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EFFECTS OF QUALITY OF BANK PRODUCTS AND SERVICES ON THE PERFORMANCE OF COMMERCIAL BANKS IN MAKUENI COUNTY

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Abstract

Purpose: The main purpose of this study was to determine the effect of enhanced quality of bank products and services on the performance of commercial banks in Makueni County.

Methodology: This study adopted a descriptive research design. The target population was all the 219 employees from the commercial bank branches in Makueni County from which 130 study participants were sampled; 65 bank managers and 65 assistant managers. A questionnaire was designed, piloted and used to collect data from the study participants. All necessary ethical issues were considered during and after data collection process. Statistical Package for Social Scientists Version 21 was used in data analysis to generate both descriptive and inferential statistics.

Findings: There was a positive relationship between the quality of services and products and performance of commercial banks in Makueni County. The regression results also revealed that quality of products and services had a significant influence on the performance of commercial banks at $p = 0.015$.

Unique contributions to theory, practice and policy: The quality of bank services and products is a major determinant of the performance of commercial banks in the area of study. The findings were similar to those of another study carried out by Odeny (2016). Since contingency theory argues that there is no single best approach in the management of institutions, the study recommends that continuous research is necessary in commercial banks to establish areas of service and product improvement for their continued high performance.

Keywords: *Quality, Bank Products and Services, Performance of Commercial Banks, Makueni County*

1.0 INTRODUCTION

Background Information

According to a survey that was carried out by Kolhatkar and Sheelah on the management of change (2018), organizations will often change to cut costs, move from a good performance to a better performance, turn around a crisis situation, to catch up with rivals or to separate from a part of the organization Kolhatkar and Sheelah (2018). Globally, according to the findings of a study that was carried out by Coyle-Shapiro and Kessler (2008), it was established that managers were more positive in their assessment of the employer's fulfillment of their obligations than the employees were. Through creation of effective channels of communication and an open working environment, the manager ensures that the expectations of both the employer and the employees are understandable and well communicated.

Regionally, studies have established that the major challenge facing businesses today is the effective and efficient management of its operational strategies which include the quality of products and services offered. According to Ulrich (2012), the primary difference between organizations which succeed and those that fail is the ability to respond to the space of change. The organizations need to monitor both their external and internal environments, anticipate and to timely adapt to the continual change. According to Marquardt, (2015), the people and organizations or institutions which choose to meddle through turbulence of the business, find it very hard to survive.

Locally, studies have shown an improvement in the performance of commercial banks in Kenya coupled with a number of challenges. For instance, a report by the Central Bank of Kenya (2017) suggested that Despite the phenomenal growth, the Kenyan banking industry has experienced a myriad of challenges in regards to credit risk management. Credit risk was enhanced in 2017 as economic activity slowed down during the protracted election period (Njoroge, 2017a). The slowdown in economic activity affected debt servicing across the sectors, as well as overall asset quality in the banking sector.

This was reflected by the increase in the ratio of non-performing loans from 9.3 percent in 2016 to 12.3 percent in 2017. The sector's gross loans and advances decreased by 5.68 percent from KSh.2.29 trillion in December 2016 to KSh.2.16 trillion in December 2017. The report warned that bank lending if not properly assessed, involves the risk that the borrower will not be able or willing to honour their obligations (Njoroge, 2017a). This would greatly affect the performance of commercial banks.

Financial Performance of Commercial Banks

For commercial banks, which are financial institutions that provide various types of financial services to customers in return for payment in form of either; interests, discounts, fees, commission and so on (M.Bhole, 2009) by providing these services, they participate in an economic activity, whose main goal is to generate income. On average, the deposits consist of 80% of the source of bank funds and include savings, current accounts and fixed deposits. Additionally, World Bank Business Survey (Njoroge, 2017b), reported that Kenya is ranked 28th among 189 countries on Credit accessibility. To maintain their competitiveness despite the changes in the banking environment, commercial banks develop new products or make institutional changes or market their products innovatively (Lawrence, 2012). The changes can lead to introducing a new product, popularizing a product, using new

technologies, rising of new institutions or reorganizing current ones with the aim of facilitating access to information, trading and means of payment (Lawrence, 2012).

With these changes, it is expected that the performance of the commercial bank undergoes change too (Solans, 2013). Performance measurement and reporting is now widespread across the banking sectors in many industrialized and industrializing countries (Mosongo, 2013). The measurement of the performance is done to provide investors in the banking sector with the required information with regard to how their investments are generating value for them. Further according to (Elsinger, 2010), commercial banks represent the core of the credit for the national economy.

The credit, in turn, serves as the engine that drives financial flows that determine growth and economic development. The efficiency in the activities of commercial banks has direct implications on the entire economy. The management of every commercial bank has the duty of ensuring that every policy they undertake adds value to investors and to the country at large. Assessing investment performance within changing banking environment will ensure the banks achieve investment objectives and determine the general direction of the behaviour of investment activity (Elsinger, 2010).

Commercial Banks in Kenya

The banking sector in Kenya comprises of the Central Bank of Kenya, as the regulatory authority, 44 commercial Banks, 1 Mortgage Finance Company, 8 representative offices of foreign banks, 9 Microfinance Banks (MFBs), 2 Credit Reference Bureaus CRBs 13 Money Remittance Providers (MRPs) and 87 Foreign Exchange (Forex) Bureaus. Out of the 44 banking institutions, 30 are locally owned commercial banks while 14 are foreign owned. Of the 14 foreign owned banks 10 are locally incorporated subsidiaries of foreign banks and 4 are branches of foreign incorporated banks. Out of the 44 banking institutions, 11 are listed on the Nairobi securities Exchange (CBK, 2018). The Kenyan financial sector has undergone tremendous changes in the last two decades (1990-2010).

A number of Kenyan banks have also expanded into neighboring countries. Prudential guidelines introduced in 2012 have helped to improve banks' risk management practices. The sector has continued to record strong growth during 2013, leading to the expansion of the deposit base by 12.5%, while gross loans grew by 17.65% in December 2013. Also, the demand for credit picked up significantly following the peaceful conclusion of elections in March 2013. Credit demand was further boosted by lower interest rates and an upbeat macroeconomic outlook. Kenya's banking sector has a favorable outlook for 2014. This view is supported by solid macroeconomic fundamentals, continued expansion of Kenyan banks into the region, further expansion of the branch network and agency banking in the domestic market, and higher demand for banking services due to the government's devolution process (Blasco, 2017).

The banking industry has been earmarked as a key pillar to the achievement of vision 2030 (a long-term strategy to achieve sustainable growth by year 2030) through increased savings, encouragement of Foreign Direct Investment (FDI), safeguarding the economy from external shocks as well as propelling Kenya to become a leading financial Centre in Eastern and Southern Africa. Within the second Medium Term Plan (2013-2017) under vision 2030, some of the target areas include development of a safe and reliable payments system that will ensure smooth transfer and settlement of funds between customers and banks as well as between banks. Towards this end, the use of mobile phone networks, internet, payment cards,

operational resilience and security was pursued in order to increase trust, integrity and confidence in the ICT based payment systems (CBK, 2018).

Statement of the Problem

The changing business environment in Kenya has led to many challenges in the banking industry. These challenges include worsening economic conditions, monetary policy changes, financial sector liberation and more importantly intense competition. Despite the phenomenal growth, the Kenyan banking industry has experienced a myriad of challenges in regards to credit risk management. Credit risk was enhanced in 2017 as economic activity slowed down during the protracted election period (Njoroge, 2017a). The slowdown in economic activity affected debt servicing across the sectors, as well as overall asset quality in the banking sector. This was reflected by the increase in the ratio of non-performing loans from 9.3 percent in 2016 to 12.3 percent in 2017. The sector's gross loans and advances decreased by 5.68 percent from KSh.2.29 trillion in December 2016 to KSh.2.16 trillion in December 2017 (CBK, 2018).

Despite these findings most studies have been characterized by lack of a solid theoretical foundation explaining the mechanisms causing the observed enhanced performance of commercial banks (Dimitriu, 2012). Available studies do not adequately investigate exactly how quality of bank products and services influence the performance of commercial banks in Makueni County. Most of the studies carried out in the region have used surveys to provide a descriptive analysis of the prevailing situation in commercial banks. Therefore, majority have focused more on qualitative than quantitative data. Since, there has been limited use of both qualitative and quantitative data in explaining this phenomena, it is therefore difficult to conclusively state the impact of the quality of bank products and service on the performance of commercial banks in the area of study. It is on this backdrop that this study was undertaken; to investigate the influence of the quality of bank products and services on the performance of commercial banks in Makueni County.

Research Objectives

This study was guided by only one research objective; to investigate the effects of products and service quality on the performance of commercial banks in Makueni County.

2.0 LITERATURE REVIEW

Service organizations can differentiate themselves by delivering services of higher quality than their competitors. Poor service quality disappoints customers and erodes their confidence in an organization's performance. Quality and productivity are twin paths for the creating value for the customer and the firm. While service quality focuses on the benefits created for the customers, productivity affects the financial performance of the firm (Eshghi, 2008). In the banking industry, success and sustainability depends on various factors such as accountability, quality service and changes in technology (Odeny, 2016). The highest profit making firms are not necessarily the most powerful ones. Consequently, this is because profit is just one achievement of a firm (Eshghi, 2008). Therefore banks should keep in mind not to focus on shareholders alone but also the customers and the quality of service they offer to them. Customers' satisfaction affected the overall performance of the banks in the long run. Today's economy is about maintaining old customers and attracting new customers to thrive in the market (Odeny, 2016).

According to Odeny (2016) customer satisfaction is a key factor in positioning a firm's performance. This can be measured in different ways. One of the ways of measuring the customers' satisfaction is by understanding benefits and costs relationship of the customers' expectations. This can depend on their past experiences. Another way is through the life cycle of the relationship of the customer (Eshghi, 2008). In the past, quality was seen as a measurable aspect for tangible products only. This was due to inferiority of the service sector in the economy. Due to the increasing importance of service sector in the economy, the measurement of service quality began to be of interest to individuals in this field. Quality of service is not only a vital factor of customer satisfaction in manufacturing industries but also in service firms today that are developing (Odeny, 2016).

Several studies have been carried out on how quality affects the performance of organizations. For instance, Aliata carried out a study in 2016 on the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi, Kenya. The study was guided by only one objective; to analyze the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi Kenya. The study targeted 1072500 and sampled 384 customers of commercial banks in Nairobi Kenya. The study findings revealed that service quality significantly contributed to customer satisfaction (Aliata, 2016). This study was relevant to this study since the quality of products and services is one of the main goals of operational strategies particularly in financial institutions.

In 2012, a similar but different study was carried out by Onditi and others on the implications of service quality on customer loyalty in the banking sector in Homabay County. The study was guided by the assumption that there is no relationship between service quality and customer loyalty. The findings of the study concluded that service quality has a significant effect on customer loyalty (Onditi, 2012). The above study was relevant to this study because it investigated how the quality of services and products of commercial banks in Makueni County influences their performance.

Odeny carried out a study in 2016 was on the influence of service quality on performance of Barclays Bank of Kenya Limited. The objectives of the study included, to determine the key service quality dimensions that customers consider important in the provision of financial services and to examine the influence of service quality on the performance of Barclays Bank of Kenya Limited (BBL). The findings of the study concluded that the performance measures of BBL were clustered under customer measures, colleague measures, company measures, conduct and citizenship measures (Odeny, 2016). The study concluded that the dimensions of service quality considered most important by customers were reliability and responsiveness while tangibles were considered the least important.

The study also revealed that service gaps were present in BBL in varying degrees and that a number of measures were in place to address the gaps. The study concluded that service quality has a significant influence on the performance of BBL and makes an important contribution to profitability of the bank (Odeny, 2016). This study is relevant and important to this study as the researcher investigated if this situation was similar or different for commercial banks in Makueni County. Based on the literature reviewed in this section, it is evident that service and product quality have a positive relationship with the performance of organizations. This study examined to establish if these findings were similar or different in Makueni County.

3.0 METHODOLOGY

Research Design

This study adopted a descriptive research design as it allows the use of various methods of data collection like questionnaire and interview methods and it also makes use of standardized questions where reliability of the items is determined because of the cross-sectional nature of the data collected and the comparative analysis inherent in the topic studied. This research design has successfully been used by other researchers such as (Nguru, 2016; Shipho, 2011).

Target population

The target population of this study included bank employees with managerial roles and responsibilities in Makueni County; the bank managers and their assistants.

Sample Size and Sampling Techniques

Purposive sampling technique was used to select all the bank managers and their assistants to form a sample size of at least 130 study participants (see table 1).

Table 1: Sample Population

Branches	Sampled Management staff	Sampled Assistant Managers	Total No. of staff
1. KCB Wote	6	6	12
2. KCB Kikima	3	3	6
3. KCB Kibwezi	4	4	8
4. KCB Makindu	5	5	10
5. KCB Mtito	4	4	8
6. KCB Emali	4	4	8
7. Equity Bank Wote	5	5	10
8. Equity Bank Kibwezi	5	5	10
9. Barclays Wote	5	5	10
10. Family Bank Wote	5	5	10
11. Sidian Emali	5	5	10
12. Cooperative Wote	4	4	8
13. Cooperative Emali	5	5	10
14. Sidian bank-Kibwezi	4	4	8
Total	65	65	130

Source: Director of Trade and Social Economics, Ministry of Finance, Makueni County, 2019.

Data Collection Instrument

A questionnaire was developed, piloted and used to collect data from the study participants. , secondary data was also collected on the indicators of the dependent variables; internal growth and market share. The questionnaire was piloted on bank managers and their assistants of commercial bank branches in Machakos County which borders area of study to the North. Copies of the final draft of the questionnaire were distributed to the sampled bank employees at the various bank branches in Makueni County. The respondents were allowed adequate time to fill and return the questionnaires.

Ethical Issues

All ethical issues concerning study participants were considered during the study. For instance, informed consent was conducted before their actual participation into the study. Confidentiality, safety of the data collected and obtaining all the relevant approvals from the relevant authorities were ensured before engaging in data collection exercise.

4.0 RESEARCH FINDINGS

4.1 Response Rate

The target population of this study consisted of the management staff, assistant managers and the line staff of the fourteen (14) branches of the Commercial Banks in Makueni County; KCB branches at Wote, Kikima, Kibwezi, Makindu, Mtito Andei and Emali, Equity Bank branches at Wote and Kibwezi, Barclays Bank at Wote, Sidian Bank branches at Emali and Kibwezi and then Cooperative Bank branches at Wote and Emali. The sample size of this study was 130 employees from the bank branches listed above (see table 1).

Table 2: Response Rate

	Frequency	Percent	Valid Percent	Cumulative Percent
Returned Questionnaires	113	86.9	86.9	86.9
Valid Unreturned Questionnaires	17	13.1	13.1	100.0
Total	130	100.0	100.0	

The sample size of this study consisted of 130 respondents after sampling all the 65 managers and their 65 assistants. Questionnaires were prepared and administered on a sample size of 130 study participants. However, only 113 respondents managed to successfully complete and return their questionnaires hence a response rate of 86.9%.

4.2 Sampled Commercial Banks

Data was collected from all branches of the six commercial banks in Makueni County; Kenya Commercial Bank, Equity Bank, Barclays Bank, Cooperative Bank, Family and Sidian Bank (see table 3).

Table 3: Sampled Commercial Banks

Commercial Bank	Frequency	Percent	Valid Percent	Cumulative Percent
KCB	27	23.9	23.9	23.9
EQUITY BANK	24	21.2	21.2	45.1
BARCLAYS	16	14.2	14.2	59.3
Valid COOPERATIVE BANK	21	18.6	18.6	77.9
FAMILY BANK	14	12.4	12.4	90.3
SIDIAN BANK	11	9.7	9.7	100.0
Total	113	100.0	100.0	

Majority of the respondents 23.9% were from Kenya Commercial bank while the least of the respondents (9.7%) were drawn from Sidian Bank. The respondents from the other banks were as follows; 21.2% from Equity Bank, 14.25 from Barclays Bank, 18.6% from Cooperative Bank and 12.4% from Family Bank.

4.3 Inferential Statistics

This study investigated the effects of the quality of bank products and services on the performance of commercial banks in Makueni County. Analysis of these relationships was presented as follows.

4.3.1 Quality of Bank Services and Performance of Commercial Banks

In this study, respondents were asked to rate how the quality of bank services and products influenced the performance of commercial banks in Makueni County. They were asked to state the extent to which they agreed or disagreed with the statement “quality bank services and products improve the performance of commercial banks” (see table 4).

Table 4: Quality Bank Services and Products affects Performance of Commercial Banks

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	2.7	2.7
	Disagree	1	.9	.9
	Neutral	12	10.6	10.6
	Agree	79	69.9	69.9
	Strongly Agree	18	15.9	15.9
	Total	113	100.0	100.0

Majority (69.9%) of the respondents agreed with the statement that the quality of bank services and products improves the performance of commercial banks while the least proportion (0.9%) of the respondents disagreed with the statement. Other proportions; 2.7%, 10.6%, and 15.9% of the respondents strongly disagreed, indifferent and strongly agreed with the statement respectively.

The study participants were also asked to state the extent to which modification of existing services and products and the cost of products and services compared to competitors influenced the performance of the commercial banks. The study participants were asked to rate the quality of the products offered by their respective commercial banks. Their choices were in a scale of 1-5 where they were expected to indicate using any one of the following choices; 1: Very Low, 2: Low, 3: Neutral, 4: High and 5: Very High.

Table 5: Rating of Products offered by Commercial Banks in Makueni County

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	1	.9	.9
	Low	5	4.4	4.4
	Neutral	15	13.3	13.3
	High	67	59.3	59.3
	Very High	25	22.1	22.1
	Total	113	100.0	100.0

Majority of the study participants rated the products offered by their commercial banks rated the quality of their banks as high at 59.3% followed by those who rated the quality of their products as very high at 22.1%. Only 0.9% and 4.4% of the study participants had rated the quality of the products by their banks as very low and low respectively. The study participants who were neutral on the quality of the products provided by their banks were 13.3% only. The study participants were also asked to rate the services offered by their respective commercial banks. They were expected to pick a choice from the following scale ranging between 1 and 5 inclusive where 1: Very Low, 2: Low, 3: Neutral, 4: High and 5: Very High.

Table 6: Rating of Services offered by Commercial Banks in Makeni County

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Very Low	2	1.8	1.8	1.8
	Low	8	7.1	7.1	8.8
	Neutral	21	18.6	18.6	27.4
	High	49	43.4	43.4	70.8
	Very High	33	29.2	29.2	100.0
	Total	113	100.0	100.0	

Majority of the study participants rated the services offered by their banks as high at 43.4% followed by those who rated them as very high at 29.2%. Correlations were carried out to understand the influence of the quality of the bank products and services on the performance of commercial banks.

Table 7: Quality of Bank Products and Services and Performance of Commercial Banks

		Quality of Products and Services	Product rating	Service rating	Modification of existing products and services	Cost of products and services compared to competitors	Performance of Commercial Banks
Quality of Products and Services	Pearson Correlation	1	.554**	.267**	.005	.018	.336**
	Sig. (2-tailed)		.000	.004	.959	.850	.000
	N	113	113	113	113	113	113
Product rating	Pearson Correlation	.554**	1	.124	.181	.184	.371**
	Sig. (2-tailed)	.000		.190	.055	.051	.000
	N	113	113	113	113	113	113
Service rating	Pearson Correlation	.267**	.124	1	-.001	.001	.109
	Sig. (2-tailed)	.004	.190		.992	.991	.250
	N	113	113	113	113	113	113
Modification of existing products and services	Pearson Correlation	.005	.181	-.001	1	.995**	-.040
	Sig. (2-tailed)	.959	.055	.992		.000	.672
	N	113	113	113	113	113	113
Cost of products and services compared to competitors	Pearson Correlation	.018	.184	.001	.995**	1	-.053
	Sig. (2-tailed)	.850	.051	.991	.000		.577
	N	113	113	113	113	113	113
Performance of Commercial Banks	Pearson Correlation	.336**	.371**	.109	-.040	-.053	1
	Sig. (2-tailed)	.000	.000	.250	.672	.577	
	N	113	113	113	113	113	113

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

Five variables were used to measure the influence of the quality of bank products and services on the performance of commercial banks in Makueni County. There was a weak positive correlation but significant relationship between the quality of products and services on the performance of commercial banks at $r=0.336$ and a p value of 0.000. There was also a weak positive but significant correlation between product customer rating and the performance of commercial banks at $r=0.371$ and a p value of 0.000.

There was a weak positive insignificant correlation between customer service rating and the performance of commercial banks at $r=0.109$ and a $p=0.250$. There was a weak negative insignificant correlation between modification of existing products and services on the performance of commercial banks at $r=-0.040$ and $p=0.672$. Lastly, there was a negative but insignificant relationship between the cost of products and services compared to those of the competitors on the performance of commercial banks at $r=-0.053$ and a p value of 0.577.

4.3 Regression Analysis

Regression analysis was carried out to determine the degree to which the independent variables (on quality of bank products and services) studied influenced the performance of the commercial banks in Makueni County. Regression analysis was done for all the one main independent variables; quality of bank's products and services (see table 8).

Table 8: Regression Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.327 ^a	.107	.074	17.29707

a. Predictors: (Constant), Quality of Products and Services

The value of R= 0.327 indicating a low influence of the independent variable studied on the dependent variable. The value of R square = 0.107 suggests that only 10.7% of the change in the performance of commercial banks in the area of study can be explained by the quality of bank services and products. Therefore, the remaining percentage (89.9%) was due to other factors and could not be explained by the Quality of Products and Services. An analysis of variance (ANOVA) amongst the variables was also performed (see Table 9).

Table 9: ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3856.524	1	964.131	3.222	.015 ^b
	Residual	32312.379	108	299.189		
	Total	36168.903	112			

a. Dependent Variable: Performance of Commercial Banks

b. Predictors: (Constant), Quality of Products and Services

The regression model predicts the performance of commercial banks significantly well. This is because of the significance value $p = 0.015$ which is less than 0.05 significance level suggesting that the overall regression model statistically and significantly predicts the outcome variable and that it is a good fit for the data (see Table 10).

Table 10: Regression Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
		B	Std. Error			
1	(Constant)	-40.851	15.034		2.717	.008
	Quality of Products & Services	5.963	2.263	.244	2.635	.010

a. Dependent Variable: Performance of Commercial Banks

This study used standardized coefficients because of their ability to compare the relative strength of the influence of the Quality of Products and Services on the Performance of commercial banks. The coefficients were also used to determine whether the independent variable statistically contributed to the model.

Regression Model: $Y = C + \beta_1 X_1 + \alpha$

Where:-

β_1 , is the regression coefficients of the independent variables

Y = Performance of Commercial Banks, C = Constant, β_1 = Model Coefficient

X_1 = Quality of Products and Services and α is the error term.

Specific Regression Model: $Y = -40.851 + 0.181 (X_1)$

The performance of commercial banks = $-40.851 + 0.181$ (Quality of products and services). The regression analysis above indicates how a unit changes in the independent variable changes the dependent variable. Holding other factors constant, the constant of the model influences the performance of the commercial banks negatively at -40.851. Since all the betas' (β) are positive, it suggests that a unit increase in the values of the independent variables would cause a positive change in the dependent variable with the following values; 0.181 (Quality of products and services). The error term was not included in the specific regression model because its influence on the performance of the commercial banks was negligible when the other factors were held constant. There was a significant prediction of the performance of commercial banks by the quality of the services and products offered by the commercial banks.

5.0. DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1. Discussion

Discussion has been carried out on the findings of this study according to the research objective investigated in this study where the influence of quality of services and products on the performance of the commercial banks in Makueni County.

5.1.1. Quality of Products and Services and Performance of Commercial Banks

The study findings revealed that there was a weak positive relationship between the quality of the bank services and products and the performance of commercial banks in Makueni County. The study revealed that the relationship was also statistically significant hence did not happen by chance. This revealed that the better the quality of the bank's products and services, the better the performance. Therefore, commercial banks strive to improve the quality of their services and products. The findings of this study were in agreement with the findings of other previous studies. For instance, Aliata carried out a study in 2016 on the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi, Kenya. The study was guided by only one objective; to analyze the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi Kenya. The study targeted 1072500 and sampled 384 customers of commercial banks in Nairobi Kenya. The study findings revealed that service quality significantly contributed to customer satisfaction (Aliata, 2016).

Another similar study was carried out by Onditi and others in 2012 on the implications of service quality on customer loyalty in the banking sector in Homabay County. The study was guided by the assumption that there is no relationship between service quality and customer loyalty. The findings of the study concluded that service quality has a significant effect on customer loyalty (Onditi, 2012). The findings by Onditi and others were similar to the findings by this study despite the fact that this study did not find the relationship statistically significant. Odeny also carried out a study in 2016 on the influence of service quality on performance of Barclays Bank of Kenya Limited. The objectives of the study included, to determine the key service quality dimensions that customers consider important in the provision of financial services and to examine the influence of service quality on the performance of Barclays Bank of Kenya Limited (BBL). The findings of the study concluded that the performance measures of BBL were clustered under customer measures, colleague measures, company measures, conduct and citizenship measures (Odeny, 2016).

Although the study concluded that the dimensions of service quality considered most important by customers were reliability and responsiveness while tangibles were considered the least important, the findings were in agreement with the findings of this study in that they both revealed that the quality of the products and services by commercial banks have a positive influence on the performance of commercial banks. The researcher is also in agreement with the findings of this study in that when they are of better quality or when the quality continues to improve, more customers are likely to get attracted and the existing ones will increase their number of transactions hence improved performance of the commercial banks.

5.2. Conclusions

The study objective was to establish the influence of quality of products and services on the performance of commercial banks in Makueni County. The findings of this study concluded that there is a positive and statistically significant correlation between the quality of services and products offered by the commercial banks and performance of commercial banks. These study findings confirmed that the banks used a variety of strategies to enhance customer satisfaction through enhanced quality of their products and services to their clients. These findings were also confirmed by the different strategies used by the bank management to improve on the quality of their products and services such as modification of the existing products and production of unique products to the public. These results were also confirmed by the regression analysis.

5.3. Recommendations

The following recommendations were made based on the findings of this study. They have been classified into policy makers and the academia. The study recommends that, the bank managers and administrators need to invest on strategies that improve of the quality of their services and products as such may improve their performance through improved customer satisfaction. To the academia and the commercial banks, there also a need to invest on more research to find out the needs and desires of their customers as well as on ways to make those desires real.

5.3.1. Areas of Further Research

This study restricted itself to studying the influence of only one operational strategy, that is, the quality of bank products and services, on the performance of commercial banks. Since

this is not the only strategy, there is need for more research to find out the other operational strategies which may influence the performance of commercial banks. Since the study was only limited to Makueni County, There is need to expand and investigate to find out if the same situation exists in commercial banks from other regions in the Country.

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