

Relationship between Service Quality and Customer Satisfaction of Commercial Bank Customers, Nairobi Kenya

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Abstract:

Marketing strategy remains a critical driver of customer satisfaction and competitiveness in the banking industry globally. Despite this, Commercial banks in Kenya are yet to attain required customer satisfaction levels. This is evident in the low average customer satisfaction index (CSI) which dropped from 67% in 2011 with a downward trend to 60% in 2015 way below the Kenyan Banking industry benchmark of 77%. Studies on the relationship between service quality and customer satisfaction revealed both positive and negative results. The main purpose of this study was to analyse the relationship between service quality and customer satisfaction of commercial bank customers in Nairobi, Kenya. The target population was 1,072,500 customers of commercial bank customers in Nairobi. A sample of 384 was drawn using proportionate stratified random sampling technique to constitute 242 Retail, 81 Business and 61 corporate customers. The results revealed that service quality significantly contributed to customer satisfaction at ($\beta=.488$, $p<.05$). It was concluded that service quality contributes to customer satisfaction. The study recommends a more emphasis on improving and maintaining high service quality levels translating to customer satisfaction. Therefore the research provides a validated service quality model that can be used to clearly measure levels of service quality in relation to levels of customer satisfaction.

Keywords: Service Quality, Customer Satisfaction, Customers, Commercial Banks, Nairobi