International Journal of Business and Management Review

Vol.4, No.6, pp.115-124, August 2016

Published by European Centre for Research Training and Development UK (www.eajournals.org)

INFLUENCE OF QUALITY OF PRODUCTS AND SERVICES OFFERED BY BANKS ON GROWTH: A CASE OF SELECTED BANKS WITHIN ELDORET TOWN

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ABSTRACT: *Implementation of growth for every company is vital even after initial development of strategy. A bank's growth strategy is so crucial in ensuring its survival, banks require implementing growth that enables them to increase their scales of quality service delivery in an effort to grow in the market. Consequently banks are expected to be on a steady growth path increasing their revenues and expanding their scales of quality service delivery. This however has not been the case for a majority of the banks in Kenya. The study was guided by the following research questions; what is the effect of customer relations management on growth of a bank? What is the effect of range of products on growth of a bank? And what are the challenges facing banking on provision of quality products and services? The study employed descriptive survey to assist the researcher in identifying the marketing strategies employed by commercial banks in dealing with service breakdown in Kenya. The researcher targeted the management and employees of the banks. The researcher targeted a total of 130 respondents. A sample of 60 respondents was employed. The researcher employed purposive sampling where every individual acts as the target for the management, stratified sampling for the departmental management and employees. The study employed the use of the questionnaires and the interview schedules as the main data collection tools though the study also used document analysis to identify documents particularly on the impact of quality service offered by banks on growth strategy. Data was cleaned, validated, edited and coded then summarized using regression model, equations and descriptive statistics, percentages, and mean scores. The findings showed that high levels of quality are essential to achieve a bank's objectives. The quality of products and services offered by banks can be a powerful tool for growth. Customer relations management is considered a cornerstone for growth. For customers to be satisfied, they are supposed to be treated in a good way, incase of any complaint, the management has to provide solution to them. Bank supervisors should also review the business and strategic plans of individual banks and assess the capabilities of management to fulfill objectives. They should check that management systems in place are sufficient to ensure compliance with policies and proper functioning. The study recommends that banks should come up with good customer relations management strategies, provide competitive products and services to its customers and ensure that management systems in place are sufficient to ensure compliance with policies and proper functioning hence increasing productivity.*

KEYWORDS: Customer Relations, Quality of Products and Range of Products

INTRODUCTION

Over the past 15 years technology has increasingly been employed in the quality of products and service delivery in banks. The adoption of technology into service industries is becoming a strong trend as service providers are now being urged by industry bodies to invest in technology as a way of securing their future in the electronic age. Growth for every company is vital even after initial development of strategy. Banks need to develop a growth strategy to ensure that they are able to benefit fully from the current strategy (Bistow, 2002).

Growth consequently has to be properly planned for to ensure that the strategy achieves the desired objectives. Such a strategy is crucial because it involves mobilization of vast resources from the bank and enhancing quality of service delivery. A bank that does not manage its growth strategy effectively is likely to suffer from losses resulting from high investments in growth but no returns from the growth strategy. A growth strategy may involve the penetration into new markets or increased production scales of operation. All banks at one point will have to pursue a growth strategy in an effort to survive in a given market niche (Dentrow, 2007).

Globally multinationals invest heavily in research of new markets and identify factors that could affect their quality of service in the new markets. They perform a detailed assessment of how their company would fit in a given operating marketing with an aim of trying to establish how they need to prepare internally to operate effectively in the current market. This research enables the bank restructure its operations, identify necessary skills and competencies required to operate in a new market before they can make a move into a new market. The same happens when multinationals want to invest in a new product. The banks first understand the needs of the market to ensure that the new product that is being used for growth was successfully deployed in the market (Belfast, 2006).

Kenya as a country has attracted a number of businesses and organizations in the country have managed to expand their scales of banking operation to global reach. These companies have been able to do this due to the investment of the country in the education sector to ensure that the country has a sufficient pool of human resource which businesses and entrepreneurial ventures can benefit in. Businesses have also through collaborations and alliances managed to assist each other grow by supporting each others weaknesses and emphasizing on their strengths. There have been reported cases in the country where banks have drastically failed in the implementation of their growth. The bank was not able to deal with the demand on financial resources after rolling out extensive operations in most parts of the country (Bistow, 2002).

Banks have also enjoyed considerable states of stability in their markets of operations despite the impact of external factors such as the frosts in most of the banks which have at times made the banks to shut down operations. The banks have however been considered not ambitious despite having clear growth on how they would like to expand their quality of service delivery operations. This has mainly been because of their inability to implement their growth. Most of the banks have plans of just how much assets they would like to purchase and the new systems and technologies they would like to put in place but most of these strategies have remained only on paper (Bistow, 2002).. It is therefore against this background that the study will aim to assess how organizational factor affect the implementation of growth

Statement of the Problem

A bank's growth is so crucial in ensuring its survival banks are required to offer quality products and services in an effort to grow in the market (Bistow, 2002).Service breakdown in

ISSN: 2052-6393(Print), ISSN: 2052-6407(Online)

commercial banks is a real threat to the smooth provision of services to customers. In this sense banks need to always counter this threat with the strategies to ensure that customers do not have a reason to change where they bank. However this is not the case in majority of Kenyan banks as witnessed by the collapse and stunted in growth of some banks.

Banks that provide superior service quality as measured by customer satisfaction also experience higher economic returns than competitors that are not so service-oriented (Aaker and Jacobson, 1994; Bolton, 1998). This is particularly true in the financial services sector where deregulation has created an environment that allows consumers considerable choice in satisfying their financial needs. In response, many financial institutions are directing their strategies towards increasing growth through improved service quality (Bolton, 1998).

Banks in Kenya have faced considerable challenges as epitomized by the closure of some banks resulting from the internal inefficiencies of the banks (Mwaura, 2005). Although a number of studies have been undertaken on growth of banks, it is clear no study has not been carried out on how provision of quality products and services affects growth of banks in Kenya. It is therefore against these reasons that the study aims to assess if the quality of products and services offered affects the growth of banks.

LITERATURE REVIEW

Customer Relations Management and the Growth of Banks

In recent years, Customers Relations Management has emerged as a top commercial priority. CRM is not simply a method used by leading service organizations to gain a competitive advantage: it has become a necessity for their survival (Buttle, 2004). As markets become increasingly competitive, the development of relationships that can be maintained in the face of the many inducements to switch service providers is seen as a method of creating a sustainable competitive advantage. Many professional services, including banking services, are rated and rewarded by the client relationships they manage (Swartz & Iacobucci, 2000).

Employees are directly involved in the CRM strategy of an organization, including a bank. According to Buttle (2004), CRM can be applied on three levels within an organization, leading to strategic, operational and analytical CRM. Strategic CRM is focused on the development of a customer-centric business culture and will involve executive management. Operational CRM is focused on the automation of the customer-facing activities of an organization and will involve middle-level management, for example a branch manager of a bank. Operational CRM may lead to marketing-, sales- and service automation. Analytical CRM is concerned with exploiting customer data with the application of data mining tools. It is evident that all employees are involved with CRM, either through their direct interactions with clients or their involvement in and application of processes, tools and methods used to enhance client value.

Service marketing concepts and strategies have developed in response to the tremendous growth of service industries resulting in their increased importance to world economies (Bitner, 2009). This is in relation to employment, gross domestic product and business opportunities. As technological advancement has equalized most production processes, one of the few remaining strategies that can set one company apart from others is customer service. Chandler (2010) stated that strategy determines the basic long-term goals of an enterprise, and the

ISSN: 2052-6393(Print), ISSN: 2052-6407(Online)

adoption of courses of action (strategy as plan of action) and the allocation of resources necessary for carrying out these goals (strategy as re-source allocation).

H_{o1} There is no significant relationship on Customer Relations Management and the Growth of Banks

Range of Products and the Growth of Banks

For different reasons, banks across markets are facing margin compression across their product range. Regulation, funding costs, lackluster demand, low interest rates, price competition and shifting buying patterns are all affecting profitability. The pessimistic view among the banks' corporate customers is highlighted by their attitude to M&A (Macalsiter, 2013).

The dilemma for many, particularly in developed economies, is which business lines, products and services to cut without causing irreparable damage to future revenue opportunities when growth returns. Efforts to shrink balance sheets, or at least reduce risk-weighted assets, are being hampered by a reluctance or inability to accept write-downs or losses. European banks are still finding it hard to access sufficient quantities of US dollar funding. Elsewhere, banks are finding their business activities constrained by local regulations exceeding global standards (Macain, 2008)

The economic downturn has led to changes in buying behavior, highlighted during the first half of 2012 when over 50% of new corporate funding was raised via the capital markets instead of bank lending. Whether that is a cyclical event driven by low bond yields or a more structural shift is unclear, but it is yet another factor to consider (Onyango, 2001). Many investors are still waiting for a compelling proposition. As organizations tread a fine line to please different stakeholders, the challenge is to deliver a reasonable return with an acceptable risk profile.

Withdrawing from certain activities, even for a limited period, may cause long-term damage to relationships as well as provide opportunities for competitors. As the customer discussion highlights, banks will be expected to deliver innovative, full-service solutions, not limited services (Omido, 2004). Game theory may become a reality over the next couple of years while banks make difficult choices. Capital considerations may ultimately determine decisions, particularly for those trying to raise it in the short term. We will see much greater contraction in global capabilities over the next couple of years as firms accept the inevitable and modify their ambitions. Given this, and the evolving expectations of customers, the next one to two years will also be about reviewing key client lists and revising customer acquisition/retention targets to align with the new reality (lovistonkiv, 2011).

H_{o2} There is no significant relationship on range of product and the Growth of Banks

Challenges Facing Banking on Provision of Quality Products and Services on growth

Success of a service provider depends on the high quality relationship with customers (Panda, 2003) which determines customer satisfaction and loyalty (Jones, 2002 as cited by Lymperopoulos et al., 2006). Research has shown repeatedly that service quality influences organizational outcome such as performance superiority (Poretla & Thanassoulis, 2005), increasing sales profit (Levesque & Mc. Dougal, 1996; Kish, 2000; Duncan & Elliot, 2002) and market share (Fisher, 2001), improving customer relations, enhance corporate image and promote customer loyalty (Newman, 2001; Szymigin & Carrigan, 2001; Caruana, 2002; Ehigie, 2006). Furthermore, service quality and customer satisfaction were found to be related

ISSN: 2052-6393(Print), ISSN: 2052-6407(Online)

to customer loyalty through repurchase intentions (Levesque & Mc. Dougall, 1996; Newman, 2001; Caruana, 2002). Delivering quality service to customers is a must for success and survival in today's competitive banking.

In year 2004, Bank Negara Malaysia completed a study to assess customers' expectations and satisfaction on the quality of products and services offered by banking institutions that was shared with the industry to improve the service quality of the sector. To facilitate the domestic banking groups in streamlining their operations, the Banking and Financial Institutions Act 1989 was amended to enable the merger of finance company and commercial bank within the same domestic banking group. In the human intellectual development, the International Centre for Leadership in Finance (ICLIF), established by Bank Negara Malaysia, commenced its Leadership Development Programs in 2004 to develop leadership talent across the financial industry and the corporate sector, thereby promoting excellence in these institutions (Bank Negara Malaysia annual report 2004)

Studies sought to examine the strategies used by Commercial banks in Kenya to deal with Service breakdown. A bank's growth strategy consists of the business approaches and initiatives it undertakes to attract customers and fulfill their expectations, to withstand competitive pressures and to strengthen its market position. These strategies provide opportunities for the organization to respond to the various challenges within its operating environment. Banks also develop strategies to enable them seize strategic initiatives and maintain a competitive edge in the market (Porter, 2008). The competitive aim is to do a significantly better job to its customers. The success of every organization is determined by its responsiveness to the custom needs.

The competitive aim is to do a significantly better job of providing what customers are looking for, thereby enabling the company to earn a competitive advantage and outsmart rivals in the market place. The core of a company's marketing strategy consists of its internal initiatives to deliver satisfaction to customers but also includes offensive and defensive moves to counter the maneuvering of rivals, actions to shift resources around to improve the firm's long term competitive capabilities and market position, and tactical efforts to respond to prevailing market conditions. Assuming that there are a number of providers, customers will choose which offering to accept on their perception of value-for-money.

Strategy can be viewed as building defenses against the competitive forces, or as finding positions in the industry which forces are weakest (Robinson, 2007). Porter (2008) also noted that strategy is all about competitions and trying to gain competitive advantage. Growth strategy is a pattern of actions and resource allocations designed to achieve the goals of the organization. The strategy that an organization implements is an attempt to match the skills and resources of the organization to the opportunities found in the External Environment. Decisions and actions taken will lead to the development of an effective strategy which will help to achieve organizational objectives.

In some product areas such as equities and fixed income trading, scale is king. The investment required to deliver further trading automation will prove prohibitive for most, and the top-tier banks will benefit from the retreat of mid-tier organizations. The cuts will also have secondary effects for the research and analysis functions at these banks (Macain, 2008). Several scholars have carried out extensive studies in the area of banking in Kenya and especially on competitive strategy. For instance, Warugu (2001) in his research, found out that focus and product differentiation are some of the major strategies that the banks have employed in their quest to

ISSN: 2052-6393(Print), ISSN: 2052-6407(Online)

outdo each other. Similarly Kiptugen (2003) looked at the strategic responses to a changing competitive environment in the case study of KCB, he established that proactive rather than reactive strategies such as research on changing customer needs and preferences forms the basis of its strategic planning. Mbwayo (2005) focused on the strategies applied by commercial banks in Kenya in anti money laundering compliance programs. He concluded that strict adherence procedures and standards have been implemented to ensure that money laundering is contained in Kenya.

H_{o3} There is no significant relationship on Quality Products and Services on the Growth of Banks

MATERIALS AND METHODS

Descriptive survey design was used in this study. The total population was 146 employees drawn from 5 commercial banks. Stratified sampling was used to select 60 employees. A stratified random sample was a useful blend of randomization and categorization, which enabled both a quantitative and qualitative process of study to be undertaken (Cohen, 2003). The study used a questionnaire in data collection. The Cronbach's coefficient alpha was applied on the results obtained to determine how items correlate among them in the same instrument. Cronbach's coefficient Alpha of more than 0.7 was taken as the cut off value for being acceptable which enhanced the identification of the dispensable variables and deleted variables.

Data Analysis

The study conducted initial data analysis using simple descriptive statistical measures such as, mean, standard deviation and variance to give glimpse of the general trend. However, correlation analysis was used to determine the nature of the relationship between variables at a generally accepted conventional significant level of P=0.05 (Sekaran, 2003). In addition, multiple regression analysis was employed to test the hypotheses. Multiple regression analysis is applied to analyze the relationship between a single dependent variable and several independent variables (Hair *et al.*, 2006). The study also utilized variable inflation factor (VIF) to handle the issue of Multi-collinearity. The beta (β) coefficients for each independent variable generated from the model, was subjected to a t –test, in order to test each of the hypotheses under study. The regression model used to test is shown below:

$$y = \alpha + \beta 1x1 + \beta 2x2 + \beta 3x3 + \varepsilon$$

Where, Y = growth of banks

α = Constant

β1… β3= the slope representing degree of change in independent variable by one unit variable.

X1= customer relation

X2= range of product

X3= quality of product

ISSN: 2052-6393(Print), ISSN: 2052-6407(Online)

All the above statistical tests were analyzed using the Statistical Package for Social Sciences (SPSS), version 20. All tests were two-tailed. Significant levels were measured at 95% confidence level with significant differences recorded at $p < 0.05$

RESULTS OF THE STUDY

Correlation Statistics for Linear Relationship between Variables

Pearson's measures the strength and direction of the linear relationship between variables. Pearson Correlations results in table 1.0 showed that there was a linear relationship that is customer relation was positively significant with firms growth (r=0.211), range of products a positive significant relationship with the growth of banks (r=0.482), quality of product was also negative insignificant with growth of banks (r=-0.072,),

Table 1.0

Correlations					
		A	b	c	d
a	Pearson Correlation	1	0.211	.482**	-0.072
	Sig. (2-tailed)		0.262	0.007	0.709
	N	30	30	30	29
b	Pearson Correlation	0.211	1	0.419	0.239
	Sig. (2-tailed)	0.262		0.021	0.212
	N	30	30	30	29
c	Pearson Correlation	.482**	0.419	1	0.133
	Sig. (2-tailed)	0.007	0.021		0.492
	N	30	30	30	29
d	Pearson Correlation	-0.072	0.239	0.133	1
	Sig. (2-tailed)	0.709	0.212	0.492	
	N	29	29	29	29
**. Correlation is significant at the 0.05 level (2-tailed).					

Multiple Regression Analysis and Hypothesis Testing

Model Summary

The study intended to assess of contribution of the independent variables on dependent variable. The study findings in table 1.2 illustrates the results of direct effect of customer relation, range of products and quality of products and services on bank growth. Findings indicate that 28.2 percent of employee job satisfaction can be predicted/explained by joint contribution of pay and benefit, equality and diversity, training and development (adjusted R2 = 0.282). The findings are supported by ANOVA(F test) results that the model was fit or none of the parameters was equal to zero hence significance adjusted R square ($F = 4.671$, $\rho<0.05$).

ISSN: 2052-6393(Print), ISSN: 2052-6407(Online)

The rule of thumb was applied in the interpretation of the variance inflation factor which states that a principle with broad application that is not intended to be strictly accurate or reliable for every situation.

Hypothesis Testing

Hypothesis 1 (Ho1) postulated that there is no significant relationship on Customer Relations Management and the Growth of Banks, Findings showed that customer relation had coefficients of estimate which was significant basing on $\beta1 = 0.443$ (p-value = 0.015 which is less than $\alpha = 0.05$) thus rejecting the null hypothesis and conclude that customer relation increases growth.

Hypothesis 2 (Ho2) stated that there is no significant relationship on Quality Products and Services on the Growth of Banks. Findings showed that range of products had coefficients of estimate which was significant basing on $\beta1 = 0.277$ (p-value = 0.003 which is less than $\alpha = 0.05$) thus rejecting the null hypothesis and conclude that range of products increases growth.

Hypothesis 3 (Ho3) stated that there is no significant relationship on Quality Products and Services on the Growth of Banks. Findings showed that quality of products had coefficients of estimate which was significant basing on $\beta1 = 0.099$ (p-value = 0.001 which is less than $\alpha = 0.05$) thus rejecting the null hypothesis and conclude that quality of products increases growth.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.599[a]	.359	.282	.46970		

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.092	3	1.031	4.671	.010[a]
	Residual	5.515	25	.221		
	Total	8.607	28			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.374	1.004		.372	.713
	a	.574	.219	.443	2.626	.015
	b	.268	.167	.277	1.600	.003
	d	.078	.132	.099	.591	.001

ISSN: 2052-6393(Print), ISSN: 2052-6407(Online)

CONCLUSION

High levels of quality are essential to achieve a bank's objectives. The quality of products and services offered by banks can be a powerful tool for growth. Customers are greatly motivated when they are given efficient and effective services .It increases customers loyalty and satisfaction .Quality, a source of competitive advantage, should remain a hallmark of Company products and services. High quality is not an added value; it is an essential basic requirement. Quality does not only relate solely to the end products and services a Company provides but also relates to the way the Company employees do their job and the work processes they follow to produce products or services. The work processes should be as efficient as possible and continually improving.

Customer relations management is considered a cornerstone for growth. For customers to be satisfied, they are supposed to be treated in a good way; incase of any complaint, the management has to provide solution to them, customers feedbacks should be analyzed by management and employees together for effective action and all the employees in the bank should be trained in customer care management so as to be able to provide quality services. Top management should provide the training and an appropriate motivating environment to foster teamwork both within and across organizational units for employees to improve processes.

Bank supervisors should also review the business and strategic plans of individual banks and assess the capabilities of management to fulfill objectives. They should check that management systems in place are sufficient to ensure compliance with policies and proper functioning. Bank supervisors should also encourage banks to establish and strengthen their own internal management systems as the first lines of defense against unsound, unsafe, or illegal banking practices. Management systems should include written policies and procedures, formalized planning and budgeting, management information systems, internal loan review, compliance systems, internal and external audit activities, and internal controls.

RECOMMENDATIONS

The study made the following recommendations

a) Banks should come up with good customer relations management strategies for instance communicating with customers so as to build loyalty thus fostering growth
b) Banks should provide competitive products and services to its customers, for example providing services at one stop shop as this will enhanced customer satisfaction.
c) Banks should ensure that management systems in place are sufficient to ensure compliance with policies and proper functioning hence increasing productivity
d) Banks should train its employees in a systematic manner so that they get all the necessary skills to perform duties which are vital in the growth of a bank

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