

**KAMPALA INTERNATIONAL UNIVERSITY**

**RESEARCH REPORT**

**TOPIC: PROVISION OF QUALITY SERVICES BY BANKS AND ITS EFFECT ON  
CUSTOMER RETENTION**

**CASE STUDY: NATIONAL MICROFINANCE BANK-TANZANIA**

**NAME: MUTA KARUMUNA**

**REGISTRATION NUMBER: BBA/I9380/72/DF**

**BBA FINANCE III-Student**

**SUPERVISOR: DR. B. A. TIBAIJUKA**

**A RESEARCH REPORT SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE AWARD OF BACHELOR OF  
BUSINESS ADMINISTRATION IN FINANCE OF KAMPALA  
INTERNATIONAL UNIVERSITY**

## DECLARATION

---

I, Mutabuzi Philemon Karumuna honestly declare that the contents of this report are the results of my own efforts done on the research period to the level of my knowledge. It has never been presented to any similar Institution or University in Uganda or elsewhere for a Degree award.

### CANDIDATE

Signature ..... *Mutabuzi*

Full name ..... *Mutabuzi C. KARUMUNA*

Date ..... *08-12-2010*

### SUPERVISOR

Signature ..... *Tibaijuka*

Full name ..... *DR. B. A. TIBAIJUKA*

Date ..... *08-12-2010*

## **Acknowledgment**

First and foremost I would like to appreciate the assistance and advice from that I got from DR. B.A. Tibajuka my supervisor who guided me throughout my research work. He gave me a learning experience and I thank him for that. Then I would like to thank all the bank customers and employees who showed me cooperation in my research. I also thank my parents, family and friends for all their support. God bless you all.

## **Abstract**

This research is about the provision of quality services by banks and its effect on customer retention. Almost all of the services being offered by banks are the same or slightly differ which in turn makes the banks to compete for customers. Thus the provision of quality services comes into consideration and basically concentrates on the issues that produce a negative effect on the services received by the customer. Therefore are the banks doing what it takes on providing the quality services needed by their customers so as to retain them? This is a key question that is being answered.

The study is taken at **NATIONAL MICROFINANCE BANK MWANJELWA BRANCH**

## 1.1 INTRODUCTION

1.2 BACKGROUND OF THE PROBLEM.....	1
1.2.1 BANK OF TANZANIA.....	2
1.2.2 TANZANIA BANKING AND FINANCE SECTOR.....	4
1.3 BACKGROUND OF THE RESEARCHED FIRM.....	4
1.6 STATEMENT OF THE PROBLEM.....	8
1.7 OBJECTIVE OF THE STUDY.....	9
1.8 RESEARCH QUESTIONS.....	9
SCOPE OF THE STUDY .....	9
1.8 SIGNIFICANCE OF THE STUDY.....	10
1.9 LIMITATIONS OF THE STUDY.....	10

## CHAPTER TWO

2.0 LITERATURE REVIEW	11
2.1.0 THEORETICAL LITERATURE REVIEW.....	11
2.1.2 MEANING OF QUALITY .....	11
2.1.3 TYPES OF QUALITY .....	13
2.1.4 Terms to understand in Banking .....	
2.2.0 EMPIRICAL LITERATURE REVIEW .....	16
2.2.2 QUALITY MANAGEMENT IN BANKING SERVICES .....	18
2.2.3 The Importance of Quality Management	19
1. Product quality .....	19
2. Customer Satisfaction .....	19
3. Increased Revenues .....	19
4. Reduce Waste.....	20
5. Teamwork .....	20
2.2.4 CUSTOMER SERVICE - THE IMPORTANCE OF QUALITY SERVICE.....	20

## CHAPTER THREE

### 3.0 RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN .....	23
3.2 RESEARCH TECHNIQUES.....	23
3.3 POPULATION ENQUIR .....	23

3.4 SAMPLING TECHNIQUE.....	23
3.5 SAMPLE SIZE.....	24
<b>3.6 DATA COLLECTION TECHNIQUES.....</b>	<b>24</b>
3.6.1 Questionnaire.....	24
3.6.1 Observation.....	24
<b>3.7 TYPES OF DATA COLLECTED.....</b>	<b>25</b>
<b>3.8 ETHICAL ISSUES:.....</b>	<b>25</b>
<b>CHAPTER FOUR.....</b>	<b>26</b>
<b>4.0 PRESENTATION AND INTERPRETATION OF DATA.....</b>	<b>26</b>
4.1 INTRODUCTION.....	
4.2 CUSTOMERS VIEWS ON THE PROVISION OF QUALITY SERVICES BY NATIONAL MICROFINANCE BANK MWANJELWA BRANCH.....	26
4.3 ANALYSIS OF FINDINGS.....	33
<b>CHAPTER FIVE.....</b>	<b>35</b>
<b>5.0 CONCLUSION AND RECOMMENDATION.....</b>	<b>35</b>
5.1 CONCLUSION.....	35
5.2 RECOMMENDATIONS.....	35
QUESTIONNAIRE.....	37

## **Foreign Currency Account**

The NMB foreign currency account allows you to use a foreign currency without changing the funds into the local currency.

This can be very useful if you require foreign currency frequently. This product is similar to the personal or business account, but does not offer ATM or cheque facilities

NMB's Foreign Currency accounts allow you to deposit foreign currencies and / or make foreign currency payments and withdrawals.

## **Currency Exchange**

NMB currency exchange is a service which helps you get the currency you require for your personal or business needs. All NMB branches nation-wide can help you to exchange your foreign currencies into Tanzanian shillings or vice versa.

## **NMB mobile**

NMB mobile enables you to check balance, transfer money to other NMB accounts, check mini-statement, purchase airtime from Tigo, Zantel, Vodacom or Zain, recharge LUKU from the palm of your hand.

## **NMB ATM Card**

NMB ATM card enables you to withdraw money from any NMB ATM available throughout the country. It's a convenient and reliable alternative to making cash withdrawals, Balance enquiry, Access to cash 24-hours, 7 days a week Mini-statement.

**The NMB card gives you access to value added services such as:**

**Airtime recharge Service that** enables a customer to purchase mobile phones top up through extensive NMB ATM network

**NMB ATM LUKU Recharge Service** that enables a customer to purchase prepaid electricity known as LUKU through extensive NMB ATM network countrywide.

**NMB ATM Money Transfer** service that enables you to send money using NMB ATM countrywide.

**NMB Salary Alert** that allows customers to get an SMS message on your mobile phone every time your salary has been deposited into your account.

**Salaried Workers Loan** that allows employed people to easily borrow money and repay this over a period of 36 months. The product requires an agreement between your employer and NMB.

**Personal loan** is a consumer loan provided to individuals secured by lien over a customer's savings account or fixed deposit account.

### **Pensioners Loan**

The pensioner's loan was developed to assist pensioners in managing short term cash shortages. This loan facility helps pensioners to access more funds than available from their monthly pension payments.

### **NMB Agro-dealer Input Financing**

Is a facility given to traders of agricultural inputs to enable them do over withdrawals in their NMB business account balances up to TZS. 30millions. It enables the Agro-dealers to have extra working capital for a short period, at anytime, when applied for, Flexible and easy to operate.

## **1.4 STATEMENT OF THE PROBLEM**

There are 26 commercial banks operating in Tanzania and all of them have one pool of customers of which they offer their services to. Almost all of the services being offered are same or slightly differ which in turn makes the banks to wrestle in the market as they compete for customers. Thus the provision of quality services comes into consideration and basically concentrates on the issues that produce a negative effect on the services received by the



customer. Therefore the provision of quality services by banks and its effect on customer retention come under scrutiny. Therefore are the banks doing what it takes on providing the quality services needed by their customers so as to retain them?

### **1.5 OBJECTIVE OF THE STUDY**

- To know if the provision of quality services have effects on banks in retaining customers.
- How competition influences customers to drop from one bank and join another.
- Know if the banks come up with new services that cope up with the changing environment.
- To know on which extent are the services offered by a bank are unique from others.
- To know if the customers are satisfied by the services offered by the bank.
- To know whether the banks offer the services that caters their customers' needs.
- Know if the bank meets their customers expectation

### **1.6 RESEARCH QUESTIONS**

- Do banks offer the services that are needed by their customers?
- Does provision of quality service affect the banks on retaining their customers?
- Is the technology being used by the bank on delivering services convenient enough and match with the changing environment?
- Why do the customers drop out from banks?
- To what extent do services differ among various commercial banks in Tanzania?
- Are customers satisfied with the services being offered by the given commercial bank?

### **1.7 SCOPE OF THE STUDY**

This research is based on the provision of quality services by banks and its effects on customer retention by banks, therefore it basically concentrates on

- Services offered by banks as they try to retain their customers.
- The reasons which make customers to leave a given bank and join another bank.

## CHAPTER TWO

### 2.0 LITERATURE REVIEW

#### 2.1.0 THEORETICAL LITERATURE REVIEW

##### 2.1.1 Meaning of bank

A bank is a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers with capital deficits to customers with capital surpluses

##### 2.1.2 Meaning of quality

"Quality is the extent to which products, services, processes, and relationships are free from defects, constraints, and items which do not add value for customers."

Definition for "Today's" Quality:

(Applies to all goods and services)

Quality =

Maximization of Perceived Value =

Fulfillment of Tangible and Intangible Expectations =

$(\text{Good or Service Performance} + \text{Customer Service}) / \text{Attributes}; \text{ Divided by Cost}$

"Quality itself has been defined as fundamentally relational: 'Quality is the ongoing process of building and sustaining relationships by assessing, anticipating, and fulfilling stated and implied needs.'

"Even those quality definitions which are not expressly relational have an implicit relational character. Why do we try to do the right thing right, on time, every time? To build and sustain relationships. Why do we seek zero defects and conformance to requirements? To build and sustain relationships. Why do we seek to structure features or characteristics of a product or

service that bear on their ability to satisfy stated and implied needs? To build and sustain relationships. The focus of continuous improvement is, likewise, the building and sustaining of relationships. It would be difficult to find a realistic definition of quality that did not have, implicit within the definition, a fundamental express or implied focus of building and sustaining relationships."

The word "Quality" represents the properties of products and/or services that are valued by the consumer.

Quality is meeting the customer's needs in a way that exceeds the customer's expectations.

"Quality is nothing more or less than the perception the customer has of you, your products, and your services"!

Quality, like truth is in the mind of believer. To define it is to misunderstand the infinite possibilities we are capable of achieving. There is no universal definition. Robert Pirsig went crazy trying to define it in his famous book; Zen and the Art of Motorcycle Maintenance. There will always be rule-based thinkers who will attempt to regulate and proceduralize the rest of us who know there is no such thing as the right answer, only that which works for each of us.

"Quality" is to satisfy the ever-changing needs of our customers, vendors and employees, with value added products and services emphasizing a continuous commitment to satisfaction through an ongoing process of education, communication, evaluation and constant improvement.

Quality is a momentary perception that occurs when something in our environment interacts with us, in the pre-intellectual awareness that comes before rational thought takes over and begins establishing order. Judgment of the resulting order is then reported as good or bad quality value.

To deliver the needed quality you need to do what you have to do when you have to do it well done to satisfy your customer needs and make your product or service do what they suppose to do.

### 2.1.3 TYPES OF QUALITY

**There are two definitive types of "quality".**

Quality of design

Quality of the process

Whether you are in discrete manufacturing, process manufacturing or a service related industry you have design issues of usability, comfort, and tolerance of durability beyond prescribe use and identity of "status" of design quality. In this regard, you do not have the axiom of "variation is inherent..."

The ability to live up to the "quality of design" is maintained by the "quality of the process"

**There are two forms of quality, and therefore two definitions and two forms of measurement.**

1. OBJECTIVE quality is the degree of compliance of a process or its outcome with a predetermined set of criteria, which are presumed essential to the ultimate value it provides.

Example: proper formulation of a medication.

2. SUBJECTIVE quality is the level of perceived value reported by the person who benefits from a process or its outcome. It may subsume various intermediate quality measures, both objective and subjective. Example: pain relief provided by a medication.

## 2.1.4 Terms to understand in Banking

**i) Commercial bank** A financial institution that accepts demand deposits and makes loans and provides other services for the public

**ii) Account**

- an itemized statement of money owed for goods shipped or services rendered
- a formal contractual relationship established to provide for regular banking or brokerage or business services; "he asked to see the executive who handled his account"

**iii) ATM** An unattended machine (outside some banks) that dispenses money when a personal coded card is used

**ii) Account statement** A statement of recent transactions and the resulting balance.

**v) Savings account** A bank account that accumulates interest

**vi) Saving** An act of economizing; reduction in cost; "it was a small economy to walk to work every day"; "there was a saving of 50 cents"

**vii) Time deposit** A certificate of deposit from which withdrawals can be made only after advance notice or at a specified future date

**viii) Withdraw** Remove (a commodity) from (a supply source); "She drew \$2,000 from the account

**ix) Savings and loan** A thrift institution that is required by law to make a certain percentage of its loans as home mortgages

**x) Financial institution** An institution (public or private) that collects funds (from the public or other institutions) and invests them in financial assets

**xi) Negotiable instrument** An unconditional order or promise to pay an amount of money

**xii) Float**

- the number of shares outstanding and available for trading by the public
- the time interval between the deposit of a check in a bank and its payment
- allow (currencies) to fluctuate; "The government floated the ruble for a few months

**xiii) Overdraft** A draft in excess of the credit balance

**xiv) Deposit** Money deposited in a bank or put into a bank account

**xv) Credit card** A card (usually plastic) that assures a seller that the person using it has a satisfactory credit rating and that the issuer will see to it that the seller receives payment for the merchandise delivered

**xvi) Bank customer** A Customer is a person who is using any or all of the services offered by the bank.

**xvii) Account statement** A statement of recent transactions and the resulting balance; "they send me an accounting every month"

**xviii) Bank examiner** An official appointed to audit the accounts of banks in a given jurisdiction

**xix) CD** A debt instrument issued by a bank; usually pays interest

**2.1.5 THE ROLE OF BANKS.**

The commercial role of banks is not limited to banking, and includes: issue of banknotes, processing of payments by way of telegraphic transfer, EFTPOS, internet banking or other means, issuing bank drafts and bank cheques , accepting money on term deposit , lending money by way of overdraft, installment loan or otherwise, providing documentary and standby letters of credit (trade finance), guarantees, performance bonds, securities underwriting commitments and other forms of off-balance sheet exposures, safekeeping of documents and other items in safe deposit boxes, currency exchange and finally acting as a 'financial supermarket' for the sale, distribution or brokerage, with or without advice, of insurance, unit trusts and similar financial products

Banks offer many different channels to access their banking and other services such as through a branch, ATM, Mail, Telephone banking, Online banking , Mobile banking , Video banking

Currently in most jurisdictions commercial banks are regulated by government entities and require a special bank license to operate.

Usually the definition of the business of banking for the purposes of regulation is extended to include acceptance of deposits, even if they are not repayable to the customer's order—although money lending, by itself, is generally not included in the definition.

Unlike most other regulated industries, the regulator is typically also a participant in the market, i.e. a government-owned (central) bank. Central banks also typically have a monopoly on the business of issuing banknotes. However, in some countries this is not the case. In the UK, for example, the Financial Services Authority licenses banks, and some commercial banks (such as the Bank of Scotland) issue their own banknotes in addition to those issued by the Bank of England, the UK government's central bank.

## **2.2.0 EMPIRICAL LITERATURE REVIEW**

### **2.2.1 Quality of service**

Quality of service is a term that is used in customer care evaluations. The quality of service has to do with measuring the incidence of errors within a process that result in the creation of issues for an end user. The goal of any quality of service evaluation is to minimize the incidence of transmission issues and the error rates that may result.

Quality of service is often measured in terms of issues that have a direct impact on the experience of the customer. From this perspective, only issues that produce a negative effect on the goods and services received by the customer come under scrutiny. Many companies go to great lengths to generate as low a percentage of customer-affecting errors as possible. In general, corporations in many industries seek to have a 2% or less error rate as part of their overall customer care strategy.

Evaluating the quality of service in this manner does not mean companies do not address internal problems that have yet to impact customers. Corporations often evaluate each step of the manufacturing and delivery process in hopes of finding ways to streamline operations to minimize costs and still deliver products to customers in a timely manner. From this perspective, companies seek to eliminate issues before they have a chance to lead to customer-affecting situations.

End users often participate in helping to evaluate the quality of service offered by a company. Customers may respond to customer care surveys and questionnaires as part the evaluation process. Within the company, employees and others with a vested interest in the success of the company may participate in evaluations of various systems and offer input on ease of use, speed, and general accuracy of the technology used in the operation of the company. In both cases, the purpose is to ensure the quality of service is maintained at the highest level possible.

When it comes to implementing today's service quality programs, nice guys don't always finish first. Sure, a warm smile, firm handshake and a greeting by name go a long way in making customers feel good about where they bank. But is it enough?

"Customers are ambivalent at best when you get it right, but get it wrong and it kills you," says Oscar Foster Jr., vice president of quality management, community banking at First Chicago Corp. "Mostly what pops up concerning service quality are those things customers expect you to do well."

Implementing good service quality programs is becoming more important as banks differentiate themselves from their competition. No longer is it enough to simply meet customer expectations, many banks instead are focusing on exceeding customer expectations.

"Banks think they deliver good quality service just because they don't get any complaint letters," says Bob Romano, managing partner with Romano & Sanfilippo, a service quality consulting firm in Escondido, Calif. "That's ridiculous. Dissatisfied people don't write letters, they just leave."



Romano says the first step in developing good service quality is being obsessive about asking customers what they think about service. He says service quality is not a program, but a never-ending process. "Developing service quality is not simply putting people through a training program and throwing cash and incentives at them, expecting them to change their behavior," he explains. "That's banking's biggest downfall; it just doesn't work."

### **2.2.2 Quality Management in Banking Services**

Schneider (1973) was the first author to develop a framework for the study of people's basic overall perceptions about organizations. In his study, he analysed the perception of the organizational climate from the customer's viewpoint. The climate was defined as the added perception of customers about the firm they do business with. Later on, it was shown that when employees—in their view—have a different service orientation from the orientation adopted by the management (i.e. a discrepancy in the orientation towards the service), the former suffer from low levels of satisfaction, a strong intention to leave their jobs, high levels of frustration, and the sensation that customers have a poor opinion of the service quality provided by the firm (Parkington & Schneider, 1979; Schneider & Bowen 1985, 1993). In turn, it was suggested that customers' attitudes towards service quality are strongly related the employees' view about the service received by customers (Schneider *et al.*, 1980).

Furthermore, the employees' perceptions of the specific service-climate features strongly relate to the customers' perceptions about several features of that service climate and attitudes towards the service. These statements are based on the fact that, when a service is provided, the personal relationship established between employees and customers will be extremely important for determining the service quality (Brown & Swartz, 1989). In turn, the perception of the quality offered by the organization on the part of the employee has an impact on the real quality offered. Hence, according to the socio-cognitive theories developed by Bandura (1986), it may be said that employees' behavior is affected by the view of their own capacities and of the perception of their colleagues (Shea & Howell, 1998).

Customer service is a key factor in achieving business success. It can either make or break your business. This is for the reason that the entire business plan, marketing strategies, sales and profits will solely depend on its impact on the customers. Essentially, you are in business to generate revenue through selling your products to people who are in need of these services. These people want to discern if your products will be able to make their lives much easier.

To be able to gain income for your business, it follows that you must carefully design and satisfy the needs of your consumers. This is the foundations of an emerging and profitable business. Every decision you make must take into consideration how it affects the customers. You should always give importance on service circumstances affecting your customers.

Strategies in marketing and sales will greatly help in attracting new customers for your business but it is amazing consumer service that keeps people coming back for more. This is indeed a fact because people typically would want to do business with people that they trust and had a good experience with. Consequently, as an entrepreneur you have to ensure that your customers will continue to buy from you by offering them great quality consumer service.

It has been proven in surveys that most customers do not come back to certain business establishment because of the indifferent attitudes towards them by business owners, managers and employees regardless if they like the products or services these businesses offer. Most of the time, these dissatisfied customers will just simply walk away and never come back thus decreasing potential revenue without your knowledge. It is therefore true to say that many businesses cannot succeed for a long time without giving importance to customer service.

This crucial factor has somewhat leveled the opportunities for both large and small businesses. This provides each business to offer consumers quality service in which they can be known for. In this way, they are able to differentiate themselves from the competition.

There is a continuing change in customer demands in recent years so it is your job as a provider to offer a satisfaction program for your customers. This program will help you gain additional customers and retain them for a very long time.

Every business management must recognize the reality that consumer service is imperative in the success of their business. This will ensure your customer's loyalty and commitment to your business. Your ability to focus on your consumer's need rather than your own and servicing them to the best of your ability will ensure that your business will be far more cost-effective than you have ever dreamed of.

## CHAPTER THREE

### 3.0 RESEARCH METHODOLOGY

This chapter describes various tools and procedures that will be used to collect data.

#### 3.1 *RESEARCH DESIGN*

A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Therefore the research design was based according to the limitations of time, fund and the flexibilities of data collected such as personal interview, questionnaire and observation. This design has been recommended because it is reasonably less expensive and data collection is convenient than in other research designs.

#### 3.2 *RESEARCH TECHNIQUES*

The research applies both quantitative and qualitative techniques. The qualitative techniques used for word-oriented questions while quantitative techniques used for questions, which result into data that can be analyzed mathematically (numeric data).

#### 3.3 POPULATION ENQUIR

Population refers to the total number of cases from which a sample is taken. The National Microfinance Bank customers will be source of primary data necessary for the study. The target population will be those customers who are acquiring banking services with NMB Mwanjelwa branch.

#### 3.4 SAMPLING TECHNIQUE

In this research the following sampling procedure were employed in this study:

##### **Simple random sampling**

This involved the random selection of customers under National Microfinance Bank Mwanjelwa Branch. The sampling considered genders that are, male and female from youth to adults who are accessing the services provided by the bank.

### **3.5 SAMPLE SIZE**

The sample group of population among customers of the bank was taken to represent other customers in the area of study. This was to minimize the cost, time and maximize efficiency and to easy data collection together with access. As far as the study is concerned, it was conducted at the National Microfinance Bank where the population of 20 customers was targeted considering both genders and age group. It was therefore the researchers expectations that the population selected from this study would be used for generalization purposes of the entire customers.

### **3.6 DATA COLLECTION TECHNIQUES**

There are number of ways through which data were collected, depending on the nature of the study. The researcher used the following techniques:

#### **3.6.1 Questionnaire**

Questionnaires were used to collect data from respondents. A series of questions were constructed. The respondents were required to answer the questions following the instructions to each question where by some will need to put a correct answer in the space provided and others to give some remarks where necessary.

The questionnaires (which include both open and closed ended questions) was prepared and distributed to the respondent selected from the sample.

#### **3.6.1 Observation**

Observation helps to collect information pertaining to the behaviors, attitude and perceptions of the respondents in the problem area, since the researcher is present to observe verbal and non-verbal behaviors.

The researcher obtained valuable information through the observation of the banks provision of services based on quality assurance without letting the observed bank and customers know that there is someone observing.

### **3.7 TYPES OF DATA COLLECTED**

Data for this study will be collected using a combination of methods to enrich the study. The use of more than one method of data collection was considered the most appropriate in order to obtain reliable and valid data. The following types of data collection will be used;

#### **a) Secondary Data**

Secondary data will be collected through Library research both published and unpublished books, reports, newspapers and journal articles including resources from the Internet. Secondary data was favored for its advantage in saving time, though the data required laborious regrouping before they could be used to establish meaningful relationship.

#### **b) Primary data**

This will be collected directly from the individuals representing the sample. Primary data will be gathered through a survey using structured questionnaires with both closed and open-ended questions. Face to face interviews and direct observations will be used.

### **3.8 ETHICAL ISSUES:**

Prior to the main survey all respondents will be informed about the purpose of the research that confidentiality would be maintained and that the information collected would be used for academic purposes only.

## CHAPTER FOUR

### 4.0 PRESENTATION AND INTERPRETATION OF DATA

#### 4.1 INTRODUCTION

This chapter presents and discusses the findings of the study. It presents in details and critical analysis of the data from the study so that the valid and relevant conclusion and recommendations may be reached and delivered in the next chapter.

#### 4.2 Customers views on the provision of quality services by National Microfinance Bank Mwanjelwa branch.

The respondents have the following opinions regarding on the provision of quality services by their bank.

##### 4.2.1. Do you get any difficulty on accessing the services that are offered by the bank?

Customer's response on the difficulty of accessing the services offered by the bank.

**Table 1**

Respondents	Category	
	Number	Percentage
Yes	7	35
No	13	65
Total	20	100

Most of the customers don't get difficulty on accessing the services being offered by the bank although some few of them still face the difficulty. This implies that the bank is more likely to lose the customers that are dissatisfied.

**The customers are dissatisfied due to the following:**

- The number of customers is larger than the actual capacity of the bank and the serving staff is few in number.

- The ATM machines are few and the existing ones are not functioning well which brings difficulty to the customers.
- The queue is always very long and the system brings problems most of the time.

4.2.2. As the customer of a bank, how do you find the relationship with the staff as you are here for bank services?

**Table 2: Relationship between customers and bank staff**

Respondents	Category	
	Number	Percentage
Very Good	5	25
Good	12	60
Satisfying	3	15
<b>Total</b>	<b>20</b>	<b>100</b>

From the customers response, majority of them find the relationship with the bank staff to be good, therefore, it implies that the bank is treating their customers well.

4.2.3 Is the technology being used by the bank on delivering services suitable enough?

**Table3: Suitability of technology used by the bank**

Respondents	Category	
	Number	Percentage
Suitable	15	75
Not suitable	5	25
<b>Total</b>	<b>20</b>	<b>100</b>

The number of customers who were asked on their opinion concerning the suitability of technology used to deliver services by the bank 15 responded yes which is equivalent to 75% while 5 responded no which is 25%. It means that the technology used by the bank suits well with the services provided to the customers as most of them find it suitable.



#### 4.2.4 As the customer, what do you look for in those services provided by the bank?

Most customers expressed various views on their expectations towards the banks services.

- Hospitality, generosity and get good services from the bank staff.
- The workers to be sharp in serving the customers and on time.
- Get good relationship and assistance from the workers as the customers are served.
- Be able to get the provided services easily.
- To have the ATM services 24 hours without getting any technical problems.

#### 4.2.5 Is there good communication between customers and the bank?

**Table4:**

Respondents	Category	
	Number	Percentage
Yes	15	75
No	5	25
Total	20	100

From the table above, 75% of the customers responded that there is good communication with the bank which implies that the bank employees listen to their customers to understand their expectations and perceptions of their services. The dissatisfaction of 25% percent of the customers implies that there are some communication shortcomings to some few customers.

#### 4.2.6 As a customer do you sometimes feel ignored, unimportant or abandoned as you are here for the bank services?

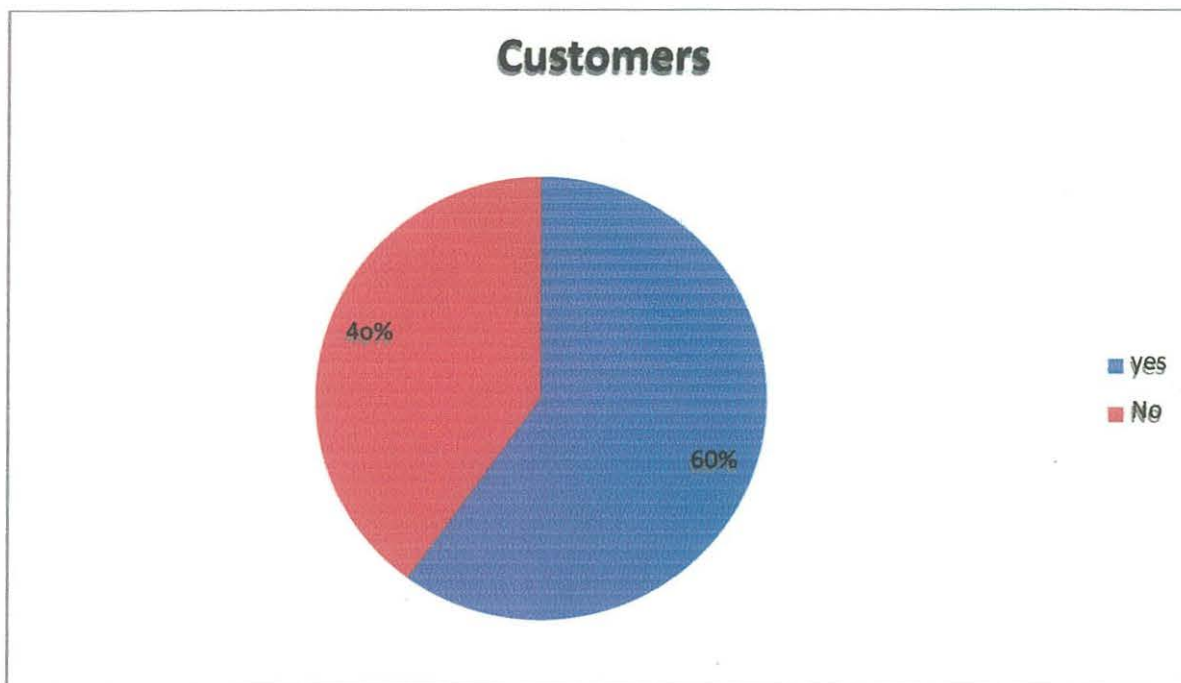
**Table5:**

Respondents	Category	
	Number	Percentage
Yes	6	30
No	14	70
Total	20	100

#### 4.2.7 Does your bank give room for you as a customer to communicate your complaints?

Table6:

Respondents	Category	
	Number	Percentage
Yes	12	60
No	8	40
Total	20	100



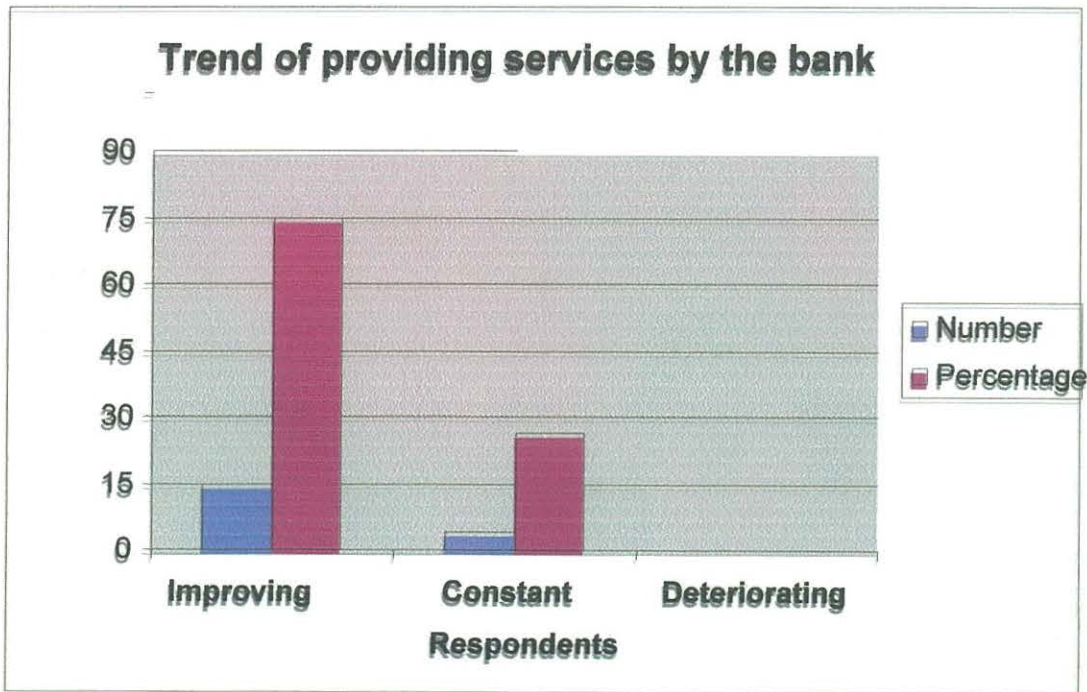
The data shows that 60% of the customers are given an opportunity to communicate their complaints while the remaining 40% don't get such a chance. This implies that the bank is missing the opportunity of knowing their customers complaints. Missing such complaints is risky to the bank because the customers may easily drop out from the bank as they fell abandoned.

4.2.8 Since you joined this bank, how do you see the trend of the bank on providing its services?

Table7:

Respondents	Category	
	Number	Percentage
Improving	15	75
Constant	5	25
Deteriorating	-	-
Total	20	100

Graphical representation



Majority of the customers are satisfied with the way the bank is maintaining the trend of providing its services. 75% of the customers responded that the trend of providing

services is improving from the time they joined the bank. It is a good indicator that the bank is improving the rate of providing its services with time. This is a good sign to the bank as such an improvement retains most of its customers.

#### 4.2.9 Does your bank satisfy your changing banking requirements?

**Table 8:**

Respondents	Category	
	Number	Percentage
Yes	11	55
No	4	20
I Don't Know	5	25
<b>Total</b>	<b>20</b>	<b>100</b>

The bank has been able to satisfy almost half of its customers, the rest of the customers are either dissatisfied or don't know as they responded. Therefore it is not safe to assume that the bank is assured of retaining 55% of customers who are dissatisfied and 25% of customers who don't know.

#### 4.2.10 Are you satisfied with the services that are being offered?

**Table8:**

Respondents	Category	
	Number	Percentage
Yes	14	70
No	5	25
I don't know	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

Majority of the customers are satisfied with the services offered by the bank. It implies that the bank is offering good services that satisfy their customers and they are most likely to continue dealing with the bank.

**4.2.11 Are there services that are not being offered by the bank that attracts you to join another bank where they are being offered?**

Respondents	Category	
	Number	Percentage
Yes	8	40
No	11	55
Didn't answer	1	5
<b>Total</b>	<b>20</b>	<b>100</b>

55% of the customers find that all the services they need are being offered by National Microfinance Bank and they not attracted at all to join other banks for the services they offer. This implies that the bank is satisfying almost half of its customers; while the remaining percentage of the customers admitted that they are attracted by services offered by other banks but the National Microfinance Bank is not offering them. Therefore the bank is at risk of losing the customers who are not satisfied because, they may decide to drop out from National Microfinance Bank and join other banks.

## **4.3 ANALYSIS OF FINDINGS**

### **4.3.1 ON ATM'S**

- Sometimes the banks Automated Teller Machines (ATM) are usually out of order or not working at most of the times. This may either be due to the machines running out of cash or the machines having some technical difficulties every now and then. Thus the customers need to move long distances to search for ATM services or otherwise access such services from inside counters which are always having very long lines( flocked) which is time consuming. Such circumstances and inconveniencies discourage the customers to use the services offered by the National Microfinance Bank. Finally the customers are tempted and somehow forced to seek for better services offered by other commercial banks in the banking industry that look to be performing better.
- NMB bank is not well distributed throughout the country. So when the customers travel to remote areas and try to access the bank services, they end up failing to get National Microfinance Bank branch and its respective ATM services. Due to such difficulties the customers decided to shift from a respective bank and join other banks that are accessible throughout the country including the remote areas.

### **4.3.2 ON HANDLING CUSTOMERS WITH TIME**

- The bank don't have s proper way of handling its customers especially in the aspect of time saving as they are providing their services to their customers. Good or bad enough such a bank is the one selected as the channel where payments are made to the nationwide government workers. This in turn makes the bank to always be flooded with customers almost at every time of the working hours. This makes a single customer to spend most of his or her time just to try and access the banking services as he has to line up in a very long and endless line. This situation happens both as the customer is either

depositing cash or even trying to use the ATM services. Such an experience will in turn force the customer to shift to another bank that somehow has a systematic way of handling its customers.

According to the customers who responded to the researchers questionnaire and some observations, the researcher found that most customers are satisfied with the services that are being offered by National Microfinance Bank although not in hundred percent as there are few things that dissatisfy them. Most dissatisfaction was focused on the bank having too much number of customers than the bank can actually handle. This is justified by the bank always being flocked with customers; long queue all the time, and the technical system used by the bank being down most of the time. Despite the few shortcomings, from the customer's point of view, it's clearly seen that still the customers have faith with the bank and the services offered and they are not likely going to drop from the bank. This implies that National Microfinance Bank has so far managed to satisfy most of its customers through offering quality services and the bank will more likely retain most of their customers for some time.

#### **4.3.3 ON MEETIN CUSTOMERS EXPECTATIONS**

The bank is still yet to meet the expectations of their customers at a maximum level. Most customers expect to get hospitality and generosity by the bank staff and get good services. The workers are expected to be sharp in serving the customers with time, and have good relationship by proving any assistance needed by the customers. Due to this it's clearly seen that the bank is not fully guaranteed to retain all of its customers in the near future if the customers' expectations are not fully met and the identified shortcomings continue to exist.

## CHAPTER FIVE

### 5.0 CONCLUSION AND RECOMMENDATION

#### 5.1 CONCLUSION

Based on the analysis and findings from National Microfinance Bank Mwanjelwa branch concerning on Provision of Quality services by Banks and its Effect on Customer Retention, the researcher found that:-

The research conducted brought the conclusion that National Microfinance Bank Mwanjelwa branch is doing well on providing quality services but number of customers has overwhelmed the bank. Not all customers can be served in time. The staffing levels at National Microfinance Bank Mwanjelwa branch is too low compared with the number of customers the bank has to serve. Due to the shortcomings of low staffing level and number of customers overwhelming the bank, most of the customers are dissatisfied and are more likely to leave the bank at any moment.

#### 5.2 RECOMMENDATIONS

From the above conclusions, the researcher recommends the following;

##### **RECRUIT MORE PERSONNEL**

National Microfinance Bank should recruit more personnel especially the bank tellers who deal directly with the customers at the counter. This will help to reduce the number of people lining up to be served and therefore increase quality of service so as to retain the customers.

##### **FOCUS ON QUALITY**

The bank is recommended to pay greater attention on kind of services it offers and the manner in which services are provided to the customers. It is advisable to be efficient and effective and provide the services in a timely manner so as not to frustrate customers. The way customers will get satisfactory with bank services and will be retained.