**Dr** : Doctor

**Ed** : Edition

**I&M Bank** : Investment and Mortgages Limited

**Ltd** : Limited

**Mr** : Mister

**N$^o$** : Number

**NPA** : Non-Performing Assets

**PHD** : Postgraduate Academic Degree

**ROA** : Return on Assets

**ROE** : Return on Equity

**Rwf** : Rwandan Francs

**SPSS** - : Statistical Package for Social Sciences

**TQM** : Total Quality Management

**ULK** : Université Libre de Kigali

**WTM**          : Waiting Time Management

**WTS**          : Strategies and Waiting Time Satisfaction

**PWT**          :Providers Waiting Time

**%**          : Percentage

**&**          : And

# ABSTRACT

The aim of this study is to analyze the impact of customer satisfaction has lead to the performance of banking industry, case study of I&M bank (2019-2022). The study focus on the following three specific objectives, to determine the effectiveness of customer services applied by I&M Bank, to assess the performance of I&M Bank within the period of 2019-2022, to find out the relationship between customer services and performance of I&M Bank.This study contains five different chapters chapter one is general introduction it present the background of the study, study objective, research questions, significant of the study, scope of the study, and definition of key terms. Chapter two is literature reviews pertaining to the research objectives, It emphasizes on key terms, it also identifies the gap in the existing literature conducted in customer care services and performance of banking institution. Chapter three is research methodology, this chapter focuses on the research design and methods that researchers used to collect and analyze data; sampling design; sample size; data collection techniques and tools; ethical issues and data analysis as well as reliability and validity measures. Chapter four is data presentation and interpretation it present the data gotten from the field, with data collected from the fieldtable 4.9 present the information on agreement with the statements regarding to affordability of services prices in I&M Bank, 33.3% of respondents confirmed that I&M Bank charge affordable services fees, 29.3% of respondents confirmed that I&M Bank charge affordable commission fees, 37.4% of respondents confirmed that I&M Bank offer loan to its clients at affordable interest rate. With the data collected from the field the researchers confirmed that in I&M Bank there are the affordable services prices, researcher after analysis the data of I&M Bank conclude that this bank is able to stay with customers for a long time; I&M bank working hours and how its services fees are affordable, all help I&M Bank to remain competent and profitable bank. And the hypothesis of this study was confirmed said that there is a significant relationship between customer service applied and performance at I&M Bank for the period of 2019-2022. Recommendation based on findings of this study, I&M Bank can develop more complaints systems whereby its customers are to be encouraged to submit information encountered and its suggestions, I&M Bank must increase working hours and think about weekend to insure customer satisfaction, I&M bank has to increase different communication so that it customers be aware of everything.

**Key terms**: Customer, Customer Satisfaction, Service, Performance

## CHAPTER 1: INTRODUCTION TO THE STUDY

This chapter provides basic information on the background of the study, Problem statement, Research objectives, Research questions, hypothesis, Scope of the study, significance of the study, structure of thesis, duration of the project and conceptual frame work of the research. The basic of the study is customer satisfaction has lead to the performance of banking industry. A case of I&M bank within the period of 2019-2022.

### 1.1. Background of the study

In the world, Ishikawa, (2015) mentioned that one very intangible but critical driving force towards the pursuit m of organizational excellence is the application of quality customer service. In relationship marketing, the term has become synonymous with value addition to the goods and services that are offered at market places. Above all, it is now also known that customer service is a strategic innovative marketing apparatus and currently applies as a needed credibility sign-post for companies operating in modern times. At corporate levels, it is equally acknowledged that some forward-looking, result-oriented executives rely now on customer service as a strategy for total quality management (TQM).

Wang *et al* (2003) note that delivering quality service and products to the customer, is essential for success and survival in today's global and highly competitive banking environment. The world over, the banking sector is becoming increasingly competitive and with several banks having to carefully re-build after the global economic crisis, the delivery of superior service to key banking segments is going to be more important than it has ever been.

For African and Asian new industrialized countries consider an effort towards developing a customer care workforce for the purpose of improving the growth of customer care services remains the single most crucial function of heads of institutions in recent times as developed by Kreisman (2002). Armstrong and Seng (2000) analyzed the determinants of customer satisfaction in the banking industry (transactional paradigm, purchase intentions and fairness (equity). In all these studies, customer satisfaction and delight is presented as solid bedrock of bank longevity and profitability.

Levesque and McDougall (2016) in their case study on retail banking found out that if a service problem or customer complaint is ill or not properly handled, it has a substantial impact on the customer's attitude towards the service provider. However, the study did not support the notion that good customer complaint management leads to increased customer satisfaction. They reported that "at best, satisfactory problem recovery leads to the same level of customer satisfaction as if a problem had not occurred". Albrecht and Karl, (2015) noted that it is estimated that for every customer complaint received, there are at least 26 complaints that are never expressed and furthermore, a customer with a complaint is likely to tell 20-25 other customers and potential customers about his complaint. And if complainants feel they are being ignored or not taken seriously, they may look for redress by seeking external review or by publicly exposing their experience, which could directly impact on an agency's reputation. There is much to lose by ignoring complaints and much to be gained by having an effective complaints management system.

In fact as the industry continues to face an increasingly competition, challenges, standardization of products and service, are inevitable due to the opening up of market for foreign banks. This impliedly means that as the industry continue to face difficulties in its operations and struggle for

survival become also inevitable. However, for survival assurance difference techniques are to be used in service provision. Among the techniques included increased marketing activities especial in area of marketing communication mix, designing and coming up of new products and services to attracts and retain customers (Thomson, 2000).

In East Africa, most industries and businesses persistently endeavor to maximize customer value. Nonetheless this has globally become the hub of marketing for every organization or industry. In as much as possible for any company to probably reach this end would require the need to achieve absolute customer satisfaction through offering incomparable services to customers. Indeed Customer service is the ability to identify the needs of customers and meeting those needs beyond their expectation within the shortest possible time. In this light the focus of marketing is to address the customers' needs, wants, preference and attitudes. Arguably, marketing concepts posit that the right avenue to start the search for new products ideas are the customers' needs and wants Kotler, (2011).

In Rwanda, Quality is the best assurance of customer allegiance. The strongest defence against foreign competition and the only path to sustained growth and earnings. Customer care plays an important role in an organization's ability to generate income and revenue. In Rwanda, Customer care is not a department, it's an attitude, according experts in the field and most people would probably agree with that because regardless of the efforts and strategies put in place to boost Rwanda's customer care, little has been achieved yet.

Therefore, it is from this background the researcher carries out this study with the main purpose of finding impact of customer care service on the performance banking institutions in Rwanda. A case of I&M bank

## 1.2. Problem statement

Most commercial banks customers in Africa are not satisfied with their respective bank services. They spend a lot of time lining up for services, transaction costs are high and Automatic Teller Machines fraud is high when using Automatic Teller Machines. And this has led to a reduction in the number of customer (Ndome, 2012).

As argued by Harris (2012), when services deteriorate, customers want the problem to be resolved as quickly as possible, with an appropriate response; otherwise customers may withdraw, not only by boycotting the service, but also by publicizing their dissatisfaction through social networking.

Customer satisfaction is a much sought after phenomenon in today's highly competitive and globalized market place. Today's consumers seek more than price bargains and want useful purchasing information, high quality, reliable and safe products, dependable servicing and fair sales practices. A bank's failure to fulfill these expectations can breed dissatisfaction and antipathy, unless that business helps resolve resulting consumer complaints fairly and promptly. Satisfied customers are less sensitive, buy additional products, are less influenced by competitors and stay loyal longer (Zineldin, 2000).

Also Linyiru, (2006) mentioned that even if most commercial banks have introduced agency banking and use of mobile banking as a new mobile payment and banking platform for its customers that officially brings to the fore the convergence between mobile and banking services in east African countries. Customer's complaints still continue, customers still waste a lot of time in lines and fraud on ATM is still available.

A campaign dubbed 'Nayombi was launched in March 2012 and its aim was to raise consumer awareness on the importance of customer care to service providers and users in order to increase competitiveness. It was part of the government's efforts to improve service delivery in all sectors around the country. In an interview with Sunday Times, Yves Ngenzi the head of the Customer Care Unit at the Rwanda Development Board revealed that the level of customer satisfaction today stands at 71% compared to 65% customer satisfaction in 2010, and the target is to reach 85% satisfaction by the year 2019.therefore, this clearly shows that there is a gap in customer care service.

There are so many positive things happening here and we are all very proud of the development taking place in this country. But, people of Rwanda, let's be frank to one another. Good customer service in many areas is still lacking behind. Rwanda's customer care service culture has not yet been developed as it should and "this culture of mediocrity is something we cannot afford and shouldn't accept. We need to start recognizing what is bad and seek to rectify it, and see what is good and build upon it" (KAGAME quoted by Dean, 2014).

Therefore, it is from these grounds that the researcher found it important to actually dig further and find out the extent to which customer satisfaction contributes to performance of banking industry in Rwanda. A case of I&M bank.

## 1.3. Research objectives

### 1.3.1. General research Objective

The general objective of the study is to analyse the impact of customer satisfaction to performance of banking industry in Rwanda.

**1.3.2. Specific Objectives**

The study focus on the following three specific objectives:

    i.To determine the effectiveness of customer services applied by I&M Bank.

    ii.To assess the performance of I&M Bank within the period of 2019-2022.

    iii.To find out the relationship between customer services and performance of I&M Bank.

**1.4. Research questions**

The research conduct base on the following questions;

    i.What is the effectiveness of customer services strategies applied by I&M Bank?

    ii.To what extent the customer services in I&M Bank contribute to its performance during the period of 2019-2022?

    iii.What is the relationship between the performance of I&M Bank and applied customer service?

**1.5. Hypotheses**

A hypothesis is a tentative statement about the relationship between two or more variables. It is a specific, testable prediction about what you expect to happen in a study, (William, 2006).

For the purpose of analyzing the data, researcher selects the following hypotheses:

i.Customer services strategies applied by I&M Bank is effective.

ii.There is a significant relationship between customer service applied and performance at I&M Bank for the period of 2019-2022.

**1.6. Scope of the study**

This research presents a very big study on matters of concern with customer services contribution to the performance of banking industry, but due to the problem of time, material as well as financial means research is scope in time, space and domain.

**1.6.1. Scope in time**

This research took a time frame of three years from 2019-2022.Researcher opts to use a time frame of four years because financial performance analysis of an institution can't be assessed within one year. And recent period is select because the researcher never knows something may be positive in time ago but bad in present. Therefore, this recent period allow researcher to find out accurate results and help to provide the real recommendation.

**1.6.2. Scope in domain**

This study is included in domain of banking by looking the marketing and financial analysis.

**1.6.3. Geographic scope**

This research takes place in I&M bank headquarters located in Kigali City precisely in Nyarugenge District. This place is select as the nearest place. Therefore, it allow researcher to save money and time. On the other side is select as the location of headquarters of the bank understudy.

**1.7. Significance of the study**

The topic becomes relevant because it tend to assess the contribution of customer satisfaction and performance of banking industry in Rwanda. The findings of this research provide information regarding customer satisfaction and its effects on I&M Bank performance in

Rwanda context. Therefore, the findings of this work available to the bank so that it could help managers to be aware of the role of customer care in their bank performing in order to improve the service quality. The work also plays different roles to stakeholders in different ways.

**1.7.1. Personal interest**

The study help the researcher to acquire knowledge and experience in writing a report on research and it serve to partially fulfil the Master's Degree in Accounting at Kigali Independent University ULK.

**1.7.2. Academic and scientific interest**

Academically, this research is a way for the researcher to fulfil academic requirements for the award of masters' degree in Accounting. Scientifically, this work is an add value to scientific world that it provides an exhaustive documentation to the future researchers of Accounting students in their research by just using it as reference.

**2.3. Social interest**

Rwandan community in general, educators, researchers and business policy makers benefit from information given by the researcher about the effectiveness of customer care services and performance of financial institutions.

**1.8. Definitions of key concepts**

**1.8.1. Customer**

Feigenbaum, (2006) defined customers as those who buy the goods or services provided by companies are customers. In other words, a customer is a stakeholder of an organization who

provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximize satisfaction. Sometimes the term customer and consumer are confusing. A customer can be a consumer, but a consumer may not necessarily be a customer. Another author explained this difference. I.e. a customer is the person who does the buying of the products and the consumer is the person who ultimately consumes the product.

## 1.8.2 Services

Gronroos (2007) Defined service as an activity or series of activities of more or less intangible nature that normally but not necessary take place in interactions between the customers and the service provider, which are provided as solutions to customer problems.

## 1.8.3 Customer satisfaction

Customer satisfaction is the process of looking after customers to best ensure their satisfaction and delightful interaction with a business and its brand, goods and services. It is closely related to customer experience" but different than "customer support" or "customer service (Kurtus, 2007).

## 1.8.4. Performance

Franco (2007) asserted that performance is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is deemed to be the fulfilment of an obligation, in a manner that releases the performer from all liabilities under the contract. Performance audit is concerned with the audit of economy, efficiency and effectiveness.

## CHAPTER 2: LITERATURE REVIEW

### 2.1. Introduction

This chapter reviews the literature pertaining to the research objectives, which has been put forward by other authors. It emphasizes on key terms and generalities that help to understand the nature and significance of the research. It also identifies the gap in the existing literature consulted in customer care services and performance of banking institution.

### 2.2. Theoretical Literature Review

This section review theory related to customer care service and performance of financial institutions, its mainly focuses on how responding to customer's complaints;  avoiding time waste in lines waiting for services; affordable service price; keeping  customer loyalty as well convenient banking hours contributes to the performance of banks.

### 2.2.1.Responding to customer's complaints

In the present banking system, excellence in customer service is the most important tool for sustained business growth. Customer complaints are part of the business life, of any corporate entity. This is more so for banks because they are service organizations. As a service organization, customer service and satisfaction should be the prime concern of any bank. The bank believes that providing prompt and efficient service is essential not only to attract new customers, but also to retain existing ones. However, banks minimize instances of customer complaints and grievances through proper service delivery and review mechanism and to ensure prompt redress of customer complaints and grievances. The review mechanism should help in

identifying shortcomings in product features and service delivery. Customer dissatisfaction can ruin the name and image of a bank(Uppal, 2007).

Complaints happens everyday. When a customer complains, it is usually for a good reason or genuine concern. They usually have made a purchase that did not meet their expectation, a product, service, or maybe a combination of the two. In the customer service industry, we cannot avoid complaints. We must take care of the customers by listening to their complaint, and resolving it, to ensure a happy customer (Lauren, 2003).

Parasuraman, (2011) mentioned that fewer than half of unhappy customers will bring a complaint to your attention. Those who never say anything will tell an average of 11 other people about their bad experience. It is important that we recognize complaints as opportunities, so we can sway these averages, one resolved complaint at a time.

Customers want to know someone is listening and they are understood, and they are hoping you are willing to take care of the problem to their satisfaction. No matter what the situation is, when a customer brings a complaint to your attention even if they do it in a less than desirable waybe thankful. As the old saying goes, "We can't fix it, if we don't know it's broken." Moreover, we must realize that improper handling of a customer complaint can be costly to the business (Kotler, 2003).

Lauren, (2003) here are five strategies that would help you handle customer complaint in a smooth and professional manner:

(i) **Stay calm.** When a customer presents you with a complaint, keep in mind that the issue is not personal; he or she is not attacking you directly but rather the situation at hand. "Winning" the confrontation accomplishes nothing. A person who remains in control of

his or her emotions deals from a position of strength. While it is perfectly natural to get defensive when attacked, choose to be the "professional" and keep your cool.

(ii) **Listen well.** Let the irritated customer blow off steam. Respond with phrases such as, Hmm, I see, and tell me more. Do not interrupt. As the customer vents and sees you are not reacting, he or she will begin to calm down. The customer needs to get into a calm frame of mind before he or she can hear your solution or anything you say, for that matter.

(iii) **Acknowledge the problem.** Let the customer know you hear what he or she is saying. If you or your company made a mistake, admit it. If you did not make a mistake and it is a misunderstanding, simply explain it to the customer: I can see how that would be incredibly frustrating for you. You are not necessarily agreeing with what the customer is saying, but respecting how he or she perceives and feels about the situation. An excellent phrase for opening up this particular conversation would be, So, if I understand you correctly. After the customer responds, follow up with, So, if I understand you correctly, we were to resolve the problem by noon today. I can see how that must be frustrating for you. Then be quiet. Usually, the customer will respond with that's right or exactly. By repeating to the customer what you think you heard, you lower his or her defences, and win the right to be heard.

(iv) **Get the facts.** After listening, take the initiative in the conversation. Now that the customer has calmed down and feels you have heard his or her side, begin asking questions. Be careful not to speak scripted replies, but use this as an opportunity to start a genuine conversation, building a trusting relationship with your customer. To help you understand the situation, get as many details as possible.

(v) **Offer a solution.** This happens only after you have sufficient details. One thing to keep in mind: Know what you can and cannot do within your company's guidelines. Making a promise you cannot commit to will only set you back. Remember, when offering a solution, be courteous and respectful. Let the customer know you are willing to take ownership of the issue, even if it was out of your control. Take charge of the situation and let the customer know what you are going to do to solve the problem.

According to Jones, (2000), when you resolve customer complaints successfully, you will better understand their needs, retain them as loyal customers, and enhance your business

**2.2.2 Avoiding time waste in lines waiting for services**

Waiting time basically refers to the average time customers wait for the completion of services they require from a service provider for a given period (Kotler, 2016).Customers tend to be dissatisfied with waiting duration for service delivery where they are uncertain about waiting time, when they do nothing during waiting, when they are with a group, when there are no explanations, apology or compensations for perceived unacceptable waiting durations (Bae and Kim, 2014).

**2.2.2.1. Waiting Time Management (WTM) Strategies and Waiting Time Satisfaction (WTS)**

In order to achieve high levels of waiting time satisfaction, business organizations must develop effective waiting time strategies to deal with customer dissatisfaction with waiting duration. In situations where the actual waiting period cannot be changed, it is critically important for financial service providers to formulate strategies to manage customer PWT in terms of filled

time (Taylor, 2014). An organization's waiting management (WTM) strategies area set of waiting time fillers meant to reduce the consumer's PWT dissatisfaction. A review of the extant banking and marketing literature shows a number of strategies service providers use to manage customers PWT in order to influence customers' WTS. Thus, it is proposed that banking organization's WTM strategies will have significantly positive effect on bank customers' waiting time satisfaction (WTS). Specifically, the more effective the organization's WTM strategies, the greater the positive effect on bank customers' WTS for banking services (Voorhees et al., 2009).

According to Ringle, (2015) no customer likes to wait. Smart businesses strive to minimize not only actual wait time, but also perceived wait time the amount of time that customers think they waited, regardless of how long they truly waited. Because perceived wait time directly affects customer engagement, it is imperative to manage it in every customer interaction. Here are four strategies to help you keep your customers' perceived wait time to a minimum:

**(i).Apologies and Waiting Time Satisfaction:** Apology refers to a bank's expression of regret for inconveniencing customers or making customers to wait too long for service. Firms may decide to apologize for delays they might have caused customers in the service delivery process. It is well documented that customers tend to welcome polite, sincere and unconditional apology from service providers when things go wrong with service provider's ability to deliver on time (Antonides et al., 2015). Bougoure et al (2015) showed that at a service firm's effective complaint handling positively impacts satisfaction with complaining, overall satisfaction and credibility. They also found that the higher the perceived magnitude of failure, the more difficult it is to satisfy a customer. McQyuilken (2017) found that in a high contact service environment, appropriate apology to customer can lead to their satisfaction. Nadiri (2016) found that perceived justice of customers has a significantly positive effect on their service recovery satisfaction in

banking services. Bank's apology for service delays and customer waiting in banking hall could be perceived by customers as a duty the service provider owes them and as a kind of justice treatment they deserve or require from service firms to settle their dissatisfaction with poor service experienced, found that apology for service failure, together with excuse, justification, reference, is one of the basic component of a banks explanation on service failure, which could result in higher customer satisfaction if applied effectively(Tarofder,*et al* 2016).

**(ii)Making Waiting Environment Comfortable:** Wait environment comfort refers to the extent to which a customer feels comfortable in the waiting environment or banking hall while waiting to be served. Service providers could manage the waiting environment by ensuring that the waiting environment provides customers' comfort while they wait for banking service. McQyuilken (2017) found that in a high contact service environment, waiting comfort is obligatory in reducing customer complaint, while waiting effort and apology are substitutable when comfortable waits are provided. Many past studies have shown that when customers perceive the waiting environment to be comfortable by looking neat, not congested, welcoming, refreshing, pleasant, and attractive with appropriate temperature and seating for relaxation, it could positively contribute to making customers satisfied with waiting periods in banking (Antonides et al., 2002).

**(iii)Mind-engagement Strategies:** Lee et al., (2012) found strong support for the positive effect of mind-engagement fillers on customer online waiting perceptions and web satisfaction experience. Bae and Kim (2014) also found that offering menu information and playing appropriate music in the service environment have positive effect on customer perceived waiting time. Moreover, Lee et al. (2012) found varying differential effect of various fillers such as background music, news and entertainment on customer evaluation of waiting time. Thus,

generally, the literature points to the fact that effective use of mind-engagement fillers could have a positive influence on customers' satisfaction on waiting time by shortening customers' perception of the waiting time at the service encounter stage.

**(iv)Keep it moving:** Customers want to see that all employees are actively working to move customers through queues. Every employee should operate with a sense of urgency and avoid what might easily be perceived as idle conversations or tasks. This reassures customers that employees are striving to help them as quickly as possible. If employees are not engaging in activities that serve customers when times are busy, they should take those interactions off the floor. In those instances, what employees are doing may very well have a large impact on the customer experience -- but from the customer's perspective, it is just two employees standing there talking to each other or an employee on a computer. Customers may think that employees are not taking the time to put their needs first (McQyuilken, 2017).

### 2.2.3 Affordable service price

Price Affordability has been defined as a judgment of whether an outcome and/or the process to reach an outcome are reasonable, acceptable or just, writes Bolton et al. (2003).

Campbell (2009) positions that consumers' price fairness perceptions are influenced by both procedural and distributive considerations. Also, price offer fairness perceptions and price procedural fairness perceptions are positively correlated. The order of influence will be determined by the sequence in which consumers receive the price offer and the price procedural information (Van Den Bos,*et al*.,2007).

Another foundation of price fairness perceptions, the principle of dual entitlement, suggests that one party should not benefit by causing a loss to another party. When a firm uses higher

consumer demand to its own advantage by increasing prices, consumers will feel being exploited and hence perceive the prices as unfair. Oliver and Swan, (2012) found that customers' fairness perceptions depended on a supplier's commitment and the quality of the goods and services relative to the price paid. Thus, they argue that when buyers seek attributions to determine whether the seller is responsible for the price inequality, they are strict with the seller out of their self-interest. That is, the seller irresponsible for the perceived inequitable price unless there is evidence that shows otherwise. Therefore, if buyers perceive the seller as having control over the situation, or if the cause of the price differential is internal to the seller, then the seller is responsible and the buyers not be satisfied. However, according to Campbell, (2009), buyers may accept a firm's good motive even when the higher price is not due to cost-related factors but is controlled by the company.

**2.2.4 Keeping Customer loyalty**

Fraering and Minor (2013) explain this fact by the term of customer loyalty. Loyal clients have more intense connection to their bank, based more on emotions. The relationship with their bank is thus much stronger than satisfied customers have. The consequence of such connection is the customer willingness not only to purchase additional products from their bank but also to inform their friends and family about this positive relation.

Murugiah and Akgam, (2015) add that loyal clients tend to provide more information about them, based on the trust they have towards their bank. However, Cohon (2007) warns this strong connection can be counterproductive. A customer can become loyal to a certain employee and not to the whole organization. In case of losing this employee, a bank can lose the client as well. Thus building customer loyalty cannot be fully decentralized to the employees of first contact.

Instead, banks have to deal with it at the top management level and define the common processes so that customers become loyal to the bank as such.

Various studies come to the conclusion that consequences of customer loyalty are very similar to that of customer satisfaction. Khan & Fasih(2014) summarize the possible outcomes of customer loyalty as: reducing customers´ quitting, boosting sales (represented by additional purchases of products and services), lower service costs comparing to new clients, positive Word of Mouth leading to acquisitions of new customers, increasing the market share and willingness of loyal customers to pay premium prices. All the above-mentioned outcomes have a positive impact on the commercial bank´s profitability what was confirmed by studies of (AlWugayan and Pleshko, 2010).

Smith & Wright (2004) explain that loyal clients are less price elastic thus companies can afford to increase prices without a negative effect on sales. Khan & Rizwan (2014) found that if a company reduces the customer quitting by 5%, it raises its profits by 2–8%.

Nevertheless, there are some papers not confirming such relationships, e.g. Keisidou,*et al.* (2013) argue that neither customer satisfaction nor customer loyalty is a significant predictor of bank financial performance in terms of return on assets or investment, net profit margin and return on equity.

Customer loyalty assessment is a complex decision problem, where evaluations are not easy and are strongly dependent in different stakeholders with different and often conflicting values and preferences. In this context, searching for optimal solutions was considered as an unrealistic possibility (Ferreira *et al.*, 2015).

## 2.3. Reviews on customer services

A customer is any person who purchase or buy a commodity or service. Peels (2018) state that a customer is a person to whom you are delivering service depends upon the type of business. According to Mattila and Wirtz (2004), customer is called a client, a buyer, customer, a patron or shopper. The authors added up that customer service is the process which deals with customer satisfaction that is taking and putting the customer first, anticipating need and problem, tailoring products, and services to meet need and hence developing the sense of care to customers in the service delivery.Kotler and Keller (2009)define service as any act or performance one part can offer the other that is essentially intangible and does not result into ownership of anything.

According to Johnston (2005) customer service is the series of activities designed to enhance the level of the customer satisfaction that is the feeling that a product or a service has met customer expectation. According to Wilson (2011), good customer service is all about bringing customers back. It is also about sending them away happy-happy enough positive feedback about your business along to others who may then try the product orservice you offer for themselves and in their turn become repeated customers.

According to Kolter and Armstrong (2003), a good customer service creates an emotion with service and product. Satisfied customers talk favourably to other about the organization or company and hence they remain royal and continue purchasing product of an organization.

The essence of good customer service is forming a relationship with customers relationship that individual customer feels that he would to pursue. Customer service is the provision of what customers want, when they want it at an acceptable cost within the operating constraints of the business and providing a better service than that the customers expect(Mbura, 2004). Customer

service includes measuring customer satisfaction levels, improving institution-wide support and response times, as well as managing customer data to look at buying or complaint trends. As such, customer service is business requirement that impacts an organization at nearly every level. It is a special skill of listening carefully to the customer (Tegambwage, 2006).

Even in the technological world, Schulze (2000) maintains that customers will return based on how they were treated by the service provider and not on the quality of the product. Schulze's (2000) secrets to customer care focuses on how long a customer is kept waiting, whether employees are empowered to take authority and make decisions and whether the business is aware of and is addressing areas of potential error in the customer-employee interaction. At the end of the day the customer care programmer should be constructed to maximize customer loyalty (Dorrian, 2001). Thompson (2000) furthermore maintains that as more customers adopt the Internet and customer expectations are created, so businesses will have to implement strategies to understand the market better in order to target the market more accurately and ultimately become closer to their intended customers. This correlates with Report and Jaworski's (2001) proposal that a well researched and designed web site should attract the targeted customer segment and repel the non targeted customer segment.

### 2.3.1 Types of customer

There are two types of customer: internal customer and external customer :( Besterfied, 2001*)*

**(i) Internal customers** are people, departments or organizations that are served by what you do or internal customers help the business to supply high quality products to their outside customers (Lyberg, 2010). While

(ii) **External customers** are the buyers of goods and services for their own use or External customers can be defined by many ways, such as the one who purchase the product or service for instance. Mc Donald's determined the customer to be the child when he introduces his happy meals. The child never pays the meals but the child influences the sale. Every employee in the organization must know how he or she could enhance the total satisfaction of the external customer. The performance must be continually improved in order to retain the satisfied customers and to gain new ones. An external customer is just important. Every function whether is engineering, order processing, or production, has an external customer. Each receives a product or service. And in exchange provides a product or service (Besterfied, 2001*)*.

Each worker's goal is to make sure that the quality meets the expectations of the next person. When that happens throughout the manufacturing, sales and distribution chain, satisfaction of the external customer should be assured. In addition, clear criteria must be provided for measuring success in meeting expectations of both internal and external customers (Titard, 2006).

**2.3.2 Importance of customer care**

To gain or retain customers, a business must provide something that another one does not. For example, longer opening hours than a competitor or money off voucher for the next time they come to the store.

If a customer buys something from a business, they expect it to be easy. The consumer will not want to wait a long time for cues or the transaction of payment and they do not want to find that a store has run out of stock or feel unwelcome. If a customer is satisfied when they leave a shop, they may start to use it regularly and become royal customers(Fraering and Minor 2013).

If customers feel satisfied with a service or product that they have bought, then they will recommend the business to others. This means that the company will win new customers, keep old ones and the name of the business will be known as a highly regarded one. (Lucas, 2009)

### 2.3.3. Customer care objectives

Customer care is a multi-tasking profession that requires variety of skills in order to achieve bright career objectives (IngerRoos, 2005).

### (i)     Satisfaction

Gustafson, (2005) To understand the importance of customer satisfaction, consider these facts: customers with problems usually don't react and only 4% of them complain; normally a person with problem tells 9 other people about it; while satisfied customers tell 5 other people about their good experiment; keeping a current customer costs about 1/7 of the cost of acquiring a new customer; retaining a current employee costs one tenth of hiring and training a new one. These facts; highlights the crucial role of satisfying customers which brings employee satisfaction; hence, the profit maximization of the company, Therefore, organizations need to understand that to what extend their customers would be satisfied. Customer satisfaction in marketing context has specific meanings: Gustafson *et al(2005)* brought customer satisfaction definition as customer's overall evaluation of the date. This satisfaction has positive influences on retaining customers among different variety of services and products. In service based enterprises; service quality directly affects customer satisfaction.

Interpreted satisfaction as a feeling which results from a process of evaluating what was received against that expected, the purchase decision itself and/or the fulfilment of needs/want. Satisfaction refers to achieving the things we want. If satisfaction interprets as "not going wrong"

the firm should decrease complaint which by its own is not sufficient. In order to satisfy customers, company should improve its services and products. This illustrates correlation between customers' expectations and customer satisfaction. Customers with less expectation are more satisfied: companies by adding innovative features would easily increase customer satisfaction. In contrast, when customers are unaware of improvements but critical of losses in existing quality are less satisfied and expect more (IngridFecĬikovaÂ, 2004).

### (ii)    Retention

Another key goal of customer care is the customer retention. Repeated business helps a company remain more profitable, because filing new customers is often more expensive than retaining current ones, especially due to high costs of marketing. Strong customer care tells the customer that he is valued. This message is especially important in the Internet age, when clients are constantly bombarded with advertising from other companies. Retaining customers requires customer care that is friendly and that acknowledges your customer's individual investment of time and money into your business. Retention is an essential and important goal for non profit organizations. For example, Kennesaw State University in Georgia outlines a customer care mission that centres on retention of students. Although profitability may not be a primary focus of nonprofits like Kennesaw, successful organizations define their customers as the reason for the organization's existence (Dawkins, 2000).

### (iii)    Expansion

Customer care has an additional objective to expand business. Because satisfied customers often tell others about their experience, excellent customer care should attract business in the form of new clients. Here again a facet of customer care helps to reduce cost: word-of-mouth by your current customers is a cheaper (even free) manner of gaining new business when compared to

marketing and advertising. Moreover, a company with a reputation for outstanding customer care will have an advantage in attracting talent as well.

A larger pool of potential employees puts the organization at a competitive advantage (Zeithaml, 2006).

### (iv)     Measurement

Customer care objectives of satisfaction retention and expansion must be measured to determine effectiveness. Organizations may do surveys or conduct studies internally to quantify customers' experiences. External measurements can also be considered. In the retail sector, some stores rely heavily upon secret shoppers, who write customer care reports based on their visit. Organizations may employee teams of quality control experts, who specifically monitor customer care interactions. Call centers, for instance, have quality teams whose primary function is to listen to customer care calls and then provide feedback.

For most people that user will be an internal customer, that is another unit or person in your organization whose part in a work process comes after yours or who uses your output to do his or her job (Mittal, 2012).

### 2.3.4 Quality of Services and Customer's expectations

It is important to study service quality as it impacts organizational profits because it is directly related to customers satisfaction, customer retention, and hence customer loyalty (Mohsin, 2005). Quality of service is what people want to have whenever they encounter a service providing institution. Smith, (2000) viewed service quality in two ways. The first is the level of quality by which the regular service is delivered, for example, the bank teller's handling a transaction. The second is the level of quality by which "exceptions" or "problems" are handled.

However, maintaining quality is important for good customer relations regardless of the type of service. At the time of service delivery, customers interact closely with the service providers and get an inside knowledge of the service organization. This kind of knowledge gives them an opportunity to critically assess the service provided and the service provider. From the literature stated above, service quality plays an important role in adding value to the overall service experience. That means that, the best quality is that which adequately meet the needs of customers.

According to Mbura (2004) quality of service is considered to yield the following advantages: Improved customer retention, High degree of customer loyalty, Attraction of new customers through positive word of mouth recommendations, can be used as a competitive tool especially

Where competitors cannot easily copy and employee morale can improve due to reduced customer complaints.

Customer expectations are comprised of future benefits together with anticipated regret if a business relationship ends. Expectations are formed on the basis of past experiences with the same or similar situations, statements made by friends and other associates, and statements made by the supplying organization (Kotler, 2000).

### 2.3.5. Measuring Customer Service

Cheales (2001) emphasizes that if the business is not measuring the results of the customer care programmer, then the business will not know how successful it has been nor will it know how to manage the programmer. Cheales (2001) emphasize that if the business is not measuring the results of the customer care programmer, then the business will not know how successful it has been nor will it know how to manage the programmer. The problem is that management are used

to measuring tangibles such as accounting data, and not intangible elements such as service quality and customer feedback (Cohan, 2000).

Kotler (2000) observed that customers evaluate and measure a business on; reliability which refers to the business' ability to perform the service accurately and dependably; responsiveness which is the willingness to provide prompt assistance; assurance which refers to the employee's knowledge and ability to convey confidence and competence; empathy which is the ability to care for the customer and provide attention and tangibles which refers to the business' physical facilities and equipment. Consequently management should be measuring the same intangible factors internally and through requesting feedback from customers as, only then, would problem areas become evident and easier to manage (Cheales, 2001).

Furthermore Cheales (2001) suggests that the following should be implemented to improve the measurement of service received by customers: Measurement techniques should be visible to all staff as an indication of how the entire team is doing; barriers to customer complaints should be removed so that customers feel at ease to voice their opinions. This will enhance customer loyalty and promote a long-term relationship; performance targets should be set with specific goals and deadlines so that progress can be monitored and the customer should be involved in the measurement process as this will make the customer feel special and strengthen the relationship.

### 2.3.6. Value of the Customer

There is a strong relationship between providing excellent customer service and a business' profitability (Dorrian, 2006). However, while difficult to measure, intangible assets such as the brand and, more importantly, the customer should be included as additional determinants of the business' value (Gupta, 2005). Researches done by Gupta *et al.,* (2004) suggest that customer

lifetime value provides a useful metric with which to value a business. Customer lifetime value is the expected future profit to be made from a customer less the costs of acquiring and maintaining the customer (Kotler, 2000).

Gupta *et al.*(2004) research shows that businesses that invest in marketing strategies to enhance customer retention contribute to improving customer value and ultimately the overall value of the business. Consequently customers should be considered as valuable intangible assets and as such should be measured and managed as any tangible asset belonging to the business. Cohan (2000) maintains that other intangible assets surrounding a customer include customer relationships, customer preferences and customer feedback. Therefore businesses need to put mechanisms in place to exploit the value of the customer and convert the intangible assets into increased shareholder value (Cohan, 2000).

## 2.4. Review on performance of banking institutions

Various theories has been written on financial performance and since one of the objectives of this research is to assess financial performance of the bank under study bellow theories clarify more on financial performance.

### 2.4.1 Financial Performance measure

Birlay and Westheed (2001) view financial performance as an approximation for financial success, which is the rate at which the enterprise is satisfied with the profits and growth levels attained. Financial performance looks at the results of a firm's policies and operations in monetary terms, being a general measure of a firm's overall financial health over a given period

of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Hillman & Keim 2001).

Turyahebya (2013) defines financial performance as the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats. Similarly Kathryn (2005) defined financial performance as a contextual concept associated with the phenomenon being studied. In the context of organizational financial performance, performance is a measure of the change of the financial state of an organization, or the financial outcomes that results from management decisions and the execution of those decisions by members of the organization.

### 2.4.1.1. Profitability measure

Clausen (2009) states that the Profitability Ratio Analysis of Income Statement and Balance Sheet Ratio analysis of the income statement and balance sheet are used to measure company profit performance. He said the learn ratio analyses of the income statement and balance sheet. The income statement and balance sheet are two important reports that show the profit and net worth of the company. It analyses shows how well the company is doing in terms of profits compared to sales. He also shows how well the assets are performing in terms of generating revenue. He defines the income statement shows the net profit of the company by subtracting expenses from gross profit (sales – cost of goods sold). Furthermore, the balance sheet lists the value of the assets, as well as liabilities. In simple terms, the main function of the balance sheet is to show the company's net worth by subtracting liabilities from assets. He said that the balance sheet does not report profits, there's an important relationship between assets and profit. The business owner normally has a lot of investment in the company's assets.

Cohen (2001)In order to evaluate and indicate the performance of a company, the economic analysts refer to some indicators, such as growth of sales / sales volume, the effectiveness of competition, the result or income of the company; the effectiveness of the system as a whole etc. Therefore, for assessing well the performance of any institution the following measures are commonly used:

**(i)      Net profit margin or rate of return on sales**

According to Cohen (2001:230) commercial viability relates to the pricing policy applied by the company and the margin it takes on goods and services. It is expressed by the ratio of the net profit on sales

$$\text{Net profit margin} \ = \frac{\text{Net profit}}{\text{Sales}} \times 100$$

Gross profit mark up, margin and net profit margin show how well a business is doing in terms of profit earned from trading and the whole business activity.

This is a ratio that expresses the company's net margin or simply the index of profitability of the company.

This ratio is an economic indicator that is of great importance because it measures the profit earned by the company for each monetary unit of sale. It also shows the market share customer loyalty new customer attraction, customer satisfaction, profitability by market segment, customer, product, market etc.

**(ii)     Total Asset Turnover or Profitability**

It is obtained by comparing the total assets of the company and the result of expressing all company's activities. According to Bernard and Coll (2001), asset turnover is calculated as follow:

$$\text{Asset turnover} = \frac{\text{Turnover}}{\text{Total Asset}} \times 100$$

**(iii)     Return On Equity (ROE)**

This involves the relationship between the net result for the period on the equity the shareholders have invested in the company. it express the ratio between net income and shareholders' equity this ratio is referred to as return on equity is a tool of financial analysis that interests most shareholders. It measures what their investment gives back to them.

$$\text{Return on equity(ROE)} = \frac{\text{Net income}}{\text{Equity}} \times 100$$

**2.4.1.2. CAMELS**

Siva and Natarajan (2011)asserted that CAMELS Models and its impacts on the performance of Banks and CAMELS models scanning helps the bank to diagnose its financial health and alert the bank to take preventive steps for its sustainability. A composite rating of one is thought to indicate a strong bank that could weather adverse economic conditions.

**(i)     Capital Adequacy**

Capital is seen as a cushion to protect depositors and promote the stability and efficiency of financial system around the world. Capital Adequacy reflects the overall financial condition of the banks and also the ability of management to meet the need for additional capital. It also indicates whether the bank has enough capital to absorb unexpected losses. Capital Adequacy Ratio acts as an indicator of bank leverage (Kalfaoglou, 2012).According toVong and Chan

(2009) the dimension of capital adequacy is an important factor to help the bank in understanding the shock attractive capability during risk.

### (ii) Asset Quality

The dimension of asset quality is an important factor to help the bank in understanding the risk on the exposure of the debtors. In this paper, this parameter is measured by the provision for loan loss reserve to total asset ratio. This ratio assures to cover the bad and doubtful loans of the bank. This parameter will benefit the bank in understanding the amount of funds that have been reserved by the banks in the event of bad investments (Merchant, 2012).

### (iii) Management efficiency

The ratios in this segment involve subjective analysis and efficiency of management. These parameters are used to evaluate management efficiency as to assign premium to better quality banks and discount poorly managed ones. Several academic studies have examined whether and to what extent private supervisory information is useful in the supervisory monitoring of banks. The ratios are total advance to total deposit, business per employee, profit per employee and return on net worth (Sangmi and Nazir, 2010).

The prime motto behind measuring the assets quality is to ascertain the component of Non-Performing Assets (NPAs) as a percentage of the total assets. This indicates the degree of financial strength i.e. the type of advances the bank has made to generate interest income. Thus, assets quality indicates the type of the debtors the bank is having (Mobeen *et al.* 2011).

### (iv) Earnings Quality

Earning quality reflects quality of a bank's profitability and its ability to earn consistently. Explains the sustainability and growth in earnings in the future and though determines the

profitability of the bank. It is argued that much of bank's income is earned through investments, treasury operation, and corporate advisory service and so on (Lobo *et al.*2009).

Couto and Brasil (2002) mentioned that earning ability rating earning ability; quantifies the performance of the institution to increase and maintain the total worth through earnings from operations. It also assesses the interest rate policy, management examine and adjust the interest rate on micro finance loans and evaluate the adjusted return on assets that how well the assets are utilized Liquidity Management; scrutinizes institution liabilities like interest rate, payment terms, tenor etc. It also evaluates fund availability to meet its credit demand and cash flow requirements.

### (v)     Liquidity Performance

Liquidity is a crucial aspect for a bank which represents its ability to meet its financial obligations. It is vital for a bank to maintain correct level of liquidity, which will otherwise lead to declined earnings. Banks have to take proper care in hedging liquidity risk (Sinkey and Joseph. 1998). According to Panigrahi (2006) the following are detail of ratios: Liquid Assets to Total Assets is the liquid assets divided by total assets. Liquid Assets include cash in hand, balance with the central bank, balance with other banks (both in India and abroad), and money at call and short notice indicates the overall liquidity position of the bank.

### 2.5 Empirical Studies

Different authors have a positive understanding on the relationship between customer service and organizational performance. As Kaynak (2002) suggested in order to bank competes successfully in today's competitive marketplace; it must focus on understanding the needs, attitudes, satisfactions and behavioral patterns of the market. Since consumers evaluate a number of criteria when choosing a bank. In study conducted in Canada suggests that most of Canadian

customers found that convenience is the principal reason for bank selection, followed by parental influence with respect to the status of the bank. In contrast, the study conducted in Hong Kong China, indicate that Hong Kong banking market discovered that customers choose their banks because of convenience, long association, recommendations of friends and relatives, and accessibility to credit that guarantee them to remain more with more news (Laroche, 2008).

William (2002) argues that business profits should improve considerably when customers stay on board for longer periods of time. So the longer one keeps customers, the more years over which these one-time costs can be spread. To remain competitive in today's global economy, there is an urgent need to strengthen customer relations for ways to extend market reach, improve quality and customer service so as to increase profitability.

Molina *et al.* (2007) investigated customer satisfaction in Spain. Trust and exemplary customer service emerged as the key factors contributing to good long-term relationship between the bank and the customers. Manraj and Manraj (2007) investigated dimensions of customer service that influenced customer satisfaction in the American banks. The study identified the following dimensions of customer service having the greatest influence on customer satisfaction: Personnel related considerations, financial considerations, (interest earning and interest payments), environmental related considerations (atmospherics) and convenience related considerations (ATM presence and bank opening hours).

Ahmad *et al*. (2010) examined the impact of customer satisfaction on performance of conventional banks in Pakistan. The findings established a relationship between customer satisfaction and bank performance. Studies recommended that banks improve their products and introduce new, diversified and marketable products to meet the requirements of various market segments. A study by Ghazizadeh *et al.* (2010) in state owned banks in Tehran found that

customer satisfaction and demographic factors like age and level of education had influenced customers" propensity to stay with their current banks. Furthermore, their study in Iranian state owned bank revealed that bank service operation such as assurance, responsiveness and empathy, bank employee's friendliness, care, helpfulness and courtesy were important in explaining customer satisfaction.

Ojunga (2005) investigated e-commerce services in commercial Banks in Kenya and found various outputs and some of them included extend to which bank to bank ecommerce service utilization, extend to bank to customer electronic payment methods and extend of usage of electronic payment methods.

Zeithmal *et al.* (2013) sought to understand the relationship between service and profits and found strong evidence to support the relationship. Their study emphasized the importance of identifying the service quality dimensions that influence organizations profitability. Doing so will help organizations understand the aspects of service quality to change to influence the relationship with profits enabling them determine how to invest resources.

According to Otieno (2006), the new banking system is becoming an important factor in the future development of Kenya financial services industry, and especially Kenyan banking industry. Banks are faced with a number of important questions, for examples how to take full advantage of new technological opportunities, how e-developments changes the way customers interact with the financial services provider. Kenya has achieved significant success in the implementation of electronic banking; it is on the top of the emerging markets in this area and even outpaces the achievements of some developed countries. This progress is not coincidence; it has external and also subjective reasons. It is upon this premise that this study is designed to fill this gap in the body of knowledge.

**2.6.Research gap**

The chapter has review literature relate to the contribution of customer satisfaction to the performance of banking industry. Specifically its reviewed literature reflect the effectiveness of services quality dimensions applied by banks, the performance measures, and the relationship between customer satisfaction and banking institution's performance. It also review empirical study and researcher realized that, international studies by Zeithmal *et al.* (2013) sought to understand the relationship between service and profits and found strong evidence to support the relationship. Their study emphasized the importance of identifying the service quality dimensions that influence organizations profitability. Doing so help organizations understand the aspects of service quality to change to influence the relationship with profits enabling them determine how to invest resources.

Various studies have been conducted on customer care services and banks in Rwanda as well as at regional and international level. But, most of them looked at the contribution of customer care services on bank's customer's satisfactions. Few of them deal with customer care services and performance of banking institution. But none of them assessed the performance of these banks deeply due to its financial information. However the current study therefore seeks to bridge the gap between what has been previously studied by other researchers by carrying out a research on the impact of customer satisfaction on the on performance of bank industry, a case of I&M Bank.

**2.7. Conceptual Framework**

The graph hereby, represents the independent and dependent variables. Since there are many variables, the researcher shall concentrate on three most important variables such as Independent variable, Dependent variable and Intervening variable. This conceptual framework interlinks

those three variables following their interdependence. The below given Conceptual framework, it is clear that customer satisfaction as Independent variables and performance of financial institutions as dependent variable

**Figure2. 1 Conceptual Framework**

**Independent Variable**                                        **Dependent Variable**

| Customer satisfaction |
| --- |
| • Responding to customer's complaints<br>• Avoiding time waste in lines waiting for services<br>• Affordable service price<br>• Keeping Customer loyalty<br>• Convenient banking hours |

| Performance of banking industry |
| --- |
| Financial performance<br>• Profitability<br>• Capital Adequacy<br>• Asset Quality<br>• Earnings Quality<br>• Non financial<br>• Management efficiency<br>• Increase resources |

**Source: Researcher's design**

The figure above clearly demonstrates the variable of this study where it shows that independent variable (Customer satisfaction) can be effective if bank responding to customer's complaints; avoiding time waste in lines waiting for services; provide services at affordable service price; keeping customer loyalty and provides banking services in convenient hours. On the other side the figure shows that if all these are done effectively banks automatically recognise financial performance indicated by profitability; management efficiency; capital Adequacy; asset quality and earnings quality. And of course all these would not happen if banks doesn't settle clear and strong policies.

# CHAPTER 3: RESEARCH METHODOLOGY

## 3.0 Introduction

This chapter focuses on the research design and methods that the researcher used to collect and analyze data. It greatly concerns the population of the study; sampling design; sample size; Data Collection Techniques and Tools; ethical issues and data analysis as well as reliability and validity measures.

## 3.1 Research Design

According to Burns and Grove (2003) research design is a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. In the same time Saunders *et al* (2016) argued that research design is a framework that is used by researcher to collect and analyze data. This research adopts descriptive; explanatory and exploratory research design. Researcher used descriptive to describe variables and determine frequency with which something occurs or relationship between the variables of this study. Explanatory design helped researcher to explain the relationship between customer satisfaction and performance of I&M Bank. And exploratory design helps to gather preliminary information that helped to define problems and recommend solution.

## 3.2. The population of the study

According to Cooper and Schindler (2000), a population is the total collection of elements about which the researcher wish to make inferences. While the target population from which is drown is 15,343 of I&M bank main branch.

### 3.2.1. Sampling design

A sample is a set of entities drawn from a population with the aim of estimating characteristic of the population (Yates *et al.,*2008). Cooper and Schindler (2003) explain that the basic idea of sampling is selecting some of the elements in a population, so that the same conclusions can be drawn about the entire population. These results reduced cost and greater accuracy of results. During the present research, researcher needs to have a small number of respondents who should provide data in need for the success of the work. For choosing the sample size, the researcher follows the formula of Yamane formula presented as follow:

$$n = \frac{N}{1+N(e)^2}$$

Where n= sample size

N= size of the population

e= margin error or confidence level ordinary equals to 0.05 or 5% but can vary from 0.01 to 0.1

So sample size in this study;

$$n = \frac{15343}{1+ 15343(0.1)^2} = \frac{15343}{154.42} = 99.3 = 99 \text{ respondents}$$

### 3.3. 2. Sampling technique

Simple random sampling used. Simple random samplings a sampling technique where every item in the population has an even chance and likelihood of being selected in the sample. Here

the selection of items completely depends on chance or by probability and therefore this sampling technique is also sometimes known as a method of chances (Bailey, 2000). This gave all clients of this bank equal chance to participate without considering any other criteria.

## 3.3. Data Collection Techniques and Tools

Researcher used both primary sources and secondary sources of data in this study. Empirical data is collect from different sources to ensure their reliability and validity. Researcher collect primary data through structure interviews, questionnaires and observations while secondary data obtained through documentary review.

### 3.3.1. Questionnaire

A questionnaire is a set of questions or statements that assesses attitudes, opinions, beliefs, and biographical information. In order to collect data that precisely meets the objectives of the study, both open-ended and closed-ended questions were included in the questionnaire (Kombo and Tromp, 2006). Therefore, in this case researcher printed set questions and distribute them to the selected 100 clients of I&M bank. Researcher choose questionnaire because of how it saves time and allows easy analysis of data collect from the field.

### 3.3.2. Observation

Observation involves collecting information by watching respondents without informing them. Kothari (2008) notes that observation relates to what is currently happening and it is not complicated by either the past behaviour or future intentions or attitude of respondents. Observation assist the study to validate information obtained through questionnaires and interview. The observer considered the real situation in I&M bank.

### 3.3.3. Documentary review

This is a data collection technique based on reading books, report and documents which have information related to the topic (Kothari, 2008).In this view researcher used the already work data i.e. secondary data from various data banks. Published and non- published materials use as a source of data to supplement primary data.

### 3.4 Validity and reliability tests

### 3.4.1 Reliability

According to Drost (2011), reliability refers to random error in measurement. Reliability indicates the accuracy or precision of the measuring instrument. The researcher used the test retest reliability technique where a pilot test of twenty questionnaires distributed to the customers and employees of I&M bank main branch so as to examine the appropriateness of responses given by respondents before applying the questionnaire to the entire population. This enabled the researcher to address errors or irregularities that appeared during the research exercise.

The researcher also performs another pre- test by asking the same question in different ways or repeating it at a later stage in the questionnaire to test for consistency in the response.

### 3.4.2 Validity

Mugenda (1999) defines validity of results as a degree to which results obtained from the analysis actually represent the variables of study. Thus, validity refers to whether the findings accurately reflect the situation and are supported by evidence. Validity is established by correlating the scores with a similar instrument.  The researcher used pre-test technique to confirm the validity of the   instrument by developing a pilot set of questions and asking them to

a number of people, to verify whether the questions are clearly worded and easily understood and whether the respondents know the answers or not. The results of pilot questionnaire may identified a number of deficiencies such as wording and some missing elements crucial to provide an answer to the specific aspect of the research including the appreciation of the impact of customer satisfaction to the performance of I&M bank. Researcher revises and correct questionnaire accordingly before launching the questionnaire to I&M bank.

## 3.5. Methods of data processing and analysis

This section focus on methods that researcher used to process and analyze data collected.

### 3.5.1 Methods of data processing

Researcher analyzed data after editing, coding and tabulation. This analysis based on percentages that obtained to show the relationship between the study variables. The information summarize according to the objectives of the study. For this research to be successful; the researcher used the analytical method. This helped to separate different parts that make a whole data in order to realize a crucial study of each one aside.

According to RWIGAMBA (2001), this method allows to analyze systematically all information as well as data gathered. This method is use to analyze data collection and other information pertaining to the research; it enable the researcher to analyze information and data that collect case by case. It helped to analyze statistics and other data that gives the idea.

### 3.5.2.Methods of data analysis

The study adopts both qualitative and quantitative methods. In explaining qualitative findings, researcher employed content analysis. The contribution of customer satisfaction to the

performance of I&M bank measure in terms of percentage according to response from select sample size. Researcher also used the necessary tables and narrative models to represent the results obtain from the data analysis. Furthermore each question used in the questionnaire or interview structure in such a way that it provides the underlying information, thereby answering a particular research item so as to meet a defined objective. Researcher process collect quantitative data by using the statistical package for social sciences (SPSS) as it has extensive analytical capacity. The researcher also used Analysis of Variance model Summary and Pearson Correlation to measure a relationship between customer satisfaction and performance of I&M Bank.

## 3.5. Limitations

The following limitations may be encountered during the process of data collection:

(i) Availability of respondents may be a constraint because some time some of them will have more task, busy and refuse to respond.

(ii) The process of distributing questionnaire is very tiresome and expensive for the researcher.

(iii) Biases respondents would be another limitation to the researcher. This is because some respondents in the interview could give wrong information or even refuse to give any information.

## 3.7. Ethical considerations

Researcher conduct a research in I&M Bank ethically where firstly apply for authorization of conducting research in this bank, secondly respect the confidentiality in research respondents, and not harm the participants in the research concern. And researcher ensures the readers and all

party who is interest on this research that the content of this research with case study of I&M bank have quality and integrity. And also the participants of this research participate voluntary. On the other side researcher gave each respondent a letter explaining the nature of the research project, the letter also assure respondents of the confidentiality of the information as well as guaranteeing their anonymity.

## CHAPTER FOUR: DATA PRESENTATION AND INTERPRETATION

### 4.1. Introduction

In previous chapters we have presented the literature both theoretical and empirical side on the contribution of customer satisfaction to performance of banking industry in Rwanda. This chapter also endeavoured to analyze the data, interpret the various findings from the research and subsequent references delivered from the data documented in relation to the study objectives and hypothesis in order to assess the influence of customer satisfaction to performance of banking industry.

### 4.1. Historical background of I&M Bank

The bank was opened in 1963 under the name French Banque Commerciale du Rwanda (BCR) or "Commercial Bank of Rwanda. In the beginning, it was wholly owned by the Government of Rwanda. In 2004, it was privatized. As of April 2010, Actis Capital owned 80 percent and the Rwandan government owned the remaining 20 percent of the financial institution. Actis Capital is a private equity investment firm, headquartered in London, United Kingdom, that specializes in investments in developing countries. The firm's investment portfolio was almost US$5 billion as of April 2010. In July 2012, Actis Capital divested from BCR by selling its shares to a consortium comprising the I&M Bank Group from Kenya, PROPARCO from France, and the German Investment Corporation. The Rwandan government retained its shares in the bank. In August 2013, the bank rebranded to I&M Bank (Rwanda) to reflect its current shareholding. In September 2015, I&M Bank Rwanda appointed its current Managing Director - Robin Bairstow. In March 2017, I&M Bank Rwanda started trading on the Rwanda Stock Exchange through an Initial Public Offering, (I&M Bank Rwanda report, 2020).

**Table 4.1.Ownership of I&M Bank Rwanda**

| I&M Bank (Rwanda) Ownership | | |
|---|---|---|
| **Rank** | **Name of Owner** | **Percentage Ownership** |
| 1 | I&M Bank Group | 54.47 |
| 2 | Africa Invest Evergreen Investments | 24.76 |
| 4 | Public | 20.01 |
| 4 | ESOP | 0.61 |
| 5 | Others | 0.15 |
| | **Total** | **100.00** |

Source: I&M Bank Rwanda 2021

## 4.2. Respondents' characteristics

This section provides a socio demographic profile of respondents of the research questions. The information that respondents provided is important for understanding the behaviour and

knowledge of the population of interest with respect to the contribution of customer satisfaction to the performance of banking industry in Rwanda.

**4.2.1. Background characteristics of respondents**

The individual questionnaire gathered information concerning respondents' gender, age group, and its level of education. These characteristics are used to interpret findings elsewhere in the research paper.

**4.2.2. Age of respondents**

Prior to recording any information, the interviewer asked respondents to tell truly accurate information about themselves and the respondents' age bracket. The following table present the information related to age of respondents.

**Table 4.2 : Respondent's age in years**

| Age  of respondents | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| 19-30 | 42 | 42.4 | 42.4 | 42.4 |
| 31-42 | 30 | 30.3 | 30.3 | 72.7 |
| 43-54 | 18 | 18.2 | 18.2 | 90.9 |
| Above 55years old | 9 | 9.1 | 9.1 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

The table 4.2 reveals that majority of respondents were 42.4 percent aged between 19-30, 30.3 percent of all respondents aged between 31-42, 18.2 percent of respondent confirmed that they

are aged between 43-54, and 9.1 percent of respondent reported that they are aged above 55 years old. This shows that majority of the respondents were aged between 19-30 years old, that is the working age in most of financial organisation of Rwanda especially for I&M Bank.

### 4.2.3. Gender of respondents

Gender of respondents is important for the researcher in order to analyze the information gotten by individual; it is in that regard the following table presents the age of respondents.

**Table 4.3: Gender of respondents**

| Gender of respondents | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Male | 69 | 69.7 | 69.7 | 69.7 |
| Female | 30 | 30.3 | 30.3 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

Table 4.3 shows the identification of respondents according to the gender whereby 69.7% males and 30.3% females has responded to the research questions. This clearly shows that there were both males and females given the opportunity to participate in this study. Given the implication of age in analyzing demographic characteristics, was paid to making sure this statistic was accurately recorded in the research.

**4.2.4. Level of education of respondent**

The education level helps the researcher to get real information related to the topic. In this area the researcher points out the education level of respondents.

**Table 4.4: Distribution of educational status**

| Highest level of Education (tick one) | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Diploma levels | 21 | 21.2 | 21.2 | 21.2 |
| Bachelor | 47 | 47.5 | 47.5 | 68.7 |
| Masters | 14 | 14.1 | 14.1 | 82.8 |
| PHD | 6 | 6.1 | 6.1 | 88.9 |
| Others (Please specify) | 11 | 11.1 | 11.1 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

Table 4.4 presents the level of education attained by respondents whereas 21.2 percent of respondents had Diploma levels,47.5 percent of respondents had bachelor's degree and 14.1 percent of respondents had masters' degree and 6.1% of respondents had PhD, and 11.1 percent of respondents had other certificate, the level of education of respondents help researcher to get real information on customers satisfaction and performance of I&M Bank.

**4.2.5..Distribution of information related to the experience of respondents**

In the following area the researcher point out the information related to the experience of respondents within I&M Bank.

**Table4.5:How long have you stayed with I&M bank**

| How long have you stayed with I&M bank? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| 0-4 year | 18 | 18.2 | 18.2 | 18.2 |
| 4-7 year | 63 | 63.6 | 63.6 | 81.8 |
| 7 – 10 years | 11 | 11.1 | 11.1 | 92.9 |
| Above 10 years | 7 | 7.1 | 7.1 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

Table 4.5. present the information related to the experience of respondents, 18.2% of respondents confirmed 0-4years of experience within I&M bank, 63.6% of respondents confirmed 4-7 years of experience,11.1% of respondents confirmed the experience were in interval between 7-10 years, and 7.1% of respondents confirmed that their experience were above of 10years of working.

**4.3.Distribution of information related to the to customer loyalty in I&M bank**

In this area the researcher present the information related to the agreement of respondents related to Customer loyalty in I&M bank, the following table point out the information on Customer loyalty in I&M bank.

**Table4.6. Presentation of information on agreement with the statements regarding to Customer loyalty in I&M bank**

| Do you agree with the following statements regarding Customer loyalty in I&M bank? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| I will always use this Bank in every of my bank activities/ transactions | 16 | 16.2 | 16.2 | 16.2 |
| I will Say positive things about the bank to other people | 38 | 38.4 | 38.4 | 54.5 |
| I consider switching away from this bank | 26 | 26.3 | 26.3 | 80.8 |
| I will never change this Bank even if I find another bank | 19 | 19.2 | 19.2 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

Table 4.6.present the information related to customer loyalty in I&M bank, 16.2% of respondents confirmed that I will always use this Bank in every of their bank activities/ transactions,, 19.2% of respondents confirmed that I will never change this Bank even I find another bank, with data collected from respondents the researcher confirmed there is good customers loyalty in I&M bank.

**4.3.1. Distribution of information related to customers complaints**

Customers complaints refer to when a business does not deliver it commitments and does not meet customer expectations in terms of the product or services, it is in that regard the researcher in this area present information relate to the agreement regarding how I&M bank responds to customer's complaints.

**Table 4.7.Distribution of information related to the agreement with the statement regarding how I&M bank responds to customer's complaints.**

| Do you agree with the following statements regarding how I&M bank responds to customer's complaints? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| I&M Bank always listen carefully to the customers complaint | 34 | 34.3 | 34.3 | 34.3 |
| I&M Bank apologize for the situation | 30 | 30.3 | 30.3 | 64.6 |
| I&M Bank execute and offers solution to the complaints | 18 | 18.2 | 18.2 | 82.8 |
| I&M Bank conduct follow-up to ensure that customers are satisfied with the solution | 17 | 17.2 | 17.2 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

Table 4.7. present the information related to the agreement with the statement regarding how I&M bank responds to customer's complaints,34.3% of respondents confirmed that I&M Bank always listen carefully to their customers complaint 30.3% of respondents confirmed that I&M Bank apologize for the situation, 18.2% of respondents confirmed that I&M Bank execute and offers solution to the complaints, 17.2% of respondents confirmed that I&M Bank conduct follow-up to ensure that customers are satisfied with the solution. With the data collected from the field the researcher confirmed that I&M bank responding to customer's complaints.

### 4.3.2. Distribution of information inconvenience of I&M bank working hours

Any of the hours of day during which work is done to help the organization achieve its objective, goal mission and vision. In this area the research present the information related to the convenience of I&M bank working hours, the following table contains the data on statements regarding convenience of I&M bank working hours.

**Table 4.8 Distribution of information on statements regarding convenience of I&M bank working hours**

| Do you agree with the following statements regarding convenience of I&M bank working hours? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| I&M Bank working hour are flexible to customers | 40 | 40.4 | 40.4 | 40.4 |
| I receive every services I want at I&M bank every time | 39 | 39.4 | 39.4 | 79.8 |
| I&M Bank Headquarters serves it's clients during the weekend | 20 | 20.2 | 20.2 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

The table 4.8 present the information related to the agreement of respondents regarding convenience of I&M bank working hours, 40.4% of respondents confirmed that I&M Bank working hour are flexible to customers, 39.4% of respondents confirmed that I receive every services I want at I&M bank every time, and 20.2 % of respondents confirmed that I&M Bank Headquarters serves it's clients during the weekend. With the data collected from the field the researcher confirmed that there inconvenience of I&M bank working hours because of information technology used in I&M bank such as automate teller making ATM, electronic banking, internet, online for accessing the account of customers.

### 4.3.3. Distribution of information related to the affordability of services prices in I&M Bank

Affordability of services prices is very important in commercial bank in Rwanda for attracting more customers because of that it is reasonably priced for customers; the following table presents the information on statements regarding affordability of services prices in I&M Bank.

**Table4.9. Distribution of information on agreement with the following statements regarding to affordability of services prices in I&M Bank**

| Do you agree with the following statements regarding affordability of services prices in I&M Bank? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| I&M Bank charges affordable services fees | 33 | 33.3 | 33.3 | 33.3 |
| I&M Bank charge affordable commission fees | 29 | 29.3 | 29.3 | 62.6 |
| I&M Bank offer loan to its clients at affordable interest rate | 37 | 37.4 | 37.4 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

The table 4.9 present the information on agreement with the statements regarding affordability of services prices in I&M Bank, 33.3% of respondents confirmed that I&M Bank charge affordable services fees, 29.3% of respondents confirmed that I&M Bank charge affordable commission fees, 37.4% of respondents confirmed that I&M Bank offers loan to its clients at affordable interest rate. With the data collected from the field the researchers confirmed that in I&M Bank there are the affordable services prices.

**4.3.4. Distribution of information related to the agreement of statements regarding to customer retention in I&M bank**

Customer retention is a metric that measures customers loyalty or ability for an organization to keep its customers over time. This area present the information related to the customers retention in I&M Bank.

**Table 4.10.Distributionof information regarding to customer retention in I&M bank**

| Do you agree with the following statements regarding customer retention in I&M bank? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| I have never changed this bank since I joined it | 44 | 44.4 | 44.4 | 44.4 |
| I don't have the intention to quit this bank | 28 | 28.3 | 28.3 | 72.7 |
| I stayed with this bank because the interest rate are favorable | 27 | 27.3 | 27.3 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

The table 4.10 present the information related to customer retention in I&M bank, 44.4% of respondents confirmed the statement, said that I have never changed this bank since I joined it, 28.3% of respondents confirmed statement said that I don't have the intention to quit this bank, 27.3% of respondents confirmed that I stayed with this bank because the interest rate are

favorable. With data collected from the field researcher confirmed that there is customer retention in I&M bank.

### 4.3.5. Distribution of information on statements regarding customer word of mouth

Customer's word of mouth is a good pillar for the organization because it helps the employees to employee services and product delivery. The following table present the information related to the statements regarding customer word of mouth.

**Table 4.11. Presentation of information on statements regarding customer word of mouth**

| Do you agree with the following statements regarding customer word of mouth? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| I recommend this bank to other people | 18 | 18.2 | 18.2 | 18.2 |
| I always speak good about the good side of this company | 16 | 16.2 | 16.2 | 34.3 |
| I am proud to say that I use this bank | 31 | 31.3 | 31.3 | 65.7 |
| I recommend other people to use services of this bank | 22 | 22.2 | 22.2 | 87.9 |
| I always  say positive things about this bank | 12 | 12.1 | 12.1 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

The table 4.11 present the information related to the agreement of respondents with statements regarding customer word of mouth, 18.2% of respondents confirmed that I recommend this bank to other people, 16.2% of the respondents confirmed that I always speak the good side of this company, 31.3% of respondents confirmed that I am proud to say that I use this bank, 22.2% of respondents confirmed that I recommend other people to use the services of this bank, and 12.1% of respondents confirmed that I always say positive things about this bank. With data collected from the field researcher confirmed that statements regarding to customer word of mouth it good.

### 4.3.6. The distribution of information related to quality of services delivered by I&M Bank

Service quality is a measure of how an organization delivers its services compared to the expectation of its customers. In this area the researcher present the information related to the quality of services delivered by I&M Bank.

**Table 4.12. The presentation of information related to the quality of services delivered by I&M Bank**

| Do you agree with the following statements regarding quality of services delivered by I&M Bank? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Employees are quick to help customers | 43 | 43.4 | 43.4 | 43.4 |
| Employees shows characteristic off friendliness to their customers | 33 | 33.3 | 33.3 | 76.8 |
| Employees show politeness toward customers | 23 | 23.2 | 23.2 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

The table 4.12 present the information related to the quality of services delivered by I&M Bank, 43.4% of respondents confirmed that employees are quick to help customers, 33.3% of respondents confirmed that employee's shows characteristic of friendliness to customers, and 76.8% of respondents confirmed that employee's shows politeness toward customers. With the data collected from the field the researcher confirmed that I&M Bank offer quality services to its customers.

## 4.3.7. Distribution of information regarding how I&M Bank avoid wasting time in lines waiting for services

Up waste time in lines of waiting for services it the cause of financial institutions losing its customers it is in that regard the commercial bank avoiding up waste time in line of waiting services by using online services, this area contains the information related to the agreement of respondents regarding to how I&M Bank avoiding up waste time in lines waiting for services.

**Table 4.13. Presentation of information regarding to how I&M Bank avoids wasting time in lines waiting for services**

| Do you agree with the following statements regarding how I&M Bank avoid wasting time in lines waiting for services? | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| I&M Bank introduced e-banking to avoid time waste in lines waiting for services | 46 | 46.5 | 46.5 | 46.5 |
| I&M Bank has enough staff in every service so that clients would not spend long time on lines waiting for services | 36 | 36.4 | 36.4 | 82.8 |
| I&M Bank staff always try it's best to serve customers as quick as possible | 17 | 17.2 | 17.2 | 100.0 |
| Total | 99 | 100.0 | 100.0 | |

Source: Primary data, 2023

Table 4.13 present the information regarding how I&M Bank avoid wasting time in lines waiting for services. 46.5% of respondents confirmed that I&M Bank introduced e-banking to avoid time waste in lines waiting for services, 36.4% of respondents confirmed that I&M Bank has enough

staff in every service so that clients would not spend long time on lines waiting for services, 17.2% of respondents confirmed that the I&M Bank staff always try it best to server customers as quick as possible. With data collected from the filed the researcher confirmed that I&M bank avoids wasting time in lines waiting for services.

## 4.4. Trend of financial performance indicators of I&M Bank Rwanda

### 4.4.1. Trend of net income

The final result after all the assets and liability have balanced out the net result is the main indicator of performance. The following table shows the evolution of net result of I&M Bank Rwanda for the period of the study.

**Table 4.14: Trend of net income within I&M Bank 2019-2022 in Rwf (000)**

| Period | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Net income | 21,865,985 | 22,412,747 | 25,655,034 | 31,740,757 |
| Variation | - | 546,762 | 3,242,287 | 6,085,723 |
| **Percentage variation** | **%** | **2.5%** | **14.4%** | **23.7%** |

**Source:** Financial statement of I&M Bank 2019-2022

Basing on the findings in the table4.14 the net income of I&M Bank increased during the period of 2019-2022. In 2019 to 2020the net income increased 546,762 Rwf which presents 2.5% of variation, in 2021 to 2022 the net income variation to 3,242,287Rwf which presents 14.4% of variation and in 2021 to 2022 the net income variation were 6,085,723Rwf equal to 23.7% of

vvariation. This indicates that the net income of I&M Bank keeps on increasing which is the main indicator of high performance of the bank within customers' satisfaction of I&M Bank.

## 4.4.2. Trend of assets

Asset is any item of economic value owned by an individual or corporation, especially that which could be converted to cash. Examples are cash, securities, accounts receivable, inventory, office equipment, real estate, a car, and other property. On a balance sheet, assets are equal to the sum of liabilities, common stock, and retained earnings.

**Table 4.15: Trend of asset within I&M Bank 2019-2022 in Rwf (000)**

| Period | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Assets | 317,899,026 | 417,203,688 | 466,926,163 | 491,334,166 |
| Variation | - | 99,304,662 | 49,722,475 | 24,408,003 |
| **Percentage variation** | **-** | **31.2%** | **11.9%** | **5.2%** |

**Source:** Financial statement of I&M Bank 2019-2022

The table4.15 shows that in 2019 to 2020 the total assets increased to 99,304,662 Rwf which is 31.2% of increase, and in 2021 to 2022 the total assets also increased to 49,722,475Rwf which presents 11.9% of increase, and in 2021 to 2022 the total assets also increased to 24,408,003Rwf which presents 5.2% of increase. This shows that from the period of 2019 to 2022 the total assets of I&M Bank keep on varying at certain percentage which is the best indicator of the

performance of I&M BANK including the contribution played by customer satisfaction by I&M Bank.

### 4.4.3. Trend of deposits in I&M Bank

Bank deposit refers to money placed into a banking institution for safekeeping. Bank deposits are made to deposit accounts at a banking institution, such as savings accounts, checking accounts and money market accounts. The account holder has the right to withdraw any deposited funds, as stated in the terms and conditions of the account. The "deposit" itself is a liability owed by the bank to the depositor; ( www.investopedia.com).

**Table 4.16: Trend of deposits in I&M Bank 2019-2022 in Rwf (000)**

| Period | 2019 | 2020 | 2021 | 2022 |
|--------|------|------|------|------|
| Deposits | 51,567,393 | 49,823,984 | 60,430,768 | 62,182,772 |
| Variation | - | 1,743,409 | 10,606,784 | 1,752,004 |
| **Percentage** | **-** | **3.3%** | **21.2%** | **2.8%** |

**Source:** Financial statement of I&M Bank 2019-2022

The deposits of I&M Bank had a positive trend during this period of study as shown by the table 4.16, in 2019 the deposits varies to 1,743,409Rwf which is equal to 3.3% of increase, and in 2020 the deposits of customers in I&M Bank increased to 10,606,784Rwf which is equal to 21.2% of increase, and in 2022 the deposits of customers in I&M Bank increased to 1,752,004Rf which is equal to 2.8% of increased,. This is a high indicator of the performance of I&M BANK within Customers care services offered, with data collected from the secondary data and after

analyses the researcher confirmed that the Customer care services offered by I&M Bank help to its performance as indicate by the Ratio of deposit of I&M Bank for a period of the study.

### 4.4.4. Trend of loan granted by I&M Bank

A loan in terms of small business finance is a sum of money advanced to a business that must be repaid, with interest at some point in the future. The lender must bear the risk that the borrower may not repay the loan. The interest rate charged is the price for that risk. A loan is money, classified as debt, for temporary use. A business has to apply for a loan through some lending organization. A lending organization might be a commercial bank, credit union, or other lending organization like a thrift institution or an alternative source of loans for businesses.

**Table 4.17: Trend of loan granted by I&M Bank 2019-2022 FRW (000)**

| Period | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Loan and Advances to customers | 171,887,690 | 205,229,128 | 222,423,047 | 231,719,807 |
| Variation | - | 33,341,438 | 17,193,919 | 9,296,762 |
| **Percentage variation** | **-** | **19.3%** | **8.3%** | **4.1%** |

**Source:** Financial statement of I&M Bank 2019-2022

As presented by the table4.17, during the period of 2019 to 2022 the trend analysis of loan offered by I&M Bank had varied. In 2019 to 2020 the loan offered by I&M Bank shifted to 33,341,438 which is equal to 19.3% of variation, and in 2020 to 2021 the total loan offered by I&M Bank shifted to 17,193,919 which is equal to 8.3% of increase, and in 2021 to 2022 the

total loan offered by I&M Bank shifted to 9,296,762 which is equal to 4.1% of variation. This different variation of loan offered by I&M Bank shows the performance of I&M Bank, this also means that loan offered by I&M Bank increased as profit generated from it increased which is the indicators of customer satisfaction by I&M Bank.

## 4.4.5. Trend of Net operating Income of I&M Bank

Turnover is the name for measure of how quickly inventory is sold (inventory turnover). A high turnover means that goods are sold quickly while a slow turnover means that goods are sold slowly. For the financial institutions turnover is the amount of services sold to the customers for a specific period of time.

**Table 4.18: Trend of net operating income of I&M Bank**

| Period | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Net operating income | 27,395,198 | 25,655,034 | 31,740,757 | 39,661,312 |
| Variation | - | 1,740,164 | 6,085,559 | 7,920,555 |
| **Percentage variation** | **-** | **6.3%** | **23.7%** | **24.9%** |

**Source:** Financial statement of I&M Bank 2019-2022

The table4.18 shows that the net operating income of I&M Bank increased year by year where in 2019 to 2020 net operating income variation is 1,740,164 which is equal 6.3% of variation and in 2020 to 2021 the net operating income increase 6,085,559 which are equal to 23.7% of variation, in 2021 to 2022 the net operating income variation is7,920,555 which are equal to 24.9% of

variation, this increase of turnover of I&M Bank and offer different services and read customers satisfaction within activities of I&M Bank.

## 4.5. Analysis of profitability indicators within I&M Bank

This section discusses the different measures of corporate profitability and financial performance. These ratios, much like the operational performance ratios, give users a good understanding of how well the company utilized its resources in generating profit and shareholder value. The profitability indicators are measured by the following ratios:

### 4.5.1. Return on assets ratio (ROA)

Richard L (2008), this ratio indicates how profitable a company is relative to its total assets. The return on assets (ROA) ratio illustrates how well management is employing the company's total assets to make a profit. The higher the return, the more efficient management is in utilizing its asset base. The ROA ratio is calculated by comparing net income to average total assets, and is expressed as a percentage. $ROA = \frac{\text{Net income}}{\text{Total Asset}} * 100$

**Table 4.19: Presenting return on assets of I&M Bank**

| Period | 2019 | 2020 | 2021 | 2022 |
|--------|------|------|------|------|
| Net income | 21,865,985 | 22,412,747 | 25,655,034 | 31,740,757 |
| Total assets | 317,899,026 | 417,203,688 | 466,926,163 | 491,334,166 |
| **ROA** | **6.8%** | **5.3%** | **5.4%** | **6.4%** |

**Source:** Financial statement of I&M Bank 2019-2022

The return on asset presented by the table 4.19. In 2019 ROA is 6.8%, in 2020 ROA is 5.3% in 2020 the return on asset is 5.4%, in 2021 and the return on asset is 6.4%, in 2022. During the research period of 2019 to 2022, with data collected from respondents the researcher confirmed that the variation of return on asset is significant and confirmed that customer satisfaction lead to the performance of I&M Bank.

This ratio measures the profitability generated from the invested stockholder's equities and this ratio of return on equity serves to pay the invested capitals by I&M Bank. This ratio of return on stockholder's equities is calculated by taking the net income and divide by stockholder's equities.

**Table 4.20: Presenting return on equity of I&M Bank**

| Period | 2019 | 2020 | 2021 | 2022 |
|--------|------|------|------|------|
| Net income | 21,865,985 | 22,412,747 | 25,655,034 | 31,740,757 |
| Total equity | 42,786,882 | 54,476,853 | 62,203,967 | 71,321,733 |
| **ROE** | **51.1%** | **41.1%** | **41.2%** | **44.5%** |

**Source:** Financial statement of I&M Bank 2019-2022

Return on Equity= (Net income/shareholder equity)*100

The table4.20 shows the return on equity which is the most important of all the financial ratios to investors in the company. It measures the return on money the investors have put into the company. This ratio helps the investor deciding to invest or not in the company. This table shows the return on equity of I&M Bank in the period of 2019 to 2022 as follow, and 51.1% in 2019 in

41.1% in 2020 and 41.2% and 44.5% in 2022. With data collected from information customers services techniques used by I&M Bank to its performance, and the researcher after analysis the data confirmed that the variation of return on equity is significant and the amount of money I&M Bank invested.

## 4.6. Correlation analysis

The correlations are one of most common and useful statistics. A correlation is single numbers that describe the degree of relationship between two variables. The correlation of this study point out the relationship between customer care services and analysis performance of I&M Bank, and this study compare dependent variable and independent variable of the study.

**Table4.21 Distribution of correlation between customer satisfaction and performance of I&M BANK**

| Customer satisfaction services and performance of I&M BANK | | Customer satisfaction | performance of I&M BANK |
|---|---|---|---|
| Customer satisfaction | Pearson Correlation | 1 | .876$^{**}$ |
| | Sig. (2-tailed) | | .000 |
| | N | 99 | 99 |
| Performance of I&M BANK | Pearson Correlation | . 876$^{**}$ | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 99 | 99 |

**. Correlation is significant at the 0.01 level (2-tailed).

The table4.21 shown the correlation which is 0.876is their significance level is in the interval between 0.776 ≤r<1

This means that the correlation of this research is high level correlation between Customer satisfaction and performance of I&M Bank. This leads to confirm that there is significant relationship between customer satisfaction and performance of I&M Bank. The study furthermore revealed that the respondents of I&M Bank is statistically significant at 0.05 level (P< 0.05) and positively customer satisfaction contribute to the success and performance of I&M Bank. This might have been influenced by the fact that the customer satisfaction was considered to have more impact on performance of financial institution especially in I&M Bank.

## CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

### 5.0 Introduction

This chapter contains summary of the findings it present also the conclusion and recommendations on customer satisfaction has lead to the performance of banking industry, case of I&M bank (2019-2022).

### 5.1.Summary

The aim of this study is to analyze the contribution of customer satisfaction has lead to the performance of banking industry, case study of I&M bank (2019-2022). The study focus on the following three specific objectives, to determine the effectiveness of customer services applied by I&M Bank, to assess the performance of I&M Bank within the period of 2019-2022, to find out the relationship between customer services and performance of I&M Bank. For the purpose of analyzing the data, researchers select the following hypotheses, there is no a significant relationship between customer service applied and performance at I&M Bank for the period of 2019-2022, there is a significant relationship between customer service applied and performance at I&M Bank for the period of 2019-2022. This study contains five different chapters chapter one is general introduction it present the background of the study, study objective, research questions, significant of the study, scope of the study, and definition of key terms. Chapter two is literature reviews pertaining to the research objectives, it emphasizes on key terms and generalities that help to understand the nature and significance of the research, it present conceptual framework. It also identifies the gap in the existing literature consulted in customer care services and performance of banking institution. Chapter three is research methodology, this chapter focuses on the research design and methods that researchers used to collect and analyze

data. It greatly concerns the population of the study; sampling design; sample size; data collection techniques and tools; ethical issues and data analysis as well as reliability and validity measures.

Chapter four is data presentation and interpretation it present the data gotten from the field, with data collected from the fieldtable 4.9 present the information on agreement with the statements regarding to affordability of services prices in I&M Bank, 33.3% of respondents confirmed that I&M Bank charge affordable services fees, 29.3% of respondents confirmed that I&M Bank charge affordable commission fees, 37.4% of respondents confirmed that I&M Bank offer loan to its clients at affordable interest rate. With the data collected from the field the researchers confirmed that in I&M Bank there are the affordable services prices.

The table 4.11 present the information related to customer retention in I&M bank, 44.4% of respondents confirmed statement said that I have never changed this bank since I joined it, 28.3% of respondents confirmed statement said that I don't have the intention to quit this bank, 27.3% of respondents confirmed that I stay in this bank because of the interest rate is favorable. With data collected from the field researcher confirmed that there customer retention in I&M bank.

The table 4.14 present the information related to the quality of services delivered by I&M Bank, 43.4% of respondents confirmed that employees are quick to help customers, 33.3% of respondents confirmed that employee's shows characteristic of friendship to customers, and 76.8% of respondents confirmed that employees show politeness toward customers. With the data collected from the field the researcher confirmed that I&M Bank offer quality services to its customers.

Basing on the findings in the table 4.16 the net income of I&M Bank increased during the period of 2019-2022. In 2019 to 2020 the net income increased by 546,762 Rwf which presents 2.5% of variation, in 2021 to 2022 the net income variation was 3,242,287Rwf which presents 14.4% of variation, and in 2021 to 2022 the net income variation were 6,085,723Rwf equal to 23.7% of variation. This indicates that the net income of I&M Bank keeps on increasing which is the main indicator of high performance of the bank within customer's satisfaction of I&M Bank.

The table4.19 shows the return on equity which is the most important of all the financial ratios to investors in the company. It measures the return on money the investors have put into the company. This ratio helps the investor deciding to invest or not in the company. This table shows the return on equity of I&M Bank in the period of 2019 to 2022 as follow, and 51.1% in 2019 and 41.1% in 2020 and 41.2% and 44.5% in 2022. With data collected from information customers services techniques used by I&M Bank to its performance, and the researcher after analysis the data confirmed that the variation of return on equity is significant and the amount of money I&M Bank invested.

The table4.21 shown the correlation which is 0.876 is their significance level is in the interval between $0.776 \leq r < 1$ means that the correlation of this research is high level correlation between Customer satisfaction and performance of I&M Bank. This leads to confirm that there is significant relationship between customer satisfaction and performance of I&M Bank. The study furthermore revealed that the respondents of I&M Bank is statistically significant at 0.05 level ($P < 0.05$) and positively customer satisfaction contribute to the success and performance of I&M Bank. This might have been influenced by the fact that the customer satisfaction was considered to have more impact on performance of financial institution especially in I&M Bank.

## 5.2. Conclusion

As a conclusion therefore, after observing all findings researcher point out the conclusion relate to the objective is that I&M Bank applied customer care service effectively, and this help I&M Bank to achieve its financial performance, customer retention allow this I&M Bank to keep money and resources that they spend in attracting new customers because it costs, a results point out that customers are committed to stay and always use the products of I&M Bank, researcher after analysis the data of I&M Bank conclude that this bank able is to stay with customers for a long time; I&M bank working hours and its services fees are affordable, all help I&M Bank to remain competent and profitable bank. And the hypothesis of this study was confirmed said that there is a significant relationship between customer service applied and performance at I&M Bank for the period of 2019-2022.

## 5.3 Recommendations

After analysis the study on customer satisfaction has lead to the performance of banking industry, case study of I&M bank (2019-2022), several recommendations are proposed to this bank as well as other bank to ensure their performance.

### 5.3.1 To I&M Bank

Based on findings of this study, I&M Bank can develop more complaints systems whereby its customers are to be encouraged to submit information encountered and its suggestions, I&M Bank must increase working hours and think about weekend to insure customer satisfaction, it was also observed that some clients are not satisfied with interest rate charged on loans granted by I&M bank, I&M bank has to increase different communication so that it customers be aware of everything.

**5.3.2 Recommendations for further research**

The content of this study was focused on contribution of customer satisfaction has lead to the performance of banking industry, case study of I&M bank (2019-2022). The following topics are recommended to further researchers:

1. Analysis of role of customers satisfaction to the financial performance of commercial bank in Rwanda

2. Assessing challenges facing commercial banks in Rwanda in relation to customers satisfaction

3. Analysis of customer dissatisfaction on profitability of commercial bank Rwanda by comparing to commercial bank.

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**APPENDICES**

**QUESTIONNAIRE**

Dear respondents,

I am EkERUM Marvis ARIKAI a student of Kigali Independent University (ULK), Masters Degree in Accounting. Data collected in this survey is intend for academic purposes only and will be used in partial fulfillment of research project to assessing **Impact of customer satisfaction has lead to the performance of banking industry, case of I&M Bank (2019-2022).** All information gathered will be handled with the strictest of confidentiality. Thank you so much for your cooperation. There are 4 sections.

**Section One: General Information**

Please tick the most appropriate

**1. Age**

- 19-30                 [ ]

- 31-42                 [ ]

- 43-54                 [ ]

- Above 55years old    [ ]

**2. Gender**

- Male            [ ]

- Female         [ ]

**3. Highest level of Education (tick one)**

- Primary             [ ]

- Diploma levels      [ ]

- Bachelor            [ ]

- Masters             [ ]

- PHD                 [ ]

- Others (Please specify) _____

**4. How long have you stay with I&M bank?**

- 0-1 year            [ ]

- 1 - 4 years         [ ]

- 4 – 7 years         [ ]

-  7 – 10 years       [ ]

- Above 10 years      [ ]

**Section two**: **Effectiveness of customer care services**

Please tick the most appropriate

5. Do you agree with the following statements regardingCustomer loyalty in I&M bank?

| **Statement** | |
|---|---|
| I will always use this Bank in every  of my bank activities/ | |

| transactions | |
|---|---|
| I will Say positive things about the bank to other people | |
| I consider switching away from this bank | |
| I will never change this Bank even If I find another bank | |

6. Do you agree with the following statements regarding how I&M bank responds to customer's

complaints?

| Statement | |
|---|---|
| I&M Bank always listen carefully to the customers complaint | |
| I&M Bank apologize for the situation. | |
| I&M Bank execute and offer solutions to the complaints. | |
| I&M Bank conduct follow-up to ensure that customers are satisfied with the solution | |

7. Do you agree with the following statements regarding how I&M Bank avoiding waste of time

in lines waiting for services?

| Statement | |
|---|---|
| I&M Bank introduced e-banking to avoid time waste in lines waiting for services | |

| | |
|---|---|
| I&M Bank has enough staffs in every service so that clients would not spend long time on lines waiting for services | |
| I&M Bank staff always try its best to server customers as quick as possible | |

8. Do you agree with the following statements regarding convenience of I&M bank working hours?

| Statement | |
|---|---|
| I&M Bank working hour are flexible to customers | |
| I receiver every services I want at I&M bank every time | |
| I&M Bank Headquarters servers its clients during the weekend | |

9. Do you agree with the following statements regarding affordability of services prices in I&M Bank?

| Statement | |
|---|---|
| I&M Bank charge affordable services fees | |
| I&M Bank charge affordable commission fees | |

| I&M Bank offers loan to its clients at affordable interest rate | |
|---|---|

**10.** Do you agree with the following statements regarding customer retention in I&M bank?

| Statement | |
|---|---|
| I have never changed this bank since I joined it | |
| I don't have the intention to quit this bank | |
| I stay in this bank because the interest rate are favorable | |

11. Do you agree with the following statements regarding customer word of mouth?

| Statement | |
|---|---|
| I recommend this bank to other people | |
| I always speak the good side of this company | |
| I am proud to say that I use this bank | |
| I recommend other people to use services of this bank | |
| I always say positive things to this bank | |

12. Do you agree with the following statements regardingquality of services delivered by I&M Bank?

| Statement | |
|---|---|
| Employees are quick to help customers | |
| Employees shows characteristic of friendship to customers | |
| Employees show politeness toward customers | |
| There is fairness in service delivery | |

**Thanks you for your cooperation!**

**Interview Guide**

TOPIC: "**Customer satisfaction has lead to the performance of banking industry, case of I&M Bank (2019-2022)**".

Respondents' experience …………

 Respondent's occupation ………………..

1) How do you view your bank's efforts to ensure good customer care?

2) How do you handle customer's complaints?

3) Is there any strategic plan concerning provision of excellent customer care services in your bank? If yes how do you think that this lead to the overall performance of your bank?

4) Does your bank recognise performance within last four years?

5) Can you please express the relationship between customer care services and performance of I&M Bank?

**Thank you for your cooperation.**