

**CUSTOMER SATISFACTION AND PERFORMANCE OF COMMERCIAL  
BANKS IN SELECTED BRANCHES OF SALAAM SOMALI BANK IN  
MOGADISHU, SOMALIA.**

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Presented to the  
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In Partial Fulfillment of the Requirements for the Degree

Master Business Administration

Finance and Banking

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By:

**BINTI AHMED SIDOW**


MBA/34616/113/DF

December, 2012



## DECLARATION A

"This thesis is my original work and has not been presented for a Degree or any other academic award in any University or Institution of Learning".

Binti Rahmed Sidow 


Name and Signature of Candidate

22/12/2012

Date

## DECLARATION B

"I confirm that the work reported in this presentation was carried out by the candidate under my supervision".

Dr. Ssendagi M M 

Name and Signature of Supervisor

22<sup>nd</sup> Dec. 2012

Date

## **DEDICATION**

I dedicated this thesis to my Dear father Ahmed Sidow, Mum Walio my uncle Mohamed Sidow, and my brothers at all.

## ACKNOWLEDGEMENT

In the name of Allah, the Most Merciful the Most Gracious, thanks to him for guidance, and made the researcher possible to finish the thesis on time.

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## **ABSTRACT**

The study intended to establish the relationship between customer satisfaction and performance of commercial banks.

The study used descriptive correlation design using a self made questionnaire; data was collected to answer for your specific questions on

- 1- profile of respondents
- 2- to level of customer satisfaction
- 3- level of performance of commercial bank
- 4- Relationship between customer satisfaction and performance of commercial banks.

Data analysis using frequencies percentage means and regression analysis related that 53.2% of respondents were men, most of them having master degree and most in age balanced 20-39 years there is a high level of customer satisfaction ( over all mean 2.85) and high performance of commercial bank (over al mean= 2.93). the level of customer satisfaction was found to be positively correlated with performance it was concluded that customer satisfaction influences performance and it was there for recommended that management of commercial bank in Somalia should that possible of promoting customer satisfaction so as increase the level of performance commercial banks`

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## CHAPTER ONE

### THE PROBLEM AND ITS SCOPE

#### Background of the Study

It is universally accepted that the customer are the kings thus being important part of any business. There cannot be a business without them. Only satisfied customers will be interested in buying and they will also refer other customers to buy. By measuring satisfaction a supplier can maintain a quality and long term relationship with customers and secure their future business and financial assets. This measurement is essential for these bank services providers to understand that their strategies are in right direction ( Joby, 2003).

In generally customer satisfaction failure both initially and belatedly lead to a decline in customer confidence, lost customer's satisfaction, negative word-of-mouth, possible negative publicity and the direct cost of re-performing the service in essence, the service companies true test of commitment to service quality and customer satisfaction depends on how it responds after disconfirmation (Hennig-Thurau & Klee, 1997).

In the last three decades in the Somalia, customer's satisfaction was unpopular and unaccepted concept because these bank services providers thought it was more important to gain new customers than retain the existing ones. However, in this present decade, these bank services providers have gained better understanding of the importance of customer satisfaction and adopted it as a high priority operational goal asCustomer satisfaction is a fundamental marketing building (Kim, Park & Jeong, 2004).

The banking industry is highly competitive, with banks not only competing among each other; but also with non-banks and other financial institutions (Kaynak & Kucukemiroglu, 1992; Hull 2002). Most bank sproduct developments are easy to duplicate and when banks provide nearly identical services, they can only distinguish

themselves on the basis of price and quality. Therefore, customer satisfaction is potentially an effective tool that banks can use to gain a strategic advantage and survive in today's ever-increasing banking competitive environment.

The majority of New Zealand's banks has non-domestic owners, and is not very diversified in terms of the products and services they offer (Hull, 2002). This suggests that the New Zealand banking industry has reached the maturity phase of the product lifecycle and has become commoditized, since banks offer nearly identical products. This carries the danger of creating a downward spiral of perpetual price discounting -- fighting for customer share (Mendzela 1999). One strategic focus that banks can implement to remain competitive would be to satisfy as many customers as possible.

Finally, in Somalia bank encounters similar problems in meeting customer's expectation of services and customer satisfaction. For example, the issue of money transfer in banks is one major problem that customers of certain banks have been made to experience. In most cases the customer hardly receives the payment of the money transferred into his account immediately. The long queues and huge crowds in the banking halls can be highly devastating and discouraging most times, especially when the weekend is near. Most times, these long queues are as a result of the breakdown of the computers used by these cashiers, sometimes it occurs as a result of the cashiers, absolving them from duty and passing the bulk to someone else. Customer retention is a term which is very popular and widely used at the moment. Most successful companies are working with various different customer retention activities and methods. The fact is, that without customer retention it is very difficult, if not to say impossible, to be successful in the long term (Curry & Curry 2000).

## **Statement of the Problem**

Since the collapse of Somali capital government in 1991 a number of banks have been established to provide bank services but their performance is still low particularly salaam Somali bank in Mogadishu.

Salaam Somali bank establishes branches every year but survive for a short time (central bank of Somalia, 2009) the poor performance of salaam Somali bank in Mogadishu leads to several in disenable effects such as poor customer satisfactions, economical instability and cost of resources contributed by members through deposits.

While low performance of salaam Somali bank could have been caused by number factors, customer satisfaction may have played a big role.

That is why the researcher was prompted to investigate the relationship between customer satisfaction and performance of commercial banks in Mogadishu, Somalia.

## **Purpose of the Study**

The following are the reasons why the study proposed:

1. To test the cause and effect relationship of variables under studies customer satisfaction and performance.
2. To test the hypothesis relevant in this study.
3. To generate new information on based the findings of this study.
4. To bridge the gaps identified from the related literature and related studies.
5. To refine existing information about the variables in this study.
6. Contribute to the knowledge generation.
7. To validate the theory on which the study is based.

## **Objectives of the Study**

**General:** This study was determine the correlation between customer satisfaction and performance of commercial banks in selected salaam Somali bank in Mogadishu, Somalia.

**Specific:** To be sought further in this study was be as follows:

1. To determine the profile of the respondents in terms of age, gender, education level, and experience;
2. To determine the level of customer satisfaction in selected salaam Somali bank in Mogadishu, Somalia.
3. To determine the level of performance of commercial banks in selected salaam Somali bank in Mogadishu, Somalia.
4. To determine whether there was a significant relationship between level of the customer satisfaction and level of performance of commercial banks.

## **Research Questions**

1. What is the profile of the respondents in terms of age, gender, education level, and experience?
2. What is the level of customer satisfaction in selected branches of salaam Somali bank in Mogadishu, Somalia?
3. What is the level of performance of commercial banks in selected branches of salaam Somali bank in Mogadishu, Somalia?
4. Is there any significant relationship between the level of the customer satisfaction and level of performance of commercial banks in selected branches of salaam Somali bank?

## **Null Hypothesis**

There is no significant relationship level of customer satisfaction and performance of commercial banks in selected branches of salaam Somali bank in Mogadishu, Somalia.

## **Scope of the Study**

### **Geographical Scope**

The study was been conducted within the capital city of Somalia, Mogadishu. Mogadishu will provide an optimal focus for this study because it is where most of the service in the country.

### **Theoretical Scope**

The study was underpinned by customer satisfaction theory cited by Schnaars (1991) & Leeds (1992).

### **Content Scope**

In terms of content, the study intends to examine customer satisfaction and performance of commercial banks, cause and effect relationship or difference in the independent variables "customer satisfaction" and dependent variable "performance of commercial banks".

### **Time Scope**

The study was conducted from April 2011 to Dec 2012.

## **Significance of the Study**

1. The research is to benefit the customers of salaam Somali bank branches in Mogadishu, Somalia. Through providing information on effective and efficient customer satisfaction and performance of commercial banks.

2. The research is to benefit the researcher in that, through interacting with various respondents and ability, skills are widened and enhanced through literature to be gained in research.
3. The research is to benefit Kampala International University, as it would be added on to its existing literature in the library.
4. The study is aimed at providing information on effective and efficient customer satisfaction and performance of commercial banks to be utilized by other interested parties for literature.
5. The findings and conclusions resulting from the study were contributed to the body of knowledge on the relationship between customer satisfaction and performance of commercial banks. Future researchers and academicians may use the study findings to further their research.

### **Operational Definition of Key Terms**

**Customer satisfaction** a business term is a measure of how products and services supplied by a company meet or surpass customer expectation.

**Performance of Commercial Bank** a Performance means to ensure or give concrete commitment to the buyer through its commercial bank.

**Commercial bank** (or business bank) is a type of financial institution and intermediary. It is a bank that lends money and provides transactional, savings, and money market accounts and that accepts time deposits.

**Profile of the despondence** is attributes looked for in this study in terms of gender, age, educational qualifications and number of years experience in financial institutions.



## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

#### **Concepts, Ideas, Opinions from Authors/ Experts**

##### **Customer Satisfaction**

In businesses where the underlying products have become commodity-like, quality of service depends heavily on the quality of its personnel. This is well documented in a study by Leeds (1992), who documented that approximately 40 percent of customers switched banks because of what they considered to be poor service. Leeds further argued that nearly three-quarters of the banking customers mentioned teller courtesy as a prime consideration in choosing a bank. The study also showed that increased use of service quality/sales and professional behaviors' (such as formal greetings) improved customer satisfaction and reduced customer attrition.

Indeed, customer satisfaction has for many years been perceived as key in determining why customers leave or stay with an organization. Organizations need to know how to keep their customers, even if they appear to be satisfied. Reichheld (1996) suggests that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere. However, keeping customers is also dependent on a number of other factors. These include a wider range of product choices, greater convenience, better prices, and enhanced income (Storbacka *et al*, 1994).

According to Fornell (1992), in his study of Swedish consumers, notes that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles.

According to Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the marketplace. Thus, bank management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.

According to Rust & Zahorik (1993) argue the financial implications of attracting new customers may be five times as costly as keeping existing customers. However, maintaining high levels of satisfaction will not, by itself, ensure customer loyalty. Banks lose satisfied customers who have moved, retired, or no longer need certain services. As a consequence, retaining customers becomes a priority. Previous research shows, however, that longevity does not automatically leads to profitability (Colgate, Stewart, & Kinsella, 1996).

On the other hand, According to Beckett *et al.* (2000) draw tentative conclusions as to why consumers appear to remain loyal to the same financial provider, even though in many instances they hold less favorable views toward these service providers. For example, many consumers appear to perceive little differentiation between financial providers, making any change essentially worthless. Secondly, consumers appear to be motivated by convenience or inertia. Finally, consumers associate changing banks with high switching costs in terms of the potential sacrifice and effort involved.

## **Factors of customer satisfaction**

### **Product/Service**

Since the concept of customer satisfaction is new to many companies such as performance of commercial banks, it's important to be clear on exactly what's meant by the term. Customer satisfaction is the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. The achievement of customer satisfaction leads to company loyalty and product repurchase. So that products/services are very important part that ought to consideration in customer satisfaction Kotler & Armstrong (2010).

### **Price Fairness**

According to Kotler & Armstrong (2010) price is the amount of money charged for a product or service, or the sum of the values that customers exchange for the benefits of having or using the product or service while Stanton, Michael & Bruce (1994) defined price as the amount of money or goods needed to acquire some combination of another goods and its accompanying services. Price fairness is a very important issue that leads toward satisfaction. Charging fair price helps to develop customer satisfaction and performance of commercial banks according to their rates.

### **Performance of commercial banks**

According to Nowrasteh & Alex (2006) earlier to the 1991 government collapse, Somalia had three major banks in addition to the Central Bank of Somalia: the Somali Commercial Bank, the Commercial and Savings Bank of Somalia, and the Somali Development Bank, but much of the national banking system collapsed as a result of the civil war. The Universal Bank of Somalia (Ubsom) declared its intent to open operations in 2002 as the first commercial bank in Somalia since 1991, over the objections of the governor of the Central Bank. Its ownership was 51% Somali and its headquarters was located in Brussels. Plans for Ubsom were stalled indefinitely after the

representative of investors in the bank was kidnapped during a visit to the Mogadishu office. Attempts to found another bank, the Global Bank, also proved abortive.

Since 1991, Somalia has been functionally without banks. Banking and credit services have been replaced by Hawaalad money transfer institutions small private banks such as salaam bank dealing primarily in expatriate remittances. This tradition based system has supported a robust informal economy. According to the most recent CIA World Factbook report: "Despite the lack of effective national governance, Somalia has maintained a healthy informal economy, largely based on livestock, remittance/money transfer companies, and telecommunications;

However, the performance of the banks has to be viewed both in terms of profitability and stability. Profitability ratios show a bank's overall efficiency and performance. We can divide profitability ratios into two types: margins and returns. Ratios that show margins represent the bank's ability to translate sales dollars into profits at various stages of measurement. Ratios that show returns represent the bank's ability to measure the overall efficiency of the bank in generating returns for its shareholders.

## **Profitability**

According to the Stephen & william (1984), they found that measurement of profitability as following:

### **Net Profit Margin**

The Net Profit Margin measures the Net Earnings in relation to the Net Sales. After all the bills are paid and expenses covered, this ratio measures how much net profit remains out of each dollar of sales. This ratio is important to calculate, but you need to look at Gross Profit Margin and Operating Profit Margin as well as Net Profit Margin provides you with the big picture of how well the company is doing. The gross

profit margin looks at cost of goods sold as percentage of sales and Operating profit is also known as EBIT and is found on the bank's income statement. EBIT is earnings before interest and taxes. The operating profit margin looks at EBIT as a percentage of sales.

### **Important net profit margin**

As with the other margin ratios, the higher the Net Profit Margin, the better. Taxes, Interest, and expenses not associated with operations will lower this ratio compared to the other margin ratios.

### **Formulation of net profit margin: -**

Net earnings / net sale = net profit margin

**The calculation** is: Gross Profit/Net Sales = \_\_\_\_%. Both terms of the equation come from the bank's income statement.

The calculation is: EBIT/Net Sales = \_\_\_\_%. Both terms of the equation come from the company's income statement

### **Returns on investment**

Return on Assets (also called Return on Investment); the Return on Assets ratio is an important profitability ratio because it measures the efficiency with which the bank is managing its investment in assets and using them to generate profit. It measures the amount of profit earned relative to the firm's level of investment in total assets. The return on assets ratio is related to the asset management category of financial ratios. The calculation for the return on assets ratio is: Net Income/Total Assets = \_\_\_\_%. Net Income is taken from the income statement and total assets are taken from the balance sheet; the higher the percentage, the better, because that means the bank is doing a good job using its assets to generate sales.

## **Return on Equity**

The Return on Equity ratio is perhaps the most important of all the financial ratios to investors in the bank. It measures the return on the money the investors have put into the bank. This is the ratio potential investors look at when deciding whether or not to invest in the company. The calculation is:  $\text{Net Income}/\text{Stockholder's Equity} = \text{_____}\%$ . Net income comes from the income statement and stockholder's equity comes from the balance sheet. In general, the higher the percentage, the better, with some exceptions, as it shows that the banks is doing a good job using the investors' money.

## **Cash Return on Assets**

The cash return on assets ratio is generally used only in more advanced profitability ratio analysis. It is used as a comparison to return on assets since it is a cash comparison to this ratio as return on assets is stated on an accrual basis. Cash is required for future investments. The calculation is:  $\text{Cash flow from operating activities}/\text{Total Assets} = \text{_____}\%$ . The numerator is taken from the Statement of Cash Flows and the denominator from the balance sheet. The higher the percentage, the better. Hence, it is imperative to consider both the factors while measuring performance so as to see which bank is doing better in terms of maintaining a good balance between the conflicting goals of profitability and soundness. In this backdrop our study intends to examine the performance of various categories of commercial banks in Somalia in recent past. In Somalia banks can be classified into three distinct categories based on their nature of business. We observed that in Somalia commercial banks are largely heterogeneous in nature. On the other hand it is evident that the foreign banks and other Somali private banks are into modern banking business and hence use various innovative products that give them higher risk adjusted returns. Profitability is the major driving force behind such banking (Das 1999).

### **Internal (or economic) rate of return**

The internal rate of return (IRR) is the discount rate that gives a net present value of zero when applied to a series of cash flows. That is

$$\sum_{n=1}^N \frac{R_n}{(1 + IRR)^n} - \sum_{n=1}^N \frac{C_n}{(1 + IRR)^n} = 0 .$$

### **Stability**

According to the Vives (2010), there was a time when banking was one of the most regulated sectors in the economy. That was just after the last crisis in the 1930s. The recent history of the financial sector can be divided into two periods. The first, from the 1940s up to the 1970s, was characterized by tight regulation, intervention, and stability, while the second was marked by liberalization and greater instability.

In the first period, competition was considered detrimental to stability and in many countries competition policy was not applied fully to this sector until recently – despite its importance within the economy and the costs and inefficiencies induced by financial repression. Central banks and regulators were often complacent about collusion among banks, preferring to deal with a concentrated sector characterized by soft rivalry.

This changed in the second period with deregulation and the idea that competition enhances efficiency. Competition policy, at least, is now taken seriously in the banking sector. This later period of liberalization reached crisis point in 2007. Starting with a disturbance in the subprime mortgage market, the instability spilled over to a full-blown global crisis following the demise of Lehman Brothers in September

2008. As of November 2009, the cumulative banking losses are estimated at €1.1 trillion Beck (2009).

### **Deposit and withdrawal Banks**

The most important type of deposit and withdrawal banks is the commercial banks. They have connection with the commercial class of people. These banks accept deposits and withdrawals from the public and lend them to needy parties. Since their deposits are for short period only, these banks extend loans only for a short period and withdrawal like that. Ordinarily these banks lend money for a period between 3 to 6 months. They do not like to lend money for long periods or to invest their funds in any way in long term securities Das (1999).

### **Savings Banks**

These banks are of commercial banks and were specially established to encourage thrift among small savers and therefore, they were willing to accept small sums as deposits. They encourage savings of the poor and middle class people. In India we do not have such special institutions, but post offices perform such functions. After nationalization most of the nationalized banks accept the saving deposits Das (1999).

### **Exchange Banks**

These banks are on of commercial banks and finance mostly for the foreign trade of a country. Their main function is to discount, accept and collect foreign bills of exchange. They buy and sell foreign currency and thus help businessmen in their transactions. They also carry on the ordinary banking business Das (1999).



## **Loans**

According to Nowrasteh & Alex (2006) found that commercial banks create money whenever they make a loan is being pushed by a large number of otherwise sincere monetary theorists.

## **Commercial Mortgage Banking**

Work with an experienced commercial Mortgage Banker, who is empowered to underwrite the loan and manage the transaction from application through closing Nowrasteh & Alex (2006).

## **Theoretical Perspectives**

Many theoretical perspectives have been applied to explain customer satisfaction. The most prominent paradigm is "expectancy disconfirmation paradigm" from social psychology. That paradigm holds that consumers form expectation of products or services prior to their purchase. These expectations are then either confirmed or disconfirmed after the product or service is purchased or used Schnaars (1991).

In businesses where the underlying products have become commodity-like, quality of service depends heavily on the quality of its personnel. This is well documented in customer satisfaction theory by Leeds (1992), who documented that approximately 40 percent of customers switched banks because of what they considered to be poor service. Leeds further argued that nearly three-quarters of the banking customers mentioned teller courtesy as a prime consideration in choosing a bank. The study also showed that increased use of service quality/sales and professional behaviors (such as formal greetings) improved customer satisfaction and reduced customer attrition. Indeed, customer satisfaction has for many years been perceived as key in determining why customers leave or stay with an organization.

Organizations need to know how to keep their customers, even if they appear to be satisfied.

According to Corrigan (1982) argued that performance of commercial banks theory are special because: (1) they provide transaction services and administer the nation's payments system; (2) they provide backup liquidity to the economy; and (3) they are transmitters of monetary policy. Due to their special function in the customer satisfaction, the government set up a safety net to protect the banking system, in the forms of deposit insurance and access to the Fed's discount window borrowing. Based on this argument, what makes banks special spans both the asset side and the liability side of the bank's balance sheet: banks make loans in the course of providing liquidity, and they accept demand deposits in providing transaction services; Since only commercial banks have the unrestricted power to make commercial loans and accept demand deposits, it is their banking power that defines banks' specialness. Thus, banks are special not because of the government safety net, but, rather, the safety net is in place because banks perform special functions in the customer satisfaction. An important value added provided by banks, according to several theories, is dealing with the information problems in lending and the incentive problems caused by the moral hazard behavior of borrowers; so that we can say the performance of commercial banks are very well.

### **Related Studies**

According to Kotler (2000) defined satisfaction as: "a person's feelings of pleasure or disappointment resulting from comparing a product's perceived performance (or outcome) in relation to his or her expectations". According to Hansemark & Albinsson (2004), "satisfaction is an overall customer attitude towards a service provider, or an emotional reaction to the difference between what customers anticipate and what they receive, regarding the fulfillment of some need, goal or desire".

According to Hoyer & MacInnis (2001) said that satisfaction can be associated with feelings of acceptance, happiness, relief, excitement, and delight. There are many factors that affect customer satisfaction. According to Hokanson (1995) these factors include friendly employees, courteous employees, knowledgeable employees, helpful employees, accuracy of billing, billing timeliness, competitive pricing, service quality, good value, billing clarity and quick service.

In order to achieve customer satisfaction, organizations must be able to satisfy their customers' needs and wants Barbera & Mazursky (1983). Customers' needs state the felt deprivation of a customer Kotler (2000); whereas customers' wants, according to Kotler (2000) refer to "the form taken by human needs as they are shaped by culture and individual personality". Customer satisfaction is important because, according to La Barbera & Mazursky (1983), "satisfaction influences repurchase intentions whereas dissatisfaction has been seen as a primary reason for customer defection or discontinuation of purchase".

On the other hand, most studies divide the determinants of commercial banks performance into two categories, namely internal and external factors. Internal determinants of profitability, which are within the control of bank management, can be broadly classified into two categories, i.e. financial statement variables and nonfinancial statement variables. While financial statement variables relate to the decisions which directly involve items in the balance sheet and income statement; non-financial statement variables involve factors that have no direct relation to the financial statements. The examples of non-financial variables within the this category are number of branches, status of the branch (e.g. limited or full-service branch, unit branch or multiple branches), location and size of the bank. Number of branches Haron & Sudin (2004);

External factors are those factors that are considered to be beyond the control of the management of a bank. Among the widely discussed external variables are

competition, regulation, concentration, market share, and ownership, scarcity of capital, money supply, inflation and size. Haron & Sudin (2004).

According to Samad & Abdus ( 2004 ), examined the study of Somali's Commercial Bank Performances During 1994-2001, The main focus of this study is to examine empirically the performance of Somali's commercial banks with respect to credit (loan), liquidity and profitability during the period 1994-2001. Ten financial ratios are selected for measuring credit, liquidity and profitability performances. By applying student's t-test to these financial measures, this paper finds that commercial banks' liquidity performance is not at par with the banking industry. Commercial banks are relatively less profitable and less liquid and, are exposed.

According to Philip & Haibin (2005) examined the study of Commercial property prices and bank performance during 1989–2002. This paper seeks to fill the gap by undertaking an extensive analysis of a sample of 904 banks worldwide. It is seek to assess the effect of changes in commercial property prices on bank customer satisfaction, behavior and performance in 15 industrialized economies, the results of this study suggest that commercial property prices tend to be positively associated with bank lendisng and profitability, and negatively associated with banks' net interest margin and bad loan ratios. Such an impact exists even when conventional independent variables determining bank performance are included as controls. Further extensions show that the magnitude of this impact is related to the size of the bank, the strength of bank capitalization, the direction of commercial property price movements, and regional factors. The results have implications for risk managers, regulators and monetary policy makers.

## CHAPTER THREE

### METHODOLOGY

#### Research Design

This study was using descriptive correlation design specifically the descriptive comparative and descriptive correlation strategies. It was also use a cross-sectional design, because the study was describe the profile of the respondents, and the extent of customer satisfaction and performance of commercial banks in selected salaam Somali bank branches in Mogadishu, Somalia.

#### Research Population

The study population comprised of all the 150 managers and employees of salaam Somali bank branches in Mogadishu.

#### *Sample Size*

In analysis of the nature of the target population of 150 managers and employees of salaam Somali bank branches in Mogadishu, Somalia, a sample size of 109 was be selected. These was arrived using the Sloven's formula which states as follows

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

$$n = \frac{150}{1 + 150(0.05^2)}$$

$$n = 109$$

Table 1 shows the respondents of the study with the following categories: teachers, record managers and administrators.

**Table 1: Respondents of the study**

<b>branches</b>	<b>Managers</b>	<b>Employees</b>	<b>Target population</b>	<b>Sample size</b>
Suuqbacaad	35	40	60	44
Bakaaraha	45	30	90	65
<b>Total</b>			<b>150</b>	<b>109</b>

### ***Sampling Procedures***

The study used purposive sampling technique to select the two branches of salaam Somali bank to participate in the study. Salaam Somali Bank in suuqbacaad branch and Salaam Somali Bank in bakaaraha were selected because they are the major branches of salaam Somali bank in Mogadishu. They could therefore provide an optimal focus for the study.

Simple random sampling technique was used to select the respondents to the study. A list of employees and managers from each of the salaam Somali bank branches was obtained; the names were put in rote and were randomly selected. This technique was used because it allows for easy generalizability of the findings and offers least bias.

### **Research Instruments**

The research tools that were utilized in this study include the following: (1) *face sheet* to gather data on the respondents' demographic characteristics or profile (age, gender, education level and experience); (2) *researcher devised questionnaires* to determine the levels of customer satisfaction in salaam Somali bank branches. The response modes and scoring are as follows: *for customer satisfaction* are indicated as: Strongly agree (4); agree (3); disagree (2); strongly disagree (1). The *researcher*

*devised questionnaires* to determine the levels of performance of commercial banks in salaam Somali bank branches. The response modes and scoring are as follows: *for performance of commercial banks* are indicated as: Strongly agree (4); agree (3); disagree (2); strongly disagree (1).

### ***Validity and Reliability of the Instruments***

To determine the content validity of an instrument upon; to ensure that all questions in the questionnaire are valid; to ensure validity, the questionnaire was developed and given to few experts in the research field (e.g. doctors and professors) to judge whether the questions are valid. The researcher then summarizes the judgment of expert and computes a content validity index (CVI); the CVI is computed the following formula;

$$\text{CIV} = \frac{\text{No of Items declared valid}}{\text{Total number of items}}$$

According to Amin (2005) the minimum CVI to declare an instrument valid is 0.7.

The test-retest technique was used to determine the reliability (accuracy) of the researcher devised instruments to ten qualified respondents, five from salaam Somali bank in Suuqbacaad branch and five from salaam Somali bank in bakaaraha branch. These respondents were not being included in the actual study. In this test-retest technique, the questionnaires was administered twice to the same subjects. If the test is reliable and the trait being measured is stable, the results were being consistent and essentially the same in both times Treece & Treece (1973).

## **Data Gathering Procedures**

### ***Before the administration of the questionnaires***

1. An introduction letter was obtained from the College of Higher Degree and Research for the researcher to ask for approval to conduct the study from respective managers of salaam Somali bank branches.
2. When approved, the researcher was secure a list of the qualified respondents from the salaam Somali bank branches directors and select through simple random sampling from this list to arrive at the minimum sample size.
3. The respondents was explained about the study and was be requested to sign the Informed Consent Form (Appendix 3).
4. Select research assistants who would assist in the data collection; brief and orient them in order to be consistent in administering the questionnaires.

### ***During the administration of the questionnaires***

1. Sufficient questionnaires was be distributed and the respondents was be requested to answer completely and not to leave any part of the questionnaires unanswered.
2. The researcher and assistants was emphasized retrieval of the questionnaires within five days from the date of distribution.
3. On retrieval, all returned questionnaires was checked if all are answered.

### ***After the administration of the questionnaires***

After receiving the questionnaire back, the researcher was, encodes the data into the computer and statistically treated using the Statistical Package for Social Sciences (SPSS).



## Data Analysis

The study was used quantitative data analysis; the researcher was use frequencies and percentages to evaluate the profile of respondents. Similarly, mean and standard deviations was applied for the levels of customer satisfaction and performance of commercial banks in salaam Somali bank branches; an item analysis was illustrate the strengths and weaknesses based on the indicators in terms of mean and rank. From these strengths and weaknesses, the recommendations was be derived.

The following mean range was used to arrive at the mean of the individual indicators and interpretation:

*A. For the level of customer satisfaction in salaam bank branches*

<b>Mean Range</b>	<b>Response Mode</b>	<b>Interpretation</b>
3.26-4.00	strongly agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very Low

*B. For the level of performance of commercial banks in salaam Somali bank branches*

<b>Mean Range</b>	<b>Response Mode</b>	<b>Interpretation</b>
3.26-4.00	strongly agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very Low

T-test and one way analysis of variance was be used to determine if there is significant difference in the level of customer satisfaction and performance of commercial banks in salaam Somali bank branches at 0.05 level of significance; Correlation analysis using Pearson's linear correlation coefficient (r) was be used to determine if there is significant relationship in the level of customer satisfaction and performance of commercial banks in salaam Somali bank branches at 0.05 level of significance; The regression analysis  $R^2$  (coefficient of determination) was be computed to determine the influence of the independent variables on the dependent variable.

### **Ethical Considerations**

The researcher was be ethical in collecting of data and in the process of dissemination of findings, respect will be shown to those who are participating in the research and operate with sincerity and integrity, therefore to ensure confidentiality of the information provided by the respondents and to ascertain the practice of ethics in this study, the following activities was be implemented by the researcher:

1. The names of the participants shall not be coded.
2. Ask for authorization through a written request to the concerned mangers or directors of selected salaam Somali bank branches included in the study.
3. Request the respondents to sign in the *Informed Consent Form* (Appendix 3)
4. Acknowledge the authors quoted in this study through citations and referencing.
5. Present the findings in a generalized manner.

## **Limitations of the Study**

1. *Research instrument used:* The research instruments customer satisfaction and performance of commercial banks are not standardized. Therefore a validity and reliability test was be done to produce a credible measurement of the research variables.
2. *Attrition/Mortality:* Not all questionnaires maybe returned neither completely answered nor even retrieved back due to circumstances on the part of the respondents such as sickness and refusal to participate. In expectation to this, the researcher was reserve more respondents by exceeding the minimum sample size. The respondents was also be reminded not to leave any item in the questionnaires unanswered and was be closely followed up as to the date of retrieval.
3. *Testing:* The use of research assistants can bring about inconsistency in the administration of the questionnaires in terms of time of administration, understanding of the items in the questionnaires and explanations given to the respondents. To minimize this threat, the research assistants was be oriented and briefed on the procedures to be done in data collection.

## **CHAPTER FOUR**

### **PRESENTATION, ANALYSIS AND INTERPRETATION OF DATA**

#### **Introduction**

This chapter shows the profile information of respondents, the level of customer satisfaction, level of performance of commercial Banks and the significant relationship between customer satisfaction and performance of commercial Banks on Branches of Salaam Somali Bank.

#### **Profile of Respondents**

Customers were asked to provide information regarding their gender, age, education level, number of employees, nature of the business, post in the organization and number of years in the business. Their responses were summarized using frequencies and percentage distributions as indicated in table 2

**Table 2**  
**Profile of Respondents**

Category	Frequency	Percent
<b>Gender</b>		
Male	58	53.2
Female	51	46.8
<b>Total</b>	<b>109</b>	<b>100</b>
<b>Age</b>		
20-39 yrs	72	67.9
40-59	29	27.4
60 and above	8	4.7
<b>Total</b>	<b>109</b>	<b>100</b>
<b>Education level</b>		
Certificate		
Masters	44	40.4
Diploma	26	23.9
Ph.D	1	.9
Bachelors	19	17.4
<b>Number of employees</b>		
1-5	36	35.3
6-10	45	44.1
11-15	21	20.6
<b>Total</b>	<b>102</b>	<b>100</b>
<b>Nature of the business</b>		
sole proprietorship	36	34.0
Partnership	60	56.6
Joint stock company	10	9.4
<b>Total</b>	<b>106</b>	<b>100</b>
<b>Your position</b>		
Manager	29	26.6
Employee	61	56.0
Director	19	17.4
<b>Total</b>	<b>109</b>	<b>100</b>
<b>Number of years in this business</b>		
1-3 yrs	38	35.2
4-6 yrs	46	42.6
7 and above	24	22.2
<b>Total</b>	<b>108</b>	<b>100</b>

**Source: primary Data 2012**

Results in Table 2 indicated that male respondents (over 53%) were more than female respondents (over 46%), therefore indicating a gender gap in the distribution of people.

Regarding age group, the customers in this sample were dominated by those between 20-39 years (over 67%), suggesting that most of the customers in this sample are youth.

With respect to education qualification, majority of customers (over 40%) were master's degree holders, indicating that most of customers in commercial Banks on branches of Salaam Somali Bank are relatively qualified.

Regarding number of employees, results indicate that most of the businesses owned by the customers of commercial Banks had 6-10 employees (over 44%), concerning nature of the business, results indicate that majority of customers in commercial Banks carry out partnership businesses (over 56%), and these were followed by sole proprietorship businesses (34%).

With respect to positions held in the organization, results indicate that most of the customers of commercial Banks are employees (56%), and these were followed by Managers (over 26%).

Concerning the number of years in their businesses, results show that most of them had spent 4-6 years (over 42%), these were followed by those between 1-3 years (over 35%).

### **Level of customer satisfaction**

The independent variable in this study was customer satisfaction, for which the researcher wanted to determine its level, therefore customer satisfaction was broken into five parts/constructs and these are; service oriented (with eight questions), communication (with five questions), employee skills (with nine questions), services provided (with five questions), and lastly employee obligation (with five questions). Each of these questions was based on a four Likert scale where respondents were

asked to rate the extent to which the level of customer satisfaction is high or low by indicating the extents to which they agree or disagree with each question, therefore their responses were analyzed using SPSS and summarized using means as indicated in tables 3A;

**Table 3A**  
**Level of customer satisfaction in terms of Service orientation, Communication and Employee skills**

Category	Mean	Interpretation	Rank
<b>Service orientation</b>			
You do the job right the first time.	3.06	High	1
Making customers fully happy.	2.96	High	2
Building trusting relationships with customers.	2.94	High	3
You are good listener (and being empathetic to customers' situations).	2.91	High	4
Being accountable.	2.85	High	5
Treating people fairly.	2.83	High	6
You are pleasant and smiling at customers	2.76	High	7
Put a human face on customers	2.71	High	8
<b>Average mean</b>	<b>2.88</b>	High	
<b>Communication</b>			
You saves money and increases profit	3.28	Very high	1
You improve the quality of life and creating community-specific services	2.95	High	2
Loyalty is generated by customer satisfaction	2.90	High	3
You are participate in addressing crime	2.83	High	4
You improves trust and information exchange	2.67	High	5
<b>Average mean</b>	<b>2.93</b>	High	
<b>Employee skills</b>			
Participate and contribute in finding solutions work as a team	3.04	High	1
Treat everyone with dignity, respect, honesty, and courtesy.	3.01	High	2
You Treat everyone with dignity, respect, honesty, and courtesy	2.91	High	3



Concerning employee skills, this construct was rated high on average and this is indicated by the average mean of 2.80, still results indicate that all its nine aspects were rated high; Participate and contribute in finding solutions work as a team (mean=3.04); Treat everyone with dignity, respect, honesty, and courtesy (mean=3.01); You Treat everyone with dignity, respect, honesty, and courtesy (mean=2.91); Respect customer' privacy (mean=2.83); Bear in mind that the customers' perceptions of reality are their reality (mean=2.78); Be a leader in doing the right thing, not just in doing things right (mean=2.75); Maintain objectivity and be nonjudgmental (mean=2.72); You are able to handle hungry customers (mean=2.68); Always do what is best for the child, by putting children first (mean=2.44).

**Table 3B**

**Level of customer satisfaction in terms of service provided and employee obligation**

<b>Service provided</b>		High	
Opening all types accounts	2.91		1
Bank loan	2.83	High	2
Money transfer services	2.81	High	3
Investment advise	2.67	High	4
scholarships to students and staff	2.65	High	5
<b>Average mean</b>	<b>2.78</b>	<b>High</b>	
<b>Employee obligation</b>		High	
You inform the customer on the available financial services	2.96		1
Ensuring prompt action on new case information and responses to customer requests and inquiries.	2.91	High	2
Ensuring comprehensive, accurate, and easily accessible information that is easy to understand	2.83	High	3
Ensure customer understand how to open an account	2.83	High	4
You are aware of the various types of loan provided	2.48	Low	5
<b>Average mean</b>	<b>2.80</b>	<b>High</b>	
<b>Overall mean</b>	<b>2.85</b>	<b>High</b>	

**Source: primary Data**

<b>Mean Range</b>	<b>Response Mode</b>	<b>Interpretation</b>
3.26-4.00	strongly agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very Low

Results from table 3B indicate that the level of service provided was rated high and this was indicated by the average mean of 2.78. The following items under service provided were rated high; Opening all types accounts (mean=2.91); Bank loan (mean=2.83); Money transfer services (mean=2.81); Investment advise (mean=2.67); scholarships to students and staff (mean=2.65).

Regarding employee obligation, results indicate that on average the level of employee obligation was rated high and this was indicated by the average mean of 2.80, and the first four items were rated high; You inform the customer on the available financial services (mean=2.96); Ensuring prompt action on new case information and responses to customer requests and inquiries (mean=2.91); Ensuring comprehensive, accurate, and easily accessible information that is easy to understand (mean=2.83); Ensure customer understand how to open an account (mean=2.83), and only one aspect was rated low; You are aware of the various types of loan provided (mean=2.48).

### **Level of performance of commercial Banks**

Performance of commercial Banks is the dependent variable in this study , and the researcher wanted to determine its level, performance of commercial Banks was broken into five parts/constructs and these are; Finance skills (with six questions),

profitability (with five questions), return on equity (with nine questions), return on (with five questions), and lastly transparency (with seven questions). Each of these questions was based on a four Likert scale where respondents were asked to rate the extent to which the level of performance of commercial Banks is high or low by indicating the extents to which they agree or disagree with each question, therefore their responses were analyzed using SPSS and summarized using means as indicated in tables 4A;

**Table 4A**

**Level of performance of commercial Banks on Branches of Salaam Somali Bank in terms of financial growth, Profitability and Return on equity**

<b>Category</b>	<b>Mean</b>	<b>Interpretation</b>	<b>Rank</b>
<b>Finance growth</b>			
Your business has various sources of funds	2.95	High	1
Always borrowed funds are paid with interest, irrespective of the profitability of your business	2.90	High	2
Your business' decisions to acquire a loan are properly assessed	2.85	High	3
Your business' decisions to re-pay the loans are made in advance with consultation of stakeholders.	2.78	High	4
The business keeps a minimum cash balance to enable it run its day-to-day business transactions/activities	2.73	High	5
It is not wise to borrow when interest rate is lower than the return on capital employ d	2.53	High	6
<b>Average mean</b>	<b>2.79</b>	High	
<b>Profitability</b>			
Your return on equity increasing	2.79	High	<b>1</b>
Loan disbursement in this bank is increasing	2.85	High	<b>2</b>
You use appropriate screening mechanisms for borrowers	2.74	High	<b>3</b>
Your default rates in this bank are reducing	2.73	High	<b>4</b>
You provide different financial services	2.70	High	<b>5</b>
<b>Average mean[;</b>	<b>2.80</b>	High	
<b>Return on equity</b>			
Your bank has mobilized enough saving	3.27	Very high	<b>1</b>
You charges market based interest rates	2.90	High	2
Your depositors in this bank is increasing	2.87	High	3
Your return on assets is increasing	2.87	High	4
			5

Source: primary Data

Results in Table 4A indicate that the level of performance of commercial Banks is generally high and this is indicated by the overall mean of 2.84 in 3B. The following

items of finance growth were rated high; Your business has various sources of funds (mean=2.95); Always borrowed funds are paid with interest, irrespective of the profitability of your business (mean=2.90); Your business' decisions to acquire a loan are properly assessed (mean=2.85); Your business' decisions to re-pay the loans are made in advance with consultation of stakeholders (mean=2.78); The business keeps a minimum cash balance to enable it run its day-to-day business transactions/activities (mean=2.73); It is not wise to borrow when interest rate is lower than the return on capital employed (mean=2.53).

Concerning profitability, on average it was rated high and this was indicated by the average mean of 2.80, and following items under profitability were rated high; Your return on equity is increasing (mean=2.97); Loan disbursement in this bank is increasing (mean=2.85); You use appropriate screening mechanisms for borrowers (mean=2.74); Your default rates in this bank are reducing (mean=2.73); You provide different financial services (mean=2.70).

The return on equity was also rated high on average and this was indicate by the average mean of 2.93, only one item of return on equity was rated very high; Your bank has mobilized enough saving (mean=3.27). The last four items of return on equity were rated high; You charge market based interest rates (mean=2.90); Your depositors in this bank is increasing (mean=2.87); Your return on assets is increasing (mean=2.87); Your borrowers in this bank is increasing (mean=2.82).

**Table 4B**

**Level of performance of commercial Banks on Branches of Salaam Somali Bank in terms of Returns on investment and Transparency**

<b>Returns on investment</b>			
Members in this bank are economically active	2.86	High	1
Your bank finances its investment out of even funds	2.82	High	2
Your costs are always covered by the income	2.78	High	3
Your retained earnings to total capital is increasing	2.77	High	4
Net profit margin in this bank is increasing	2.51	High	5
<b>Average mean</b>	<b>2.74</b>	High	
<b>Transparency</b>			
Improving accuracy and quality by revising forms	3.09	High	1
You maintained on-the-job training efforts	2.94	High	2
You reward employees with merit increases and promotions	2.90	High	3
Treating customers professionally, courteously, and respectfully by pilot testing privacy	2.89	High	4
Maintained telephone answer rates	2.89	High	5
You implement flex and optional work schedules	2.82	High	6
Implemented external customer surveys and suggestion boxes	2.77	High	7
<b>Average mean</b>	<b>2.91</b>	High	
<b>Overall mean</b>	<b>2.84</b>	High	

Mean Range	Response Mode	Interpretation
3.26-4.00	strongly agree	Very High
2.51-3.25	Agree	High
1.76-2.50	Disagree	Low
1.00-1.75	Strongly disagree	Very Low

Regarding returns on investment, this construct was rated high with the average mean of 2.74, all its aspects were rated high; Members in this bank are economically active (man=2.86); Your bank finances its investment out of even funds (man=2.82); Your costs are always covered by the income (man=2.78); Your retained earnings to total capital is increasing (man=2.77); Net profit margin in this bank is increasing (man=2.51).

Concerning transparency, this construct was rated high on average (mean=2.91), and the following items under transparency still were rated high; Improving accuracy and quality by revising forms (man=3.09); You maintained on-the-job training efforts (man=2.94); You reward employees with merit increases and promotions (man=2.90); Treating customers professionally, courteously, and respectfully by pilot testing privacy (man=2.89); Maintained telephone answer rates (man=2.89); You implement flex and optional work schedules (man=2.82); Implemented external customer surveys and suggestion boxes (man=2.77).

### **Significant relationship between Customer satisfaction and Performance of commercial Banks on Branches of Salaam Somali Bank**

The last objective in this study was to establish whether there is a significant relationship between level of Customer satisfaction and Performance of commercial Banks on Branches of Salaam Somali Bank. And the researcher stated a null hypothesis that there is a significant relationship between level of Customer satisfaction and Performance of commercial Banks. Therefore to achieve this objective and to test this null hypothesis, the researcher correlated the means on Customer satisfaction and those on Performance of commercial Banks using the Pearson's Linear Correlation Coefficient, as indicated in table 5.



**Table 5**

**Significant relationship between Customer satisfaction and Performance of commercial Banks on Branches of Salaam Somali Bank**

<b>Variables correlated</b>	<b>r-value</b>	<b>sig</b>	<b>Interpretation</b>	<b>Decision on Ho</b>
Customer satisfaction Vs Performance of commercial Banks	.633	.000	Significant correlation	Rejected

Results in Table 5 indicated a positive significant relationship between the level of Customer satisfaction and Performance of commercial Banks, since the sig. value (0.000) was far less than 0.05, which is the maximum level of significance required to declare a significant relationship. This implies high levels of Customer satisfaction highly contribute to the improvement in the Performance of commercial Banks on Branches of Salaam Somali Bank and low levels of Customer satisfaction reduces it, and the stated null hypothesis was rejected based on these results and hence concluding that high levels of Customer satisfaction enhances the Performance of commercial Banks on Branches of Salaam Somalia

## CHAPTER FIVE

### FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### Introduction

This chapter presents the findings, conclusions, recommendations and suggested areas that need further research following the study objectives and study hypothesis.

#### Findings

This study was set to find out the relationship between Customer satisfaction and Performance of commercial Banks on Branches of Salaam Somali Bank. It was guided by four specific objectives, that included determining the i) profile of respondents in terms of gender, age, educational level, number of employees, nature of the business, position in the organization and number of years in the business; ii) determining the level of customer satisfaction iii) the level of Performance of commercial Banks; iv) the relationship between Customer satisfaction and Performance of commercial Banks on Branches of Salaams Somali Bank.

The findings indicated that majority of respondents were male (over 53%), between 20-39 years of age over 67%, majority were master's degree holders (over 40%) and over 44% had 6-10 employees, over 56% had partnership businesses and these ones participated as employees in their businesses (56%), and over 42% had spent 4-6 years in their businesses.

Data analysis using means showed that the following customer satisfaction items are high on service orientation; You do the job right the first time (mean=3.06); Making customers fully happy (mean=2.96); Building trusting relationships with customers (mean=2.94); You are good listener (and being empathetic to customers' situations) (mean=2.91); Being accountable (mean=2.85); Treating people fairly (mean=2.83); You are pleasant and smiling at customers (mean=2.76); Put a human

face on customers (mean=2.71). Regarding communication, there was only one item under communication which was rated very high and this was; You saves money and increases profit (mean=3.28), therefore the following aspects on communication were rated high; You improve the quality of life and creating community-specific services (mean=2.95); Loyalty is generated by customer satisfaction (mean=2.90); You are participate in addressing crime (mean=2.83); You improves trust and information exchange (mean=2.67). Concerning employee skills, the following were rated high; Participate and contribute in finding solutions work as a team (mean=3.04); Treat everyone with dignity, respect, honesty, and courtesy (mean=3.01); You Treat everyone with dignity, respect, honesty, and courtesy (mean=2.91); Respect customer' privacy (mean=2.83); Bear in mind that the customers' perceptions of reality are their reality (mean=2.78); Be a leader in doing the right thing, not just in doing things right (mean=2.75); Maintain objectivity and be nonjudgmental (mean=2.72); You are able to handle hungry customers (mean=2.68); Always do what is best for the child, by putting children first (mean=2.44).

Results from table 2A indicate that the following items under service provided were rated high; Openining all types accounts (mean=2.91); Bank loan (mean=2.83); Money transfer services (mean=2.81); Investment advise (mean=2.67); scholarships to students and staff (mean=2.65). Regarding employee obligation, results indicate that the following were rated high; You inform the customer on the available financial services (mean=2.96); Ensuring prompt action on new case information and responses to customer requests and inquiries (mean=2.91); Ensuring comprehensive, accurate, and easily accessible information that is easy to understand (mean=2.83); Ensure customer understand how to open an account (mean=2.83), and only one aspect was rated low; You are aware of the various types of loan provided (mean=2.48).

The following items of performance of commercial Banks were rated high on finance skills; Your business has various sources of funds (mean=2.95); Always borrowed funds are paid with interest, irrespective of the profitability of your business (mean=2.90); Your business' decisions to acquire a loan are properly assessed

(mean=2.85); Your business' decisions to re-pay the loans are made in advance with consultation of stakeholders (mean=2.78); The business keeps a minimum cash balance to enable it run its day-to-day business transactions/activities (mean=2.73); It is not wise to borrow when interest rate is lower than the return on capital employed (mean=2.53). Concerning profitability, the following were rated high; your return on equity is increasing (mean=2.97); Loan disbursement in this bank is increasing (mean=2.85); you use appropriate screening mechanisms for borrowers (mean=2.74); your default rates in this bank are reducing (mean=2.73); you provide different financial services (mean=2.70). Only one item of return on equity was rated very high; your bank has mobilized enough saving (mean=3.27), and the following were rated high; you charge market based interest rates (mean=2.90); your depositors in this bank is increasing (mean=2.87); Your return on assets is increasing (mean=2.87); Your borrowers in this bank is increasing (mean=2.82).

Regarding returns on investment, the following were rated high; Members in this bank are economically active (man=2.86); your bank finances its investment out of even funds (man=2.82); Your costs are always covered by the income (man=2.78); Your retained earnings to total capital is increasing (man=2.77); Net profit margin in this bank is increasing (man=2.51). Concerning transparency, the following items under transparency still were rated high; Improving accuracy and quality by revising forms (man=3.09); You maintained on-the-job training efforts (man=2.94); You reward employees with merit increases and promotions (man=2.90); Treating customers professionally, courteously, and respectfully by pilot testing privacy (man=2.89); Maintained telephone answer rates (man=2.89); You implement flex and optional work schedules (man=2.82); Implemented external customer surveys and suggestion boxes (man=2.77).

Finally, the findings indicated a positive significant relationship between the level of customer satisfaction and level of performance of commercial Banks. This is shown by the fact that the sig. value was less than the maximum sig. value of 0.05 considered in social sciences.

## **Conclusions**

From the purpose of the study, the researcher got the following conclusions;

### ***Strengths***

Most of the customers were youths, had attained high qualification of masters' degree confirming that majority of customers of commercial Banks are generally qualified.

Most customers had spent 6-10 years in their businesses, which revealed a high experienced business people.

Customer satisfaction in terms of communication; You saves money and increases profit (mean=3.28) was very high, an indication that customers are well informed by the commercial Banks on how to save, which helps them to improve on their saving skills.

The performance of commercial Banks was found to be very high on the first item under return on equity; Your bank has mobilized enough saving (mean=3.27), meaning that commercial Banks always carry out effective methods of mobilizing savings and this helps them to perform highly.

### **Weaknesses**

There were more male customers compared to the female, indicating a big gender gap among customers.

Customer satisfaction was low on the aspect under employee skills; Always do what is best for the child, by putting children first (mean=2.44), under employee obligation; You are aware of the various types of loan provided (mean=2.48).

### ***Testing the null hypotheses***

The null hypothesis of a significant relationship between the level of customer satisfaction and level of performance of commercial Banks was rejected. A conclusion was taken that increase in the level of customer satisfaction, increases the performance of commercial Banks at 95% level of significance.

### ***Existing Gaps that were Identified and contribution to Knowledge***

No study had compared male and female customers. This study covered by gap and contributed towards knowledge generation by revealing that the level of male and female customer satisfaction do not significantly differ.

### **Recommendations**

From the findings and the conclusions of the study, the researcher recommends there is need for the ministry of finance in Somalia to ensure that commercial Banks have necessary skills to plan for the customers.

Management of commercial banks should establish possible ways of promoting customer satisfaction so as to increase performance of commercial banks.

The Management of commercial Banks should train their customers so that they happen to have the necessary skills of banking system.

Commercial Banks should teach their customers the various types of loan provided to them, this will also increase the level of customer satisfaction, and this will increase the level of customer satisfaction.

There is a need to ensure quality working relationship between customers and commercial Banks on branches of Salaam Somali Bank.

## **Areas for Further Research**

The research does not and cannot guarantee that the study was completely exhausted. In any case, the scope of the study was limited in accordance with the space, and objectives. It is therefore, suggested that a national research covering the whole country be undertaken.

Also, prospective researchers and even students should be encouraged to research into the following areas:

1. Return on equity and customer satisfaction among commercial banks on branches of Salaam Somali Bank.
2. Profitability and customer satisfaction among commercial banks on branches of Salaam Somali Bank.
3. Finance skills and profitability of commercial banks on branches of Salaam Somali Bank.
4. Transparency and return on equity among commercial banks on branches of Salaam Somali Bank.

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## APPENDICES

### APPENDIX 1 A: TRANSMITTAL LETTER



**KAMPALA  
INTERNATIONAL  
UNIVERSITY**

Ggaba Road - Kansanga  
P.O. Box 20000, Kampala, Uganda  
Tel: +256 - 414 - 266813 / +256 - 772 - 322563  
Fax: +256 - 414 - 501 974  
E-mail: admin@kiu.ac.ug  
Website: www.kiu.ac.ug

**OFFICE OF THE HEAD OF DEPARTMENT, ECONOMICS AND  
MANAGEMENT SCIENCES  
COLLEGE OF HIGHER DEGREES AND RESEARCH (CHDR)**

Date: 21<sup>st</sup> September, 2012

**RE: REQUEST OF BINTI AHMED SIDOW MBA/34616/113/DF  
TO CONDUCT RESEARCH IN YOUR ORGANIZATION**

The above mentioned is a bonafide student of Kampala International University pursuing Masters in Business Administration (Finance and Banking).

She is currently conducting research entitled "Level of Consumer Satisfactions and Level of Performance of Commercial Banks on Branches of Salaama Somalia Bank".

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with pertinent information he may need.

Any information shared with her from your organization shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

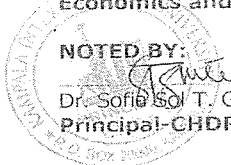
Yours truly,

Handwritten signature of Mr. Malinga Ramadhan.

Mr. Malinga Ramadhan  
Head of Department,  
Economics and Management Sciences, (CHDR)

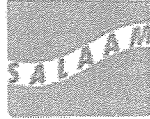
NOTED BY:

Handwritten signature of Dr. Sofia Sol T. Gaite.  
Dr. Sofia Sol T. Gaite  
Principal-CHDR



**APPENDIX 1 B: LEGAL AUTHORITY LETTER FOR PERFORMANCE OF  
COMMERCIAL BANK (SALAAM SOMALI BANK)**

**SALAAM SOMALI BANK**



**بنك سلام الصومالي**

**Ref No: ACCDEPT-SOM-110901**

**Date: October 22, 2012**

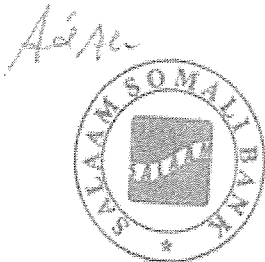
**TO WHOM IT MAY CONCERN**

As the Deputy Head of Accounting Department of **SALAAM SOMALI BANK**, I am delighted to share with you that we have allowed **Binti Ahmed Sidow**, the information which she has requested from the company in the form of questionnaire under title of **Customer Satisfaction and Performance of Commercial Banks in selected branches of Salaam Somali Bank in Mogadisho Somalia**. We have given her this information after she has brought us a request letter from **Kampala International University** which was dated on 14<sup>th</sup> May 2012.

We hope success to her and the university as whole.

Yours sincerely

Deputy Head of Accounting Department



## APPENDIX II: CLEARANCE FROM ETHICS COMMITTEE

Date \_\_\_\_\_

### Candidate's Data

Name \_\_\_\_\_

Reg.# \_\_\_\_\_

Course \_\_\_\_\_

Title of Study \_\_\_\_\_

---

### Ethical Review Checklist

#### The study reviewed considered the following:

- Physical Safety of Human Subjects
- Psychological Safety
- Emotional Security
- Privacy
- Written Request for Author of Standardized Instrument
- Coding of Questionnaires/Anonymity/Confidentiality
- Permission to Conduct the Study
- Informed Consent

\_\_\_ Citations/Authors Recognized

**Results of Ethical Review**

\_\_\_ Approved

\_\_\_ Conditional (to provide the Ethics Committee with corrections)

\_\_\_ Disapproved/ Resubmit Proposal

**Ethics Committee (Name and Signature)**

Chairperson \_\_\_\_\_

Members \_\_\_\_\_

### **APPENDIX III**

#### **INFORMED CONSENT**

I am giving my consent to be part of the research study of Mss. Binti Ahmed Sidow that will focus on Customer Satisfaction and Performance of Commercial Banks.

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials: \_\_\_\_\_

Date \_\_\_\_\_

**APPENDIX IVA:**

**DEMOGRAPHIC CHARACTERISTICS OF THE RESPONDENTS**

Direction: Please provide information about yourself. Kindly **tick or fill out** in the blank spaces of each option:

Code# \_\_\_\_\_ Date received by respondent \_\_\_\_\_

**A. Company Staff**

Gender: Male  Female

**B. Age:**

20-39 years  40-59 years   
60 and above

**C. Educational level:**

Certificate  Masters  Diploma  Ph.D.

Bachelors  Others (please specify) \_\_\_\_\_

**D. Number of employees:** 1-5  6-10  11-15

**E. Nature of the business:**

Sole proprietorship  Partnership  Joint stock company

**G. Your position/post in the organization:** \_\_\_\_\_

Manager  Employee  Director

**H. Number of years in this business:** \_\_\_\_\_

1-3 Years  4-6 years  7 and above



## APPENDIX IVB

### QUESTIONNAIRE TO DETERMINE THE LEVEL OF Level Customer satisfactions

**Direction:** Please write your preferred option on the space provided before each item. Kindly use the rating guide below:

Instructions:	Rating	Description
Strongly Agree	(4)	You agree with no doubt at all
Agree	(3)	You agree with some doubt
Strongly Disagree	(2)	You disagree with no doubt at all
Disagree	(1)	You disagree with some doubt

NO	The following statements are related to Level Customer satisfactions	Rank			
No	<b>Service orientation</b>				
1	You are pleasant and smiling at customers	1	2	3	4
2	You are good listener (and being empathetic to customers' situations).	1	2	3	4
3	You do the job right the first time.	1	2	3	4
4	Being accountable.	1	2	3	4
5	Building trusting relationships with customers.	1	2	3	4
6	Put a human face on customers	1	2	3	4
7	Treating people fairly.	1	2	3	4
8	Making customers fully happy.	1	2	3	4
	<b>Communication</b>				
9	You improves trust and information exchange	1	2	3	4
10	You are participate in addressing crime	1	2	3	4
11	You saves money and increases profit	1	2	3	4
12	You improve the quality of life and creating community-specific services	1	2	3	4
13	Loyalty is generated by customer satisfaction	1	2	3	4

<b>Employee skills</b>					
14	You are able to handle hungry customers	1	2	3	4
15	You Treat everyone with dignity, respect, honesty, and courtesy	1	2	3	4
16	Respect customer' privacy	1	2	3	4
17	Maintain objectivity and be nonjudgmental	1	2	3	4
18	Bear in mind that the customers' perceptions of reality are their reality	1	2	3	4
19	Always do what is best for the child, by putting children first.	1	2	3	4
20	Treat everyone with dignity, respect, honesty, and courtesy.	1	2	3	4
21	Be a leader in doing the right thing, not just in doing things right.	1	2	3	4
22	Participate and contribute in finding solutions work as a team	1	2	3	4
<b>Services provided</b>					
23	Bank loan	1	2	3	4
24	Money transfer services	1	2	3	4
25	Scholarships to students and staff	1	2	3	4
26	Investment advise	1	2	3	4
27	Openining all types accounts	1	2	3	4
<b>Employee obligation</b>					
28	Ensure customer understand how to open an account	1	2	3	4
29	You inform the customer on the available financial services	1	2	3	4
30	You are aware of the various types of loan provided	1	2	3	4
31	Ensuring comprehensive, accurate, and easily accessible information that is easy to understand	1	2	3	4
32	Ensuring prompt action on new case information and responses to customer requests and inquiries.	1	2	3	4

**APPENDIX IVC**

**QUESTIONNAIRE TO DETERMINE THE LEVEL of PERFORMANCE OF COMMERCIAL BANKS ON BRANCHES OF SALAAMA SOMALI BANK**

**Direction:** Please write your preferred option on the space provided before each item. Kindly use the rating guide below:

<b>Response Mode</b>	<b>Rating</b>	<b>Description</b>
Strongly Agree	(4)	You agree with no doubt at all.
Agree	(3)	You agree with some doubt
Disagree	(2)	You disagree with some doubt
Strongly Disagree	(1)	You disagree with no doubt at all

<b>Performance</b>		<b>Rating</b>			
<b>Finance skills</b>					
1	The business keeps a minimum cash balance to enable it run its day-to-day business transactions/activities	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
2	Your business has various sources of funds	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
3	Your business' decisions to acquire a loan are properly assessed	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
4	Your business' decisions to re-pay the loans are made in advance with consultation of stakeholders.	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
5	Always borrowed funds are paid with interest, irrespective of the profitability of your business	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
6	It is not wise to borrow when interest rate is lower than the return on capital employed	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>Profitability</b>					
7	Your default rates in this bank are reducing	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
8	Your return on equity is increasing	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
9	You provide different financial services	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>

10	Loan disbursement in this bank is increasing	1	2	3	4
11	You use appropriate screening mechanisms for borrowers	1	2	3	4
	<b>Return on Equity</b>				
12	You charges market based interest rates	1	2	3	4
13	Your return on assets is increasing	1	2	3	4
14	Your bank has mobilized enough saving	1	2	3	4
15	Your depositors in this bank is increasing	1	2	3	4
16	Your borrowers in this bank is increasing	1	2	3	4
	<b>Returns on investment</b>				
17	Your retained earnings to total capital is increasing	1	2	3	4
18	Members in this bank are economically active	1	2	3	4
19	Your bank finances its investment out of even funds	1	2	3	4
20	Your costs are always covered by the income	1	2	3	4
21	15. net profit margin in this bank is increasing	1	2	3	4
	<b>Transparency</b>				
22	Improving accuracy and quality by revising forms	1	2	3	4
23	Treating customers professionally, courteously, and respectfully by pilot testing privacy	1	2	3	4
24	Maintained telephone answer rates	1	2	3	4
25	Implemented external customer surveys and suggestion boxes	1	2	3	4
26	You reward employees with merit increases and promotions	1	2	3	4
27	You implement flex and optional work schedules	1	2	3	4
28	You maintained on-the-job training efforts	1	2	3	4

## RESEARCHER'S CURRICULUM VITAE

### Profile

Name: Binti Ahmed sidow  
Place of Birth: Mogadishu, Somal Date of Birth: 1988  
Nationality: Somali  
Marital Status: Single  
Gender: Female  
E-mail: [bint10@hotmail.com](mailto:bint10@hotmail.com)  
Phone +256 792 342 225

### Educational Background

Aug 2011 – Up to now Kampala International University, Mater of finance and banking, Uganda,

2007-2011 Mogadishu University, Bachelor of economic and management science, Somalia.

