ANALYSIS OF THE EFFECT OF CUSTOMER PERSONALITY ON DETERMINANTS OF CUSTOMER LOYALTY IN THE BANKING SECTOR: A SURVEY OF BANKS IN HOMABAY COUNTY, KENYA.

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ABSTRACT

Marketing management research has advocated for the establishment of determinants of customer loyalty to improve customer retention and organization performance. Despite consumer behavior theory emphasizing the importance of customer personality in consumer decision making process, establishing determinants of customer loyalty has been problematic. This study had a target population 845,000 and a sample size of 400 was selected from the population which included customers from Equity Bank, Kenya Commercial Bank, Barclays Bank and Cooperative Bank, to analyse the effect of customer personality on determinants of customer loyalty in the banking sector in Homa Bay County. Specifically, the study established the effect of service quality, service features and complaint handling on customer loyalty and also established the moderating effect of customer personality on determinants of customer loyalty. The study was guided by a conceptual framework involving concepts of customer loyalty and customer personality which are anchored on the theory of consumer behavior. The study used cross-sectional survey design, banks were selected using stratified sampling and the customers were picked using simple random sampling. Respondents were met at the ATM as they carry out their transactions. Data was collected using questionnaire and the reliability of the instrument was tested using split-half method while validity was tested by use of experts who were the supervisors of the researcher. Descriptive statistics, simple regression analysis, multiple regression and moderated regression analysis were used to analyze data. The findings show that the independent variables are significant determinants of customer loyalty among customers who had not changed their banks, that is, service quality (F_o=16.234>F_c=3.860), after moderation (F_o=8.355>F_c=3.020), service features (F_o=5.123>F_c=3.860) after moderation (F_o=3.545>F_c =3.020), complaint handling (F_o=7.579>F_c=3.860) and after moderation (F_o=4.714>F_c=3.020) and finally when all the determinants of customer loyalty were put together (F_o=14.218>F_c=2.620) after moderation (F_o10.905>F_c=2.390). Among customers who had changed their banks, only service quality was a significant determinant of customer loyalty (F_o=5.556>F_c=3.960) after moderation (F_o=5.576>F_c =3.110) with others showing no such effect on customer loyalty. Service quality had the highest effect on customer loyalty. The study concluded that customer personality has a moderating effect on determinants of customer loyalty. The study recommends that bank managers should continuously train their staff on service quality and customer personality. The study may help the bank policy makers to predict customer loyalty using the models of customer loyalty.

CHAPTER ONE: INTRODUCTION

This chapter entails the background of the study in relation to the determinants of customer loyalty, customer loyalty and customer personality. It also outlines details on the problem statement, objectives of the study, hypothesis, conceptual framework, justification of the study and scope and limitations of the study.

1.1 Background of the Study

Consumer decision-making is a behavior pattern of the consumers that precede, determine and follow the decision making process for the acquisition of need satisfying products, ideas or services. During the consumer decision making process, not only do consumers make decisions regarding which service provider to choose but also decide whether to remain loyal to the current service provider (Zeithaml & Bitner, 2000). Customer loyalty is a deeply held commitment to re-buy or re-patronize a preferred product or service in the future despite situational influences and marketing effort having the potential to cause switching behavior. A basic premise of marketing is that through understanding customers and their purchasing habits, firms can design an effective product offering to help them achieve their objective which is to delight their customers and ensure customer retention. The cost of recruiting new customers is far much greater than the cost associated with keeping customers which may reduce profitability of the firm. Understanding customer behavior is intricately linked to understanding the needs and wants of customers. Today it is no longer sufficient for a business to simply satisfy a customer during a single transaction. Rather, it must try to retain the customer for life, that is, achieve customer retention (Schiffman & Kanuk, 2004).

Consumer behavior theory posits that individuals, groups, or organizations undergo various processes to select, secure, and dispose of products, services, experiences, or ideas to satisfy needs and the impacts that these processes have on the consumer and society. It blends elements from psychology, sociology, social anthropology and economics. It attempts to understand the decision-making processes of buyers, both individually and in groups. It studies characteristics of individual consumers such as demographics and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general (Kotler, 2000).

Customer behavior study is based on consumer buying behavior, with the customer playing the three distinct roles of user, payer and buyer. Consumer behavior is difficult to predict, even for experts in the field. Relationship marketing is an influential asset for customer behavior analysis as it has a keen interest in the re-discovery of the true meaning of marketing through the re-affirmation of the importance of the customer or buyer. A greater importance is also placed on consumer retention, customer relationship management, personalization, customization and one-to-one marketing (Baker, 2004).

With the intense competition and increasing globalization in the financial markets, banks must develop customer-oriented strategies in order to compete successfully in the competitive retail banking environment. The longer a bank can retain a customer, the greater the revenue and cost savings from that customer. However, customers are also more prone to changing their banking behaviour when they can purchase nearly identical financial products provided by the retail banks. In order to stay competitive, banks need to understand the factors that influence and determine customer loyalty (Kotler, 2000).

According to Zeithaml & Bitner (2000), service quality in banking sector is classified across six dimensions. These include first, bank atmosphere which is the environment of the bank including the attitude of the staff. Secondly, the relationship between the customer and the bank indicates the personal relationship with the bank employees. Thirdly, are the rates and charges which is an individual's perception of BSQ (Bank Service Quality) is affected by the low cost and high interest rates. Fourth, is the available and convenient services indicates the full range of available services, convenient and easily accessible. Fifth, are the Automated Teller machines (ATMs) which indicate the availability of the automatic teller machines. Sixth, is the reliability/honesty which emphasizes on the solid bank ratings and reliable, honest staff and finally are enough and accessible tellers.

Customers are more concerned with the benefits a product can offer hence service features is found to be a major determinant of customer loyalty in the retail banks. The product considerations include the actual product or service as well as the brand name, reputation, and packaging. Products based on goods tend to have more tangible characteristics, and products based on services tend to be more intangible. Service products normally include a core service, which associates with specific features, service specifications, and targets (Berry, 2004). In a technology-driven, fast-paced environment, delivering a wide range of products to customers is essential for success and survival of the businesses. Today's competition is not only between organizations, but also between products. One of the more important business development strategies therefore is the introduction of successful new products. Service products associated with technologies can reduce transaction costs, switching rates, and encourage customers to create services outcomes on their own thereby achieving enhanced customer loyalty (Shapiro, 2003).

Customer complaint gives direct feedback to the service provider and therefore the process of complaint handling can lead to either dissatisfaction or satisfaction of customers hence customer complaint handling becomes one of the determinants of customer loyalty. Services and service recovery, an implicit promise of fairness is salient because it is often difficult for customers to evaluate the service before, and sometimes after, the transaction is made. Service customers are vulnerable to exploitation. They know it and are unlikely to quickly forget or forgive treatment that they perceive as unfair. Justice is critical since customer responses to unjust service experiences are generally stronger than those perceived as just. It is also important to note that service recovery involves perceptions of justice at different levels. The customer's interaction with firm representatives, the procedures a firm uses to handle complaints, and the outcomes of service recovery all generate perceptions of justice (Shapiro, 2003).

According to Baker (2004) personality is a determinant of consumer behavior as no two individuals are exactly alike. However, many individuals tend to be similar. Customers with different personalities can act differently under the same situation. Customer personality includes customers' character which is a habit, a usual pattern or way of thinking, speaking or acting. Character habits include being enthusiastic, punctual, dependable, benevolent; temperament which is an average of a person's emotional states across a representative variety of life situations. It includes regularity, initial reaction, and sensitivity; and intellect which is an ability to feel, a curiosity and desire for knowledge, an ability of being aware of the sensations and stimuli received through the five sensory organs, and an ability to have necessary actions taken through the five organs of action. It also includes discrimination, analysis and decision making. These characteristics can contribute to a variety of customers' thresholds or tolerance levels which can affect customers' repurchase behavior and loyalty (Mittal & Kamakura, 2007).

Customer loyalty is achieved by delivering high customer value. These include customer retention, competitive advantage, referrals from loyal customers, low cost of doing business and high price of products or services as a result of price inelasticity. With intensive competition offering customers greater variety and choice in the market, customer reputation has been identified by firms in the service sector as an essential determinant of customer loyalty. As customers move up the social ladder, they would want to be identified with some service providers as they reach actualization stage of the hierarchy of needs as demonstrated in Maslow's hierarchy of needs (Kotler, 2000). In addition, bank reputation can enhance customer loyalty, especially in the retail banking industry where quality cannot be evaluated accurately before purchase.

The banking industry has become increasingly integrated in recent years. Liberization and deregulations of the financial sector, coupled with rapid technological advancement and improved communication systems have contributed to the integration process. As a result, banks are faced with very high competition. One way in which retail banks can cope with such strong competition is by improving the ways products and services are offered to their customers. It is for this reason that Othman & Owen (2001) concluded that there exists a need for further research on retail banks' service quality programs, service features and customer complaint handling processes.

Switching behavior is caused not only by distinct decisions, but also by involuntary factors not related to the distinct decision such as the factors beyond the control of either customers or the service providers, for instance, involuntary switching factors. Customers may switch unintentionally, such as by moving a house, changing jobs, or branches being closed in their areas of residence. Therefore, relocation or other factors that are beyond the control of customers or service providers can destroy even the most loyal service relationship (Taylor, Roos & Hamer, 2009).

A study by Parasuramm et al (2005) & Zeith et al (2007) noted that the key strategy for the success and survival of any business institution is the delivery of quality service, service features and excellent customer complaint handling to customers. The banking industry as a service industry is directed towards the customer's money and its management, a membership relationship is entailed in this industry due to its continuous nature, that is, the ongoing process of service delivery. Banking is also high in credence quality, meaning that it cannot be evaluated confidently even immediately after receipt of the goods and services. In addition, an extended period of time may be required in this industry for a fully informed evaluation. Hence, customer loyalty in banking is both difficult to measure and establish.

According to Baker (2004), excellent service, service features and complaint handling is vital to business profitability and survival. In this sense, retail banking is no exception. In the banking industry, the management use sales people as a promotional tool and to establish a long term relationship with the customers. These are the people who present the image of the bank to the customers hence they should be trained on consumer behavior in order to create a rapport and mutual trust that will serve as a basis for a lasting relationship.

The study was carried out in Homa Bay County which is fast growing county which is targeted by several banks hence it is important for stakeholders to understand the competitive dynamic in order to better manage growth in customer base as well as profitability. They need to understand why a customer will switch from the current bank to join the alternative bank. Homa Bay is located in the South Western Kenya Region along Lake Victoria and is one of the 47 Counties in Kenya. The County borders Kisumu and Siaya Counties to the north, Kisii and Nyamira Counties to the South and Republic of Uganda to the west. The County lies between latitude 015' South and between longitudes 34 east and 35east. The main economic activities in Homa Bay are fishing and fish trade, agriculture (crop and livestock farming), commercial business and small scale industries. The major agricultural activities are cereal (maize, sorghum and rice farming). Potatoes, beans, cassava, groundnuts, sesame and sunflower farming; dual purpose cattle and goat farming. Other major activities and employment of the residents of Homa Bay County are Public Service, small scale trading including hawking, groceries vending and fish trade. A number of youths are involved in the transport industry as touts, drivers, boda boda services (bicycle and motor bike taxis), motor boat transport, taxi and minibus services. Homa Bay's major resources are water, arable land, livestock, pasture, wildlife; Tourist attraction: Ruma National Park, Winam Gulf of Lake Victoria, Rusinga and Mfangano Island, Kanjera Archeological site, Volcanic Lake Simbi Nyaima in Karachuonyo, Asego and Homa Hills. The existing financial services are offered by four Commercial Banks and six Micro-Finance Institutions and four saving societies (Homa Bay County Report, 2010)

According to Central Bank of Kenya Report (2010), there are 45 financial institutions, 41 of which are commercial banks, 2 mortgage finance companies, one non-bank financial institution and one building society as at December 2010 in Kenya. Out of the 45 institutions, 34 are locally owned and 11 foreign owned, the foreign owned banks comprise of 6 locally incorporated foreign banks which include Barclays, Standard Bank, Bank of Baroda, Dubai Bank Kenya, Equatorial Commercial Bank and Standard Chartered Bank and 5 branches of foreign incorporated institutions. Local banks dominate the Kenyan banking sector in terms of numbers, but only account for 48.2% of the sectors total assets closely followed by the foreign owned banks with 43% of the sectors total assets. However, during the quarter ended September 30, 2012, the sector comprised 43 commercial banks, 3 mortgage finance companies, 6 deposit taking microfinance institutions, 5 representative offices of foreign banks, 111 foreign exchange bureaus and 2 credit reference bureaus.

The Central Bank Report (2010) also found that, out of 45 financial institutions, 43 made aggregate profits while 2 posted losses as a result of unstable market share. Despite the increase in banking sector profits over the years, the distribution of profits remained skewed with four major banks, whose customer market share was 46 per cent, contributing 54.3 per cent of the sector's total pre-tax profits. Customer loyalty reduced by 17.3 per cent. This trend reduced profit to Kshs. 38.9 billion from Kshs. 46.7billion in 2009 and accounted for 49 per cent of total customers in 2009. The central bank has also streamlined complaint handling procedures by setting up a contact center for all banks where customers raise their concerns and get responses within 24 hours. The banking sector profit before tax for the quarter ended September 2012 declined marginally by 3.2 percent from the Ksh. 28.5 billion registered in the second quarter to Ksh. 27.6 billion in the three months of the third quarter of 2012. This was due to the unstable market share in the sector. (Central Bank Report, 2012)

Under section 44 of the Banking Act, Legal Notice No.34, Central Bank regulates the service features of the banks and no institution can increase its rate of banking or other charges except with the prior approval of the Minister for finance. To streamline the procedures for approval of bank charges, the Minister for Finance published regulations in May 2006 under Legal Notice No. 34 that delegated the approval of bank charges to the Central Bank. In considering every application, Central Bank takes into account: the impact of the proposed increase in relation to the Government's policy of entrenching a market oriented economy in Kenya; and the average underlying inflation rate prevailing over the twelve months immediately preceding the application. Prior to the year 2005, the Central Bank published charges and tariffs for selected services offered by banking institutions in the print media. However, the publication of bank charges and lending rates in the print media was suspended after findings of an impact survey, carried out in 2005, indicated that the publications were not achieving the intended objective. However, the Central Bank of Kenya continues to post selected common bank charges on its website as a point of reference for comparing the cost of financial services across the sector.

Central Bank report (2010) also emphasized that banks perform intermediary functions that are critical to the real economy. In particular, they correct the asymmetry of information between investors and borrowers and channel savings into investments. These functions facilitate and contribute to the growth of the economy. Linkages between banks through inter-bank markets and payment systems are vital to the functioning of financial markets. The loss of confidence in one major financial institution in a financial crisis can snowball into a loss of confidence in the entire market because the inability of one bank to meet its obligations can drive other banks that were otherwise healthy, into insolvency. The risks then become systemic, endangering the whole banking sector. If the financial sector is not working well, then the entire market economy is not working well. For this reason, governments impose significant regulation and oversight to ensure the smooth functioning of the financial sector, and, when problems arise, they must act quickly to avert systemic crises.

Small commercial banks in Kenya are facing a bleak future and some may be forced to sell out, merge or undertake massive customer recruitment drive if they are to remain in operation in future. A new report by the Central Bank of Kenya (2012) shows that 22 low tier banks have a combined market of 9.5 per cent, a share that is smaller than what one big bank in the country controls. According to Central Bank's latest Bank Supervision Annual report (2012), six big banks raked in billions of shillings in profits and controlled over 50 per cent of the total market share during the 2012. According to the report six large banks accounted for 53.7 per cent of the market share for the period ended December 31, 2012, 15 medium banks controlled a market share of 36.8 per cent. This left 22 small banks with a market share of a paltry 9.5 per cent.

Businesses succeed by getting, keeping and growing customers. Customers are the only reason factories are built, employees are hired, meetings are scheduled and factories engage in any business activity. Without the customer, there is no business hence the customer is the king. Poor service quality places a firm at a competitive disadvantage. If customers perceive quality as unsatisfactory, they may be quick to take their businesses elsewhere. It is therefore clear that service quality offers a way of achieving success among competing services, particularly in the case of firms that offer nearly identical services, such as banks, where establishing service quality may be the only way of differentiating oneself. Such differentiation can yield a higher proportion of consumers' choices and, hence, mean the difference between financial success and failure. It also found that service quality is one of the critical success factors that influence the competitiveness of an organization. A bank can differentiate itself from competitors by providing high quality service. Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector. It is the major determinant of customer loyalty (Kevin, 2003).

In the changing banking scenario of the 21st century, banks have to build a strong identity to provide world-class services. The banks have to be of high standard, committed to excellence in customers, shareholders and employees' satisfaction, and to play a leading role in the expansion and diversification of financial sector (Blanchard, 2005). There has been a tremendous change in the way of banking between the year 2005 and 2009 and customers have also rightly demanded world class quality services from the banks. With multiple choices available, customers are not willing to tolerate anything less than the best. Banks have recognized the need to meet customers' aspirations as different customers have different personalities, so it is an urgent drive for the banks to establish the determinants of customer loyalty in the banking sector in order to enhance customer loyalty and retention.

1.2 Statement of the Problem

In the 21st century, the financial sector has undergone turbulent changes, resulting in a market place which is characterized by intense competition, little growth in primary demand and increased deregulation. There has been a rapid growth in banking sector with introduction of micro-finance institutions which further increased the competition and complexity among the banks. Customer loyalty and retention became vital to the long-range profitability and ultimate survival of the bank. This can be done both by maintenance of existing customers or having new ones. Customer loyalty provides an indication of how successful the organization is in the provision of products and or services to the market. The Central Bank Report (2010) shows that out of 45 financial institutions in Kenya, 43 made aggregate profits while 2 posted losses as a result of unstable market share. Despite the increase in banking sector profits over the years, the distribution of profits remained skewed with four major banks, whose customer market share is 46 per cent, contributing 54.3 per cent of the sector's total pre-tax profits. Customer loyalty reduced by 17.3 per cent which in turn reduced profit to Kshs. 38.9 billion from Kshs. 46.7billion 2009 and accounted for 49 per cent of total customers in 2009.

Most studies have been carried out in western countries and with the main focus on correlating contingencies or contextual variables and concentrated on direct effects of service quality on customer loyalty but few attempts have been made to establish the link between customer complaint handling, service features and personality and customer loyalty. The studies on direct relationship between determinants of customer loyalty and customer loyalty have not resolved the problem of customer loyalty as customers still change their service providers in search of superior alternative. This suggests that failure to control contextual variables particularly customer personality may have led to the missing links in customer loyalty.

Despite customer loyalty being a very significant constituent in the banking sector, many studies have concentrated on the effect of customer satisfaction in the banking sector. Few researchers have studied the direct relationship between individual determinants of customer loyalty like service features, service quality and customer complaint handling and customer loyalty. These studies did not take into consideration the total effect of all the determinants and how they can influence customer loyalty when a contextual variable, for example, customer personality, is introduced as a moderating variable.

Due to lack of exhaustive research on customer personality and determinants of customer loyalty, there is a concern that practicing managers and managers in the banking sector have little in terms of guidelines to design and manage their strategies to control or improve customer loyalty. This is particularly harmful in turbulent business environment of the banking sector which is characterized by rapid growth of micro-finance institutions and increased competition brought about by globalization leading to saturated market. Changes in customer need, lifestyle, intellect and self concept has brought about a problem to the banking sector. This study therefore sought to analyse the effect of customer personality on determinants of customer loyalty in the banking sector in Homa Bay County, Kenya.

1.3 Objectives of the Study

The main objective was to analyse the effect of customer personality on determinants of customer loyalty in the banking sector in Homa Bay County, Kenya.

The study was guided by the following specific objectives;

1. To analyze the effect of service quality on customer loyalty in the banking sector in Homa Bay County, Kenya.
2. To find the effect of service features on customer loyalty in the banking sector in Homa Bay County, Kenya.
3. To analyze the effect of complaint handling on customer loyalty in the banking sector in Homa Bay County, Kenya.
4. To establish the effect of the determinants of customer loyalty on customer loyalty in the banking sector in Homa Bay County, Kenya.
5. To establish the moderating effect of customer personality on the relationship between determinants of customer loyalty and customer loyalty in the banking sector in Homa Bay County, Kenya.

1.4 Hypotheses of the Study

The following hypotheses were tested during the study.

Ho_1: Service quality has no significant effect on customer loyalty.

$H1_1$: Service quality has significant effect on customer loyalty

Ho_2: Service features has no significant effect on customer loyalty

$H1_2$: Service features has significant effect on customer loyalty

Ho_3: Complaint handling has no significant effect on customer loyalty

$H1_3$: Complaint handling has significant effect on customer loyalty

H_{04}: Determinants of customer loyalty has no effect of customer loyalty

$H1_4$: Determinants of customer loyalty has effect of customer loyalty

H_{05}: Customer personality has no moderating effect on the determinants of customer Loyalty

$H1_5$: Customer personality has moderating effect on determinants of customer loyalty

Ho_4A: the relationship between service quality and customer loyalty is not moderated by personality

$H1_4A$: the relationship between service quality and customer loyalty is moderated by personality

Ho_4B: the relationship between service features and customer loyalty is not moderated by personality

$H1_4B$: the relationship between service features and customer loyalty is moderated by personality

Ho_4C: the relationship between complaints handling is not moderated by customer personality

$H1_4C$: the relationship between complaint handling is moderated by customer personality.

1.5 Justification of the Study

Kenya is widely acclaimed as an emerging economy (Central Bank Report, 2010). The banking sector is an important sub-sector in the Kenyan economy. This industry was chosen because it drives the economy and improves peoples' lives in Homa Bay County. It makes a substantial contribution to the country's GDP and has the potential to positively impact at least 45% of the Kenyan population by improving national food security as well as livelihood among resident rural communities by providing financial support to the community. Furthermore, the banking sector need customer loyalty to sustain growth and expansion, thus effective management of customer loyalty can enhance job stability among employees, high dividend returns to the shareholders and positive word of mouth from the customers.

This study introduces a contextual variable personality which would enhance understanding on customer loyalty hence it would be beneficial to the bank customers as customers do not need to incur switching costs associated with changing service provider. It would also enable the shareholders get increased profit as loyal customers are price insensitive hence there will be high price and low cost as very little is spent on loyal customers in terms of advertisement and campaigns. This study would also benefit the employees because with increased profit, there is stability hence job security. Secondly, the study emphasizes the effect of customer personality on the relationship between service quality and customer loyalty which would be helpful to the hotel industry as it gives indepth understanding on the effect of customer personality on customer switching behavior to improve their services in order to meet customer expectations. Third, this study provides indepth understanding of the effect of service features on customer loyalty. This will benefit product manufacturing industry as they would understand the value of repeat purchase, adding extra features to their products and product positioning to increase customer loyalty hence low cost and high profit. The study also benefits government institutions as it provides indepth understanding on the relationship between complaint handling and customer loyalty which would enhance policy making and improve customer service in government offices.

The results of this study are geared towards contributing a more comprehensive conceptual framework of customer loyalty thereby giving opportunity for comparison and contribute to the body of knowledge and thus provide basis for further research.

1.6 Scope and limitation of the study

The study focused on the analysis of customer personality on determinants of customer loyalty. It analyzed the relationship between the determinants and their effect on customer loyalty in the banking sector in Homabay County. The findings were then generalized to the banking sector in Kenya.

Little research has been done on the relationship between personality and customer loyalty as most studies concentrated on the direct relationship between determinants of customer loyalty. Moreover, the effect of the service quality; service features and customer complaint handling on customer loyalty have not been exhaustively done in Kenya. The study focused only on the three determinants of customer loyalty while there may be other factors which could compel customers to switch service providers' apart from service quality, service features and customer complaint handling. Most literature and previous research has been carried out in South Africa, India, Pakistan and other parts of the world which may not be relevant to the Kenyan situation. As a result of lack of time and resources, the study was conducted in Homa Bay County, hence, the data from the sample may not reflect universal trends.

1.7 Conceptual Framework

Customer loyalty is executed in anticipation of some type of outcome. Service quality has been hailed as tools for improving the customer loyalty. This study seeks to analyse customer personality on the determinants of customer loyalty. Rather than examine the direct link between the determinants of customer loyalty and customer loyalty, the study argues that the relationship is moderated by customer personality. Customer personality was identified as the moderator variable as it is a consumer behavior which is within customers' control. For example, customers are able to control their feelings, reaction, motivation, self concept among other characteristics while the determinants of customer loyalty, that is, service quality, service features and complaint handling are provided by the bank and can directly determine customer loyalty.

The independent variables of the study are the determinants of customer loyalty which include service quality, service features and customer complaint handling process. Service quality is determined by; timeliness, that is, the length of time customers spend before getting the services required. For example, deposits and withdrawals, loan applications, opening accounts among others; efficiency, which include, the accuracy at which the instructions are executed; and ease of access, is determined by, the ease at which the customer accesses all the departments which offers the desired services. The second determinant of customer loyalty is service features which include comparative interest rates, reduced service costs and various benefits which the product offers like cheque books, access to loan, credit card among others and the final determinant of customer loyalty is satisfactory customer complaint handling which include unsatisfactory problem resolution. The problem resolution may lead to customer loyalty, voicing or exiting to a better service provider (Zeithaml & Bitner, 2000).

The dependent variable is customer loyalty which is characterized by high price leading to increased profit, lower customer management costs, referral from existing customers and customer retention (Schiffman & Kanuk, 2004). The study on the direct relationship between the determinants and customer loyalty has not yielded conclusive results as customers still switch banks in search of a better service provider hence to improve customer loyalty a key moderator variable is introduced, that is, customer personality.

Customer personality includes customers' character which is a habit, a usual pattern or way of thinking, speaking or acting. Character habits include being enthusiastic, punctual, dependable, benevolent. Temperament is an average of a person's emotional states across a representative variety of life situations. It includes regularity, initial reaction, and sensitivity; and intellect which is an ability to feel, a curiosity and desire for knowledge, an ability of being aware of the sensations and stimuli received through the five sensory organs, and an ability of having necessary actions taken through the five organs of action. It includes discrimination, analysis and decision making. Personality is also determined by customers' lifestyle, level of motivation, self concept and the demographic characteristics (Saura & Molina, 2008). The hypothesized relationship between the determinants of customer loyalty, customer loyalty and customer personality is diagrammed in figure 1.

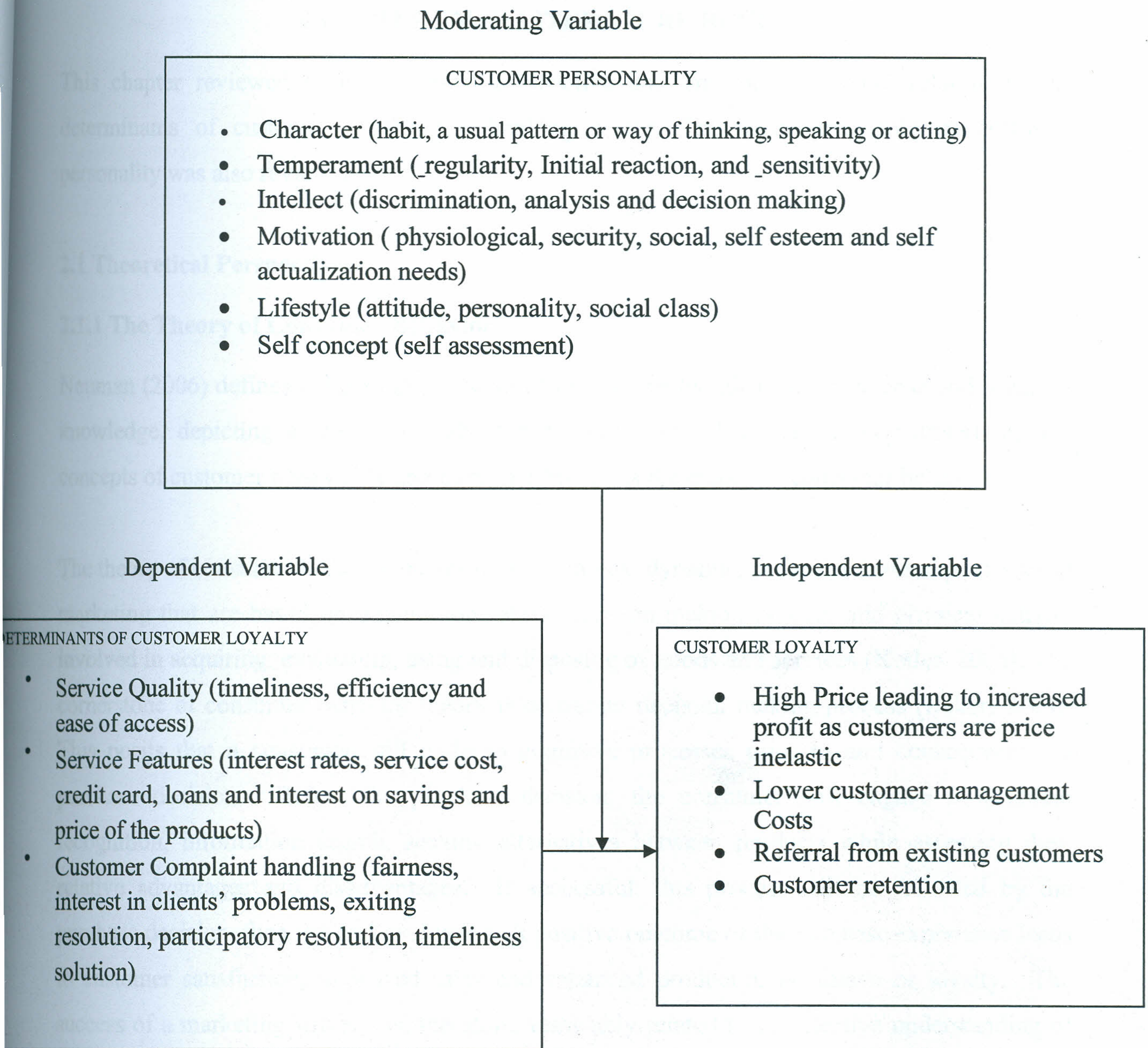

Figure 1: Conceptual framework

Source: Self conceptualization, 2011

CHAPTER TWO: LITERATURE REVIEW

This chapter reviewed both theoretical perspective and empirical literature relating to the determinants of customer loyalty the banking sector. The moderating role of customer personality was also reviewed.

2.1 Theoretical Perspectives

2.1.1 The Theory of Consumer Behavior

Neuman (2006) defines a theory as a system of interconnected ideas that condense and organize knowledge, depicting a world-view about a phenomenon. The main theory underlying the concepts of customer personality and customer loyalty is the theory of consumer behavior.

The theory of consumer behavior relates to the complex, dynamic, multidimensional processes in marketing that are based on assumptions about decision-making process and physical activity involved in acquiring, evaluating, using and disposing of goods and services (Kotler, 2006). The cornerstone of consumer behavior theory is consumer decision making process (Baker, 2004). This posits that a consumer will undergo cognitive processes prior to and consequent to a purchase decision. Before the purchase decision, the consumer will engage in problem recognition, information search, seeking alternatives between products while assessing their relative advantages and disadvantages. If successful, this process will be followed by the purchase decision, then use and evaluation. A positive outcome of the purchase experience leads to customer satisfaction, improved sales and enhanced product/brand image or loyalty. The success of a marketing strategy is, therefore, intricately related to an effective understanding of consumer behavior, particularly to an understanding of the customers' cognitive processes before, during and after the purchase experience (Kotler, 2006). Customer personality is bound up in cognitive perceptions while customer loyalty is primarily dependant on a post- purchase experience (Blackwell, Miniard & Engel, 2006).

2.1.2 Concept of Customer Loyalty

According to Baker (2004) the term customer loyalty is used to describe the behaviour of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favourable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared towards keeping a client happy so he or she will provide more business. Customer loyalty is all about attracting the right customer, getting them to buy, buy often, buy in higher quantities and bring you even more customers. However, customer loyalty is built by keeping in touch with customers using email marketing, thank you cards and more, treating the employees well so they treat the customers well, showing that the institution cares and remembering what customers like and don't like, building it by rewarding them for choosing the institution over the competitors and finally building it by truly giving a damn about them and figuring out how to make them more successful, happy and joyful (Kotler et. al 2006).

Customer loyalty is anchored in the study of consumer behavior, that is, the behavior that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs, under Black Box theory which states that the consumer mind is fully understood once the inputs and outputs are well defined. The inputs are the determinants of customer loyalty, that is, service quality, service features and complaint handling and the output is the customer loyalty (Kotler, 2000). The buyer's characteristics influence how he or she perceives the stimuli while the decision-making process determines what buying behaviour is undertaken. The first stage of understanding buyer behaviour is to focus on the factors that determine the buyer characteristics in the "black box". These include motivation, perception, learning, beliefs and attitude, lifestyle and personality.

Kotler et al., (2006) also emphasized that customer loyalty can be achieved in some cases by offering a quality product with a firm guarantee. Customer loyalty is also achieved through free offers, coupons, low interest rates on financing, high value trade-ins, extended warranties, rebates, and other rewards and incentive programs. The ultimate goal of customer loyalty programs is happy customers who will return to purchase again and persuade others to use that company's products or services. This translates to profitability, as well as happy stakeholders. Consumer behavior attempts to understand the buyer decision making process, both individually and in groups and studies characteristics of individual consumers such as demographics and behavioral variables in an attempt to understand people's wants. It also tries to assess influences on the consumer from groups such as family, friends, reference groups, and society in general. Customer behaviour study is based on consumer buying behaviour, with the customer playing the three distinct roles of user, payer and buyer. Consumer behavior includes motivational theory, personality theory, and consumer behavior model among others. There are various dimensions of customer loyalty like the service quality, service features and customer complain handling.

Loyal customers are more likely to give information to the service provider (because they trust the service provider and expect service providers to use the information with discretion and to their benefits). Managing loyalty is important because it means not only managing behaviour but also managing a state of mind. Most research on customer loyalty has focused on brand loyalty. On the other hand, a limited number of researches on customer loyalty have focused on service loyalty. It is argued that the findings in the field of brand loyalty did not generalize to service loyalty for the following reasons: service loyalty is dependent on the development of interpersonal relationships as opposed to loyalty with tangible products, in case of services, the influence of perceived risk is greater and intangible attributes such as confidence and reliability are the important factors to maintain the customer loyalty in the service context (Dick & Basu, 2004). They also identified the two dimensions of loyalty (relative attitude and repeat patronage behaviour) and four categories of loyalty which include loyalty (positive relative attitude, high repeat patronage), latent loyalty (positive relative attitude, but low repeat patronage), spurious loyalty (low relative attitude, high repeat patronage), and no loyalty (low on both dimensions).

Ndubisi and Pfeifer (2005) pointed out that the cost of serving a loyal customer is five or six times less than that of a new customer. This statement shows the importance of customer loyalty. They mentioned that it is better to look after the existing customer before acquiring new ones. Kevin (2003) stated the advantages of customer loyalty which include the service cost of a loyal customer is less than new customers, they will pay higher costs for a set of products and for a company a loyal customer will act as a word-of-mouth marketing agent.

2.1.2.1 Service Quality

Service quality involves a comparison of expectations with performance. According to Zeithaman & Bitner (2000), service quality is a measure of how well a delivered service matches the customers' expectations. Generally the customer is requesting a service at the service interface where the service encounter is being realized, and then the service is being provided by the provider and at the same time delivered to or consumed by the customer. The main reason to focus on quality is to meet customer needs while remaining economically competitive at the same time. This means satisfying customer needs is very important for the enterprises to survive.

According to Gee *et. al* (2008), the outcome of using quality practices include understanding and improving operational processes, identifying problems quickly and systematically and establishing valid, reliable service performance measures and measuring customer satisfaction and other performance outcomes. Service quality can be related to service potential, service process or service result. In this way, for example, potential quality can be understood as the co-worker qualification, process quality as the speed of the generated service and result quality as how much the performance matched the customers' wishes.

The service quality dimensions as stated by Parasuraman, Zeithaml & Berry (2005) include tangibles, that is, the physical evidence of the service: appearance of physical facilities, tools and equipment used to provide the service, appearance of personnel and communication materials. Secondly, is reliability which is the ability to perform the promised service dependably and accurately: consistency of performance and dependability, service is performed right at the first time and the company keeps its promises in accuracy in billing and keeping records correctly, performing the services at the designated time. Third is the responsiveness, that is, the willingness and readiness of employees to help customers and to provide prompt service, timeliness of service for instance by mailing a transaction slip immediately, setting up appointments quickly. Fourth is assurance which is the knowledge and courtesy of employees and their ability to convey trust and confidence: competence (possession of the required skills and knowledge to perform the service), courtesy (consideration for the customer's property, clean and neat appearance of public contact personnel), trustworthiness, security (safety and confidentiality). Lastly is empathy, that is, the provision of caring, individualized attention to customers: informing the customers in a language they can understand, Understanding customer's specific needs and providing individualized attention.

The interrelationships between service quality, customer satisfaction and customer loyalty may provide creative ideas for improving services in order to gain a competitive advantage in the retail banking sector. Service quality is one of the critical success factors that influence the competitiveness of an organization. A bank can differentiate itself from competitors by providing high quality service. Service quality is one of the most attractive areas for researchers over the last decade in the retail banking sector. In the banking sector, a bank can have strong bargaining position due to the significant growth of the banks. Therefore, banks have to provide service carefully because of the availability of many banks and micro finance institutions offering same services to the customers. Banks have to improve the service level continuously. There is no guarantee that what is excellent service today will also be applicable tomorrow. To survive in the competitive banking industry, banks have to develop new strategies which will satisfy their customers. That is why service marketing and bank marketing are important areas in the marketing literature (Beryl & Brodeur, 2007).

In this case, word of mouth (WOM) advertisements are important for the banks. Baker (2004) argued that the customers who are satisfied tell others about their experiences and this increases WOM advertising. In this way, banks can increase customers, that is, the customer is the king. High customer satisfaction is important in maintaining a loyal customer base. It is therefore important to link the service quality, customer satisfaction and customer loyalty. High quality of service will result in high customer satisfaction and increases customer loyalty while profit and growth are stimulated primarily by customer loyalty while loyalty is a direct result of service quality.

A concept which is very closely related to satisfaction and loyalty is perceived quality, and the differences between these have not always been very clearly defined. They have been used sometimes in an indistinct manner. In an attempt to clarify the distinction between customer loyalty and perceived quality, Anderson & Sullivan, (2007) considered that satisfaction requires previous consumption experience and depends on price, whereas quality can be perceived without previous consumption experience and does not normally depend on price. However, in circumstances where there is little available information or where quality evaluation is difficult, price can be an indicator of quality. In this sense, they developed a conceptual model of service quality and service satisfaction and concluded that these constructs are distinct and have different determinants. Service quality has been found to have a profound input on customer satisfaction and loyalty as a whole and is defined as the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed.

According to the study carried out by Best (2009) in Ghanaian banks in Ghana, it emerged that there was a mismatch between service quality the banks provide and service quality the customers preferred. The implication here is that there is the need for management to take a look at strategies that emphasise service delivery as it relates to relationship issues since the study shows through the correlations that banks that score well in complaint handling have customers with high loyalty intentions compared with the loyalty intentions of customers whose bank focuses more on service quality. In other words, customers who perceive their bank staff to be empathetic (caring and giving individualised attention) tend to be more loyal than those who perceive their banks to be investing more in profitability.

2.1.2.2 Service Features

Service features are the product attributes offered by an organization which include their benefits and costs. Price is a cost incurred by the customer to have a particular product. It is an attribute that must be given up or sacrificed to obtain certain kinds of products or services (Zeithaml, 2008).

Perceived price normally combines monetary price and non-monetary price and customers in general are price conscious in their purchasing behaviour (Kevin, 2003). Price is an important factor in choice situations as a consumer's choices typically relies heavily on the price of alternatives. The role of price, as an attribute of performance, can have a direct effect on customer loyalty and behavioral intentions.

Another service feature is the service products characteristics. In the context of commercial marketing, product considerations include the actual product or service as well as the brand name, reputation, and packaging. According to Baker (2004), products based on goods tend to have more tangible characteristics while products based on services tend to be more intangible. Service products normally include a core service, which associates with specific features, service specifications, and targets. In a technology-driven, fast-paced environment, delivering a wide range of products to customers is essential for businesses' success and survival. Today's competition is not only between organizations, but also between products and one of the more important business development strategies is the introduction of successful new products. Service products associated with technologies can reduce transaction costs, switching rates and encourage customers to create services outcomes on their own (Shapiro, 2003).

Delivering a broad range of service products is very important in the banking industry because of the intensive competition between financial and non-financial institutions. Shapiro (2003) suggests that a key determinant in attracting customers is the diversity of features of service products introduced to the marketplace via different technology mediums. It is necessary for banks to offer certain types of financial products, such as 24 hours ATM self-service, phone, and internet banking. These developments provide customers with unlimited access to financial service products and offer them a wider range of choices than before (Gerrard & Cunningham 2000) conclude that service products combined with high technology can attract the customers who are techno-seekers to the more innovated banks, which offer a quick, convenient, and higher quality service. Alternatively, the less innovative banks which cannot offer these types of delivery method effectively may cause customers to switch banks.

Best (2009) findings on his research in Ghanaian banks on the effect of competitive pricing on customer loyalty in which he found that price competitiveness and customer loyalty failed to show correlations above average. This shows weak linear relationship among these variables and he concluded that competitive pricing and loyalty are independent, that is, in Ghanaian banking industry, the current product charges and benefits are relatively not important drivers for loyalty.

This may be due to price insensitivity among the banks' customers or that the differences in pricing policies of the various banks may not be significant to influence customers' loyalty intentions. Thus it may be more reasonable to suggest that customers are price insensitive at current pricing levels.

2.1.2.3 Customer Complaint Handling

Given many benefits of long-term relationships, a company may not want to terminate a relationship with any customer. The assumption that all customers are good customers is also very compatible with the belief that the customer is always right and almost a sacrosanct tenet of business. Managers have repeated the phrase 'customer is always right' so often that it should be accepted by every employee in every service organization. Employees recognize that beyond the monetary and time loss that can be traced to some customers, there are some customers who are simply difficult to work with for a variety of reasons which include the stress they place on the organization and its employees (Zeithaman & Bitner 2000).

Although these difficult customers will be accommodated and employees can be trained to recognize and deal with them appropriately, at times the best choice may be not to maintain relationship at all especially at the business to business level where long term cost to the firm can be substantial. When organization wants to assess their company's performance, it is still evaluated in the traditional way that is sales, profits and share prices. Yet, in the banking industry, companies are at least talking a good game about creating positive and consistent customer experiences. Customer loyalty and 'share of wallet' is paramount to banks these days, as they compete against upstarts such as Micro finance Institutions, Mobile Banking, Internet Banking among others for deposits, credit facilities, mortgages, and credit card business. Further, keeping customers satisfied is critical, since losing a customer in one business may also mean losing them in other business areas, such as wealth management. These factors demonstrate that executives should assess performance by listening to customer complaints (Dick & Basu, 2004).

According to Central Bank of Kenya report (2010), within the service industry, 'complaints management' has become an integral part of business, both from a regulatory perspective and a customer service standpoint. Simply stated, complaints management is the formal process of recording and resolving a customer complaint. It means listening to dissatisfied customers and taking actions to remedy issues, where appropriate. Complaints management is just one initiative under a larger strategy called customer experience management (CEM). By listening to customers, companies can develop service standards and delivery processes to meet these standards. In a transaction driven business such as banking, this represents a Herculean task, given that there are over 1.2 billion automated bank machine transactions alone annually (Central Bank Annual Data (2010). There are several dimensions of customer complaint handling, when customer complaints are not resolved in a timely manner it leads to unsatisfactory problem resolution, some customers respond by exiting, voicing and spreading bad word of mouth to other potential customers.

2.1.3 Concept of Customer Personality

The study of personality has been approached by theorists in a variety of ways. Some have emphasized the dual influence of heredity and early childhood experiences on personality development while others have stressed broader social and environmental influences and the fact that personalities develop continuously over time. Some theorists prefer to view personality as a unified whole while others focus on specific traits. Personality can be defined as those inner psychological characteristics that both determine and reflect how a person responds to his or her environment. Personality is the relatively stable organization of a person's character, temperament, intellect, and physique, which predisposes him or her to behave and act in particular ways in given situations, and which differentiates one individual from another. Various consumer variables such as personality, values and psychographics can predict the effect of individual variables on purchase and consumption (Blackwell, Miniard & Engel, 2006).

According to Allport (2006), there are various theories of personality which include Trait Theory, Psychoanalytic Theory and Sociopsychological Theory. Trait's theory states that loyalty may depend on the personality of the customer. An introvert directs attention on inner experiences, while extroverts relate to focusing attention outward on other people and the environment. So, a person high in introversion might be quiet and reserved, while an individual high in extraversion might be sociable and outgoing. Consumer traits such as risk taking, self consciousness and need for recognition determines customer loyalty to a service provider.

Blackwell, Miniard & Engel, (2006) psychoanalytic theory recognizes that the human personality consists of Id, ego and superego. The id is the source of psychic energy and seeks immediate gratification of biological and instinctual needs. The superego represents societal or personal norms and serves as an ethical constraint on behavior. The ego mediates dynamic interaction of these elements and results in unconscious motivations that are manifested in observed human behavior. Sociopsychological theory explains that the individual strives to meet the need of the society whereas society helps the individual to attain his personal goals. Behavioral motivation is directed to meet the needs of the society, for example, a customer may be loyal to a service provider that symbolizes an unattainable or socially unacceptable goal, although the customer may not admit why he or she is loyal but the service provides some subconscious forbidden desire.

2.1.3.1 Demographic Characteristics

Customers with different demographic characteristics can act differently under the same situation. Demographic factors have been regarded as a basis for understanding customer characteristics and behavior in the marketing area. Customers' demographic characteristics can be categorized as age, income, education, culture, or nationality. These characteristics can contribute to a variety of customers' thresholds or tolerance levels which can affect customers' repurchase behavior (Mittal & Kamakura, 2007).

2.1.3.2 Motivation

Kotler (2000) emphasizes that consumer motivation represents the drive to satisfy physiological and psychological needs through product purchase and consumption. Customer motivation theory helps to understand consumer behavior. Maslow's hierarchy of needs tries to identify specific human motives based on three premises which include; all humans adopt a set of motives through genetic endowment and social interaction, some motives are more basic than others and finally the most basic motives need to be satisfied to a minimum level before other more advanced motives come into play. These needs include physiological needs, safety needs, need to belong, ego needs and finally self actualization needs.

The importance of the Hierarchy of Needs will influence the buying individual's behavior. The basic requirements include the need to eat, rest, having a home, feeling secure and to have the company of friends. As a result, people's basic need goes to buying food and drinks, paying rent, insurance and meeting up with friends at functions, religious places, institutions and so on. Once the above needs are met, Maslow theorized that the individual's behavior will change and it will be associated with the following: Need to gain self-esteem, for example, through possession of prestigious products or branded goods, overseas holidays, donation in public, etc, secondly need to know and understand what is going on around them by subscribing to newspapers, international magazines, and finally need to achieve independence and self-fulfillment by purchasing a car, second house and holidays, indulging in hobbies among others (Kotler, 2000).

Maslow's Hierarchy of Needs enables the bank to be able to make decisions about marketing its financial services. Some of the approaches in becoming the market leader include making the service tangible, reducing perceived risk, focusing on benefits, building the organization's reputation, simplifying or merchandising, avoiding over-promising, keeping things simple and thinking about the selling process. Some products which are offered by the bank and are only suitable to customers in specific levels of hierarchy of need include first the Housing Loan which involves purchasing a house. This is not for those who cannot meet the physiological need or basic need and different type of houses are designed for different market segments, for example, single-storey, double storey, flat, condominium or bungalow which will attract different segments, secondly is the Credit Card which is not for those who cannot satisfy physiological need or financial security. Different category of cards are designed for people at different social (culture or religious) needs and financial level, for instance, normal vs. "gold" card (esteem needs), convenience (social, entertainment) needs (Kotler et. al 2006).

2.1.3.3 Lifestyle

According to Schiffman & Kanuk (2004) lifestyle is a person's pattern of living in the world as expressed in activities, interests and opinion. People from the same subculture, social class and occupation may lead quite different lifestyles. Within the social class, there is a contestation of specific lifestyle factors like the shared beliefs, attitude, activities and behavior that tend to distinguish the members of each class from the members of the other classes. An individual's or family's decisions to be committed to a particular behavior, for example, devoted followers of a particular religion impact on a wide range of specific everyday consumer behavior. Lifestyle portrays the whole person interacting with his or her environment. Marketers search for relationship between their products and lifestyle groups, for instance, a computer manufacturer might find that most computer buyers are achievement oriented. The marketer may then aim the brand more clearly at the achiever lifestyle.

Lifestyles are shaped partly on whether consumers are money oriented or time constrained. Companies aiming to serve money constrained consumers will create lower cost products and services. Consumers who experience time famine are prone to multitasking, that is, doing two or more things at the same time. They will phone or eat, or ride a bicycle to work to get exercise. They will also pay others to perform tasks because time is more important than money. Consumer's decisions are also influenced by core values, the belief systems that underlie consumer attitude and behavior. Core values go much deeper than behavior or attitude and determine at a basic level people's choices and desires over the long term. Marketers target consumers on the basis of their values in the belief that by appealing to people's inner selves, it is possible to influence their outer selves, that is, the purchase behavior (Kotler et. al. 2006).

2.1.3.4 Self Concept

Kotler (2000) explains that self-concept also called self-construction, self-identity or self-perspective is a multi-dimensional construct that refers to an individual's perception of "self" in relation to any number of characteristics, such as academics (and non academics), gender roles and sexuality, racial identity, and many others. While closely related with self-concept clarity which refers to the extent to which self-knowledge is clearly and confidently defined, internally consistent, and temporally stable, it presupposes but is distinguishable from self-awareness, which is simply an individual's awareness of their self. It is also more general than self-esteem, which is the purely evaluative element of the self-concept.

Zeithaman & Bitner (2000) argues that self-concept is an internal model which comprises self-assessments. Features assessed include but are not limited to personality, skills and abilities, occupation(s) and hobbies, physical characteristics, etc. For example, the statement "I am lazy" is a self-assessment that contributes to the self-concept. However, the statement "I am tired" would not be part of someone's self-concept, since being tired is a temporary state and a more objective judgment. A person's self-concept may change with time as reassessment occurs, which in extreme cases can lead to identity crises.

According Schiffman and Kanuk (2004), the self-concept is not restricted to the present. It includes past selves and future selves. Future or possible selves represent individuals' ideas of what they might become, what they would like to become, or what they are afraid of becoming. They correspond to hopes, fears, standards, goals, and threats. Possible selves may function as incentives for future behavior and they also provide an evaluative and interpretive context for the current view of self. The psychologists paved the way for this concept, everyone strives to become more like an "ideal self." The closer one is to their ideal self, the happier one will be. Moreover, one factor in a person's happiness is unconditional positive regard from others. This often occurs in close or familial relationships, and involves a consistent level of affection regardless of the recipient's actions.

Assessment of the self-concept has been shown to differ across cultures. In Western cultures, "the normative imperative...is to become independent from others and to discover and express one's attributes". Relationships, memberships, groups, and their needs and goals, tend to be secondary to the self. In Asian and non-Western cultures, an interdependent view of the self is more prevalent. Interpersonal relationships are therefore more central than one's individual accomplishments. Great emphasis is placed on these relationships, and the self is seen primarily as an integral part of society (Schiffman & Kanuk, 2004).

2.1.4 Customer Loyalty

The term customer loyalty is used to describe the behavior of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favorable word of mouth publicity regarding a product, telling friends and family, thus adding them to the number of loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared towards keeping a client happy so he or she will provide more business. Customer loyalty is the behaviour of repeat customers, offering favourable word of mouth to friends and family about a certain product and/or organization, but it does not always mean these friends and family will become loyal customers. They may already be loyal to another product or organization, or may have had a bad experience with the organization being spoken about, although it may well add a 'seed' of loyalty that could grow into 'blooming' loyalty over time (Kotler, 2000).

Loyalty to a bank can be thought of as continuing patronage over time. The degree of loyalty can be gauged by tracking customer accounts, over defined time periods and noting the degree of continuity in patronage (Kotler et., 2006). During the past decade, the financial service sector has undergone drastic changes, resulting in a market place which is characterized by intense competition, little growth in primary demand and increased deregulation. In the new market place, the occurrence of committed and often inherited relationships between a customer and his or her bank is becoming increasingly scarce. Several strategies have been adopted in an attempt to retain customers. In order to increase customer loyalty, many banks have introduced innovative products and services. Marketing success requires understanding and frequently monitoring the product and service attributes which increase loyalty and share of wallet.

Mittal & Kamukara (2007) emphasized that there are two main categories of loyal customers. The first category is of loyal customers, within this category there are satisfied and un-satisfied customers. The satisfaction is not an essential requirement for loyalty, so satisfied customers do not have to be loyal but there is a correlation between the satisfied customers and loyal customers. Sometimes unsatisfied customers are also loyal due to attachment and commitment with the suppliers. The second category is of satisfied customers, if they lack the trust, commitment and attachment with the suppliers' products and services, will always deflect once they find a competitor with better quality of products and services. This type of loyalty is sometimes called False Loyalty in which unsatisfied customers remain loyal to their suppliers. The reason for this false loyalty is the factors due to which the customer feels hurdles and obstacles in his or her way, which stops him or her from switching or choosing another supplier. These hurdles are called switching costs. In today's technologically advanced world and due to the advent of internet, it is much more difficult to retain a customer.

2.1.4.1 Low Customer Management Cost

According to Zeithaml and Bitmer (2000), it is commonly known that there is a positive relationship between customer loyalty and profitability. Today, marketers are seeking information on how to build customer loyalty. The increased profit comes from reduced marketing costs, increased sales and reduced operational costs. Loyal customers cost less to serve. This is partly because they know the product and require less information. They even serve as part-time employees. Therefore, loyal customers not only require less information themselves. They also serve as an information source for other customer. Loyalty cannot therefore be taken for granted. Zeithaml and Bitmer (2000) emphasized that loyalty will continue only as long as the customer feels they are receiving better value than they would obtain from another supplier. When an organization can increase customer loyalty, it can experience customer retention, powered by increased purchases of the existing product, Cross-purchase of the other products, Price premium due to appreciation of added-value services, reduced operating cost because of familiarity with the service system and positive word-of-mouth in terms of referring other customers to your company.

2.1.4.2 Customer Retention

According to Zeithaml & Bitmer (2000) customer retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace. They also define customer retention as customers who place a new order within a defined timespan. The exact definition depends on the company, but most companies would say that a customer that places at least one order per year is a retained customer. Customer retention is more than giving the customer what they expect, it is about exceeding their expectations so that they become loyal advocates for the brand. Creating customer loyalty puts customer value rather than maximizing profits and shareholder value at the center of business strategy. The key differentiator in a competitive environment is more often than not, the delivery of a consistently high standard of customer service. Customer retention has a direct impact on profitability. Customer lifetime value enables an organization to calculate the net present value of the profit an organization will realize on a customer over a given period of time. Retention rate is the percentage of the total number of customers retained in context to the customers that approached for cancellation.

2.2 Empirical Review of Literature on customer loyalty, customer personality and determinants of customer loyalty

The present study sought to analyse the effect of customer personality on the determinants of customer loyalty in the Banking Sector in Homa Bay County. It is useful to point out that there are, however, no known studies that have focused on customer personality in the banking sector in Kenya. Consequently, the researcher has to seek studies based on other countries, mostly in western contexts, to shed light on the determinants of customer loyalty and their effect on the banking sector in Kenya.

Even in western contexts, despite assertions that determinants of customer loyalty which include service quality, service features and complaint handling need to be applied together in the banking sector, studies focusing on all three determinants are relatively few. Rather, most researchers have concentrated on service quality and complaint handling with the former depicted as being more prevalent. Caruana (2000), states that such dichotomy may inhibit a necessary enrichment. The following section will review empirical studies on individual determinants of customer loyalty.

2.2.1 Empirical studies on determinants of customer Loyalty

In a retrospective longitudinal survey by Akbar & Parvez (2009) in their quest to examine the impact of Service Quality, Trust and customer satisfaction on customer loyalty in telecommunication companies in Bangladesh. The researchers investigated whether customers' perceived service quality, trust, and customer satisfaction could create customer loyalty. Particularly, the researchers tried to investigate whether the postulated causal relationships among the studied variables would vary for the same group of subscribers. The major findings of the study was that customer trust performs an important mediating role between service quality and customer loyalty, because the impact of perceived service quality on preference loyalty is considerably strong leading to a more favorable disposition towards the service provider and increased commitment to re-patronize, the present research provides a comprehensive study of all the three determinants of customer loyalty.

Ramzi (2010) used a case study to analyze the relationship between service quality and customer loyalty in Bangladesh banks, he found out that service quality alone cannot achieve the objective of creating a loyal customer base, while determining the imperatives of 'how to win customers loyalty' service provider(s) must focus on both present and future time frame. The construct of service quality contains belief in the brand or company, which provides the customers an assurance of positive outcomes not only for the present but also for the future. The present research clearly demonstrates the relationship between service quality and customer loyalty in banking sector in Kenya.

A case study which was done in Pakistan by Ahmed & Gul (2006) on the relationship between service quality, customer complaint handling and customer loyalty in National Bank. The study intended to establish that customer loyalty and retention is critical for retail banks, and investigates the major determinants of customer loyalty and future intentions in the retail banking sector. They identified the determinants which include service quality dimensions (for example getting it right the first time), service features (competitive interest rates), service problems, service recovery and products used. The study investigated the relationship between perceived performance, satisfaction and behavioral intention, and the extent to which each is associated with actual performance, customers' attributions for problems, experience and the level of performance which customers think is possible. The current study sought to establish the implications of customer personality on these determinants and their effect on customer loyalty.

Hashash (2008) carried out a survey on banks in Kuwait to establish major determinants of customer loyalty and the finding of the study concluded that service problems and the bank's service recovery ability have a major impact on customer loyalty and intentions to switch. The results showed that actual performance has both a direct and indirect effect (via perceived performance) on loyalty. Perceived performance is significantly associated with customer standards of the best possible performance, and satisfaction is also associated with the customer's attribution of the cause of performance problems. While loyalty was significantly associated with intention to re-purchase, a significant interaction was found between service quality and loyalty. The study also identified significant bias in customers' assessment of performance. This bias had an asymmetric effect on loyalty whereby under-estimation of performance was associated with decreased loyalty, but over-estimation of performance was not associated with any increase in loyalty. The study showed an inverse relationship between service quality and customer loyalty which was associated with overestimation of performance. This study also showed that there is a linear relationship between the variables which might have been brought about by other factors like trust, perception and personality. The present research seeks to overcome these limitations by clearly specifying the error margin.

Extensive research conducted by Anderson & Sullivan (2007) on developing and measuring service quality in the banking sector in the UK, the main objective of the study was mainly to determine how to develop and measure service quality. The results found that there were strong linkages between service quality dimensions (e.g courteous service providers) and customer loyalty. While reliability is largely concerned with the outcome, tangibles, responsiveness, assurance and empathy are more concerned with the service process. Whereas customers value accuracy and dependability (i.e reliability of the delivered service), they judge the other dimension as the service is being delivered. While the number of outlying dimensions have been shown to vary with the service setting, it appears reasonable to suggest that the service core and relational dimensions will emerge in all cases of service delivery. The current study seeks to examine all other determinants of customer loyalty.

Service quality is a cognitive judgement, Bahia & Nantel (2000) conducted a research to develop a valid measurement of perceived service quality in the Retail Banking sector in Canada. They argued that the SERVQUAL approach has not been exempted from critics, therefore, they developed a new measurement for perceived service quality in Retail Banking. They proposed a scale that was called Bank Service Quality (BSQ). It comprises thirty one items classified across six dimensions as: effectiveness and assurance, access, price, tangibles, range of services offered and accuracy and reliability. They proved that the dimensions of BSQ are more reliable than the dimensions of SERVQUAL.

Gronroos (2000) conducted research to identify the core elements of BSQ and their effect on customer loyalty and identified seven attributes in assessing BSQ. They found that the core elements of BSQ included bank atmosphere which is the environment of the bank including the attitude of the staff, secondly was the relationship which indicated the personal relationship with the bank employees, third was the rates and charges which means an individual's perception of BSQ is affected by the low cost and high interest rates, fourth was available and convenient services which indicated the full range of available services, convenient and easily accessible, fifth was the availability of ATMs (automatic teller machines) and finally was the reliability/honesty of the employees which emphasizes on the solid bank ratings and reliable, honest staff and finally enough and accessible tellers directly affect the customer loyalty in the banking sector.

There was also a survey done by Ishmail, Abdullah & Francis (2009) in Malaysia exploring the relationships among service quality features, perceived value and customer loyalty. The purpose of the study was to explore the relationships among service quality features (responsiveness, assurance, and empathy), perceived value and customer loyalty in the context of Malaysia. The empirical data were drawn from 102 members of an academic staff of Malaysian government banks using a survey questionnaire. The results indicated three important findings: firstly, the interaction between perceived value and responsiveness was not significantly correlated with customer satisfaction. Secondly, the interaction between perceived value and assurance also did not correlate significantly with customer satisfaction. Thirdly, the interaction between perceived value and empathy correlated significantly with customer loyalty. Thus the results demonstrated that perceived value had increased the effect of empathy on customer satisfaction, but it had not increased the effect of responsiveness and assurance on customer satisfaction. The present study seeks to establish the applicability of such findings in Kenyan banks (Ishmail, Abdullah & Francis, 2009).

An exploratory study by Hashash (2008) in Banks in Kuwait about banks customers' loyalty was aimed at finding out the importance of various determinants of customer loyalty in retail banking in Kuwait. The study segmented the sample according to different religion, that is, Muslim and Non-Muslim. He found that customers are significantly different in their perceptions of the relative importance of many services offered by Kuwaiti banks. The research findings clearly suggested that the drive towards ease of banking and convenience is favored by the customer and, therefore, banks should find alternative strategic routes designed to improve service delivery (either human-based or technology-based). Bank customers' attitudes towards the human provision of services and subsequent level of satisfaction will impact on bank switching more than when the same service delivery is made through automation. The link between service delivery and customer loyalty is patently visible in the findings and financial institutions should therefore continue to find effective ways to systematically measure and manage customer loyalty. The current study examined the extent of relationship between service features and customer loyalty.

A case study by Ramzi (2010) on the impact of service quality on customer Loyalty in Jordan sought to analyze the impact of service quality on customer loyalty. It emerged that, service quality is a vital competitive policy to keep customer support and build great base. Banks are trying to win customer loyalty by providing enhanced quality services. The results show that dimensions of service quality such as empathy, reliability, responsiveness and tangibility significantly predict customer loyalty. Specifically, among the dimension of loyalty service quality, the most significant predictor of customer loyalty is tangibility. The paper implied that the banks should also come forward and try their best to present better service quality to win back customers' loyalty. The present study will establish other determinants of customer loyalty other than service quality.

A study carried out by Siddiqi (2010) on the Interrelations between service quality attributes, customer satisfaction and customer loyalty in the retail banking sector in South Africa to identify the critical factors of service quality in the retail banking sector, critical factors of customer loyalty, interrelationships between service quality, customer satisfaction and customer loyalty in the retail banking sector and to identify the benefits of this relationships. The results found a medium positive correlation between tangibility and customer loyalty. This showed that as banks' tangibility increase, customer loyalty also increases reliability. Customer loyalty has medium positive correlation. This positive relation means that as bank employees' performance and reliability increase, customer loyalty also increases. There was also positive correlation between responsiveness and customer satisfaction. This suggested that as the willingness and ability of bank employees increase, customer loyalty also increases. There was positive correlation between assurance and customer loyalty which meant that as the assurance from bank employees increases, customer loyalty also increases. Finally, the findings demonstrate that there is a large positive correlation between service quality and customer loyalty. That means that as the banks improve service quality, there is a high chance of loyalty. This study aimed to put into consideration more decision making variables in the research model as other variables may influence customer decision making process in the retail banking industry, such as service features, complaint handling and customer personality.

A research was carried out by Tariq & Moussaoui (2009) on the relationship among service quality and customer loyalty in the banking sector in Greece, to identify the critical determinants of Service Quality (SQ) and to examine the effects of SQ on customer loyalty (CL). They found that responsiveness as one of the dimensions of service quality is one of the important factors of CL. From their findings, they deduced that there was a positive relationship between each of the study constructs and customer loyalty. The present study sought to analyse the relationship of other determinants together with service quality and customer loyalty.

A case study carried out by Suleiman (2010) to assess bank customer retention and loyalty in Iran on state-owned banks in Tehran, sought to investigate factors that would influence customers' decision to stay with or leave their current banks. The most important construct (by mean score) was customer features, followed by corporate image and changing barriers. These results led to suggestions for bank managers to consider how they might improve customer retention in today's competitive banking environment. Results of this analysis have also showed that there was significant correlation between service features such as interest on loans, commission charges and interest on savings and customer loyalty. The current research sought to explore what customers values most in order to remain loyal to the service provider.

A study conducted by Maiyaki (2011) on the factors determining Bank's selection and preference in Nigeria investigated the relative importance of the factors determining the customer loyalty and preference of bank's by retail customers. It found that attractiveness of interest on savings and loan charges tend to be less influential among the determinants of customer loyalty. It is reasonable that customers of bank in Nigeria place emphasis on the size of banks' asset due to recent cases of banks failure. This is because the collapse of banks which was associated with their size resulted in dramatic loss of depositors' funds. Similarly attractive loan charged by banks was found to be insignificant among factors that are important in customer loyalty in Nigeria. These findings were highly associated with religion as the findings showed that Muslims do not put much emphasis on loans. The present study, in contrast, employed variables such as customer personality to establish the relationship between service features and customer loyalty.

Price is an attribute that must be given up or sacrificed to obtain certain kinds of products or services (Zeithaml, 2008). Perceived price normally combines monetary price and non-monetary price. Keaveny (2005) carried out a case study in Western Kenya on Ecobank the "pricing" factor included all critical switching behaviors that involved prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons, and/or price promotions. In the financial service industry, price has wider implications than in other services industries. For example, in the financial service industry, price includes fee implementation, bank charges, interest rates charged and paid. This was also supported by (Gerrard & Cunningham, 2000) when he carried out a similar research in state owned banks in Pakistan. The present study sought to examine the relationship between service features and customer loyalty in banking sector in Kenya.

Several studies show that price has an important impact on customers' switching decisions. Baker (2004) empirically identifies price as a critical factor in bank selection for college students. Since price has a wider implication to bank customers, pricing seems to influence switching behaviour among bank customers more than customers of other services. A study carried out by Colgate & Hedge (2001) on bank customers' switching behaviour in Australia and New Zealand established price as the top switching determinant, followed by service failures and denial of services. Service products are an important component of service quality in intangibly based services as identified in several studies focusing on the hierarchical nature of service quality. Service products can be components of interaction quality, physical environment quality, and outcome quality in a hierarchical context, for example, access and service portfolio are a component of service quality in retail banking. The present study aimed to establish the applicability of the findings in the banking sector in Kenya.

Mahita (2004) carried out a study on the impact of service failures on customer loyalty: The moderating role of effective commitment in South African Banks, the purpose of the study was to investigate the impact of affective complaint handling on customer loyalty. More specifically, it was to examine the moderating role of affective commitment on post-failure attitudes and loyalty intentions under two service failure conditions: a successful and poor service recovery. The findings indicated that emotionally-bonded customers might feel "betrayed" when their complaints are not handled as expected, thus resulting in sharp decrease in post-recovery attitudes. Conversely, this negativity effect was limited to poor service delivery among consumers with low affective commitment. Customers with lower levels of emotional bonding with the service provider were more "forgiving" when the complaint handling was not satisfactorily addressed. Poor complaint handling led to more ambivalent post-failure attitudes irrespective of the degree of affective commitment between the customer and the service provider. Finally, the results suggested that affective commitment might reduce the spill-over effects of service failures to future loyalty behaviors. The current research sought to moderate the effect of complaint handling with customer personality (Mahita, 2004).

A study carried out by Shahid (2000) on the relationship between complaint handling and customer loyalty in the banking sector in Parkistan with the main objective to establish the importance of compliant handling in customer loyalty. The study found that complaint handling was not an important factor in customer loyalty not only in banking sector but also in other service providers as well. The result confirmed the importance of problem recovery in maintaining customer loyalty. However, the results did not support the contention that satisfactory problem recovery leads to heightened customer loyalty or closer bonding of customers to the service provider. At best satisfactory problem recovery leads to the same level of customer loyalty as if a problem had not occurred. The present study sought to analyse the effect of complaint handling on customer loyalty in banking sector in Homa Bay County, Kenya.

According to the study carried out by Garland (2007) in South Africa about customers' loyalty, his main objective was to analyze the relationship between customers' complain handling and loyalty. He found that customer's loyalty equals perception and divided expectation of performance. The usual measure of customer loyalty involves a study with a set of statements using a likert scale. The customers were asked to evaluate each statement and interm of their perception and expectation of effective complaint handling of the organization being measured. His conclusion suggested that loyalty is mainly influenced by how effective the bank handled customers' complaints and problems. The present study sought to use regression and correlation to establish the relationship between complaint handling and customer loyalty.

Although customer loyalty is such an important goal, research carried out by Gee &Gee (2000) to establish the effectiveness of complaint handling on customer loyalty in Absa Bank in South Africa found that 68% of customers lost to an organization felt that their complaint was not effectively handled. He established that receiving a customer is valuable in that it highlights possible process, system or service problems and provides the organization with the opportunity to turn situations around. It also provides the bank with an opportunity to recover from the situation and retain the customer

The previous research by Beryl & Brodeur (2007) in Pakistan on Variables of customer loyalty with the main purpose to analyze various determinants of customer loyalty used a sample size of three hundred and Analysis of Variance to analyze the data has tried to identify a number of variables of customer loyalty. They found that because satisfaction basically is a psychological state, care should be taken in the effort of quantitative measurement. They defined ten quality values which influence loyalty this was further expanded by Berry (2007) when he used same population size and similar data analysis but different target population that is Barclays in UK. These ten domains of loyalty include quality value, timeliness, efficiency, ease of access, environment, interdepartmental Team Work, Front` line service Behavior, Commitment to the customers and innovation. These factors are emphasized for continuous improvement and organizational change measurement and are most often utilized to develop the architecture for loyalty as an integrated mode. The current study sought to establish the determinants of customer loyalty in the banking sector in Kenya.

Armstrong & Symonds (2002) carried out a research in South Africa, to determine the effects of customer loyalty in the banking industry. They established that increased loyalty leads to lower cost of servicing the firms' customers, reduced marketing expenditures, increased business from existing customer base and greater profit. By increasing customer loyalty, a retail bank is able to reduce its service cost, gains knowledge of the financial affair and needs of its customer thereby allowing effective and efficient targeting and has the opportunity to cross sell new products and services to existing customers. Improving customer loyalty and thereby retention rates can come from a variety of activities available to the firms. The existing evidence suggests that major gains in customer loyalty are likely to come from improvement in service quality, service features and customer complaint handling. Consequently, the current study sought to establish the applicability of such findings in the banking sector in Kenya.

A study was carried out by Jones & Sasser (2002) on the effect of switching cost on customer loyalty in Nigeria banks with the main purpose to analyze the effect of increased switching cost on customer loyalty. They found that switching barrier is any factor that makes it difficult or costly for customers to switch service providers. Other determinants of customer loyalty is known as switching costs, which can be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change banks. For this reason, switching cost can be seen as a cost that deters customers from demanding a rival firm's brand. It can also be defined as the technical, financial or psychological factors which make it difficult or expensive for a customer to change a brand. When the costs of switching brand are high for the customer, there is a greater probability that the customer will remain loyal in terms of repeat purchase behavior, because of the risk or expense involved in switching and because of the accompanying decrease in the appeal of other alternatives. The present study sought to examine other determinants of customer loyalty in the banking sector in Kenya.

Zeithaml, Berry & Parasuraman (2005) carried out a survey on the relationship between service quality, customer loyalty and service features. They developed a model that correlates Service Quality, service features and Customer Loyalty in one frame. According to the model, service quality is the outcome of reliability, assurance, responsiveness, empathy and tangibles. Customer loyalty is influenced by the quality of service, product and price as well as the situational and personal factors the model which is known as "Service Profit Chain". In this model there is a direct and strong relationship between profits, growth, customer loyalty, customer satisfaction, the value of goods and services delivered to customers and employee capability, satisfaction, loyalty, and productivity. The link in the chain is as follows: profit and growth are stimulated primarily by customer loyalty, loyalty is a direct result of customer repeat purchase, repeat purchase is largely influenced by the value of services provided to customers, value is created by satisfied, loyal and productive employees and employees' satisfaction, in turn, results primarily from high quality support services and policies that enable employees to deliver results to customers. The current study aimed to establish how customer personality influences the relationship between these determinants and customer loyalty.

Several researchers attempt to find the interrelationships between service quality and customer loyalty in the retail banking sector. Researchers argued that service quality and service features are the predictors of customer loyalty. Tariq and Moussaoui (2009) found positive relationship among service quality, service features and customer loyalty in the banking sector in Greece. They conducted a research to identify the critical determinants of Service Quality (SQ) and to examine the effects of SQ on Customer Loyalty. They found that responsiveness was one of the dimensions of service quality and is one of the important factors of Customer loyalty. The current study intended to explore the effect of customer personality on the relationship between these determinants and customer loyalty.

2.2.2 Empirical review of customer personality

A study carried out by Saura & Molina (2008) on perceived value, customer attitude and loyalty in retail banks in Spain sought to analyze how consumer attitude influences customer loyalty. They found that perceived value might have an influence on customer attitude, as the literature widely reports. On the other hand, the fact that attitudes are predispositions to respond leads to their relationship with actual consumer behaviour. The present study sought to establish the effect of customer personality on customer loyalty.

A case study by Leo & Hossain (2009) on customer perception of customer loyalty in retail banking in Middle East to evaluate customer loyalty in retail banking in the Middle East in general, and Qatar in particular, based on different levels of customers' perception regarding customer loyalty. The result indicated that customers' perception is highest in the tangibles area and lowest in the competence area. It therefore showed that in order to achieve higher levels of customer loyalty in retail banking, banks should deliver higher levels of service quality and in the present context, customers' perceptions are highest in the level of infrastructure facilities of the bank, followed by timing of the bank, and return on deposit. Owing to the increasing competition in retail banking, customer service is an important part and bank managers should be rethinking how to improve customer loyalty with respect to improving customer perception. The current study intended to explore the implications of customer personality on customer loyalty

A study carried out by Nguyen & Leblanc (2001) on the tools which can be used to predict the outcome of customer loyalty in United States banks concluded that customer personality may be regarded as a critical strategic tool to predict the outcome of the customer loyalty, and as the most reliable indicator of the ability of a service firm to satisfy a customer's desires and increase loyalty. Consequently, the current study sought to examine the implications of customer personality on determinants of customer loyalty.

According to research carried out by Gerrard & Cunningham (2000) targeting Singapore's graduates studying their bank switching behavior, they established that student personality is one of the most important switching factors. However, Peppard (2000) argues that personality is irrelevant in the current e-business environment because more and more customers are using internet banking and interaction of customers with bank staff is minimal. The present study aimed to analyze the effect of customer personality on determinants of customer loyalty.

2.3 Summary of the literature

The foregoing review of literature has presented a comprehensive coverage of determinants of customer loyalty. The review depicts how most studies investigated trust, service quality dimensions, corporate image, service quality, perceived values, tangibility as independent variables with very few focusing on complaint handling, service features and switching costs. Most studies focused on finding the major constructs of customer loyalty by putting customer loyalty as a dependent variable. The previous studies focused on trust as a mediator variable, moderating role of effective commitment and moderating role of customer personality as these are consumer characteristics on which the banks have no influence and can only use or manipulate them with other variables to improve customer loyalty.

The review depicted a gap in methodology, approaches and objectives that this present study sought to fill. First, the literature reveals that most of the studies were case studies and while it gives indepth analysis, it is necessary to progress to field survey to assess the extent to which the determinants are entrenched. Most studies focused on college students and graduates which might have given a misleading finding on service features. Some studies targeted Muslims which may not be generalized to include customers from other religions. The present study adopted a cross-sectional survey design in pursuit of this objective.

Secondly, in respect to customer personality, it is evident that many studies dealt with customer perception, attitude and self concept which has not given explanation to customer loyalty as customers still switch their service providers. Consequently, the empirical research in this area has tended to focus on direct relationship between customer personality and customer loyalty while excluding other determinants.

Thirdly, even for extensive research on customer loyalty, for example, the study on all the three determinants of customer loyalty has not presented a solution to customer loyalty. This study speculates that the failure to adequately address the dilemma of customer loyalty is largely to blame on inadequate study on the moderating role of customer personality.

Taken collectively, the previous research gaps suggest the reason for the widespread ambiguous results in the research on the link between the customer loyalty determinants, that is, service quality, service features and complaint handling and customer loyalty research. This has led to the concern that practicing managers have little in terms of guidelines by which to plan and control customer loyalty. Previous research developed models like SERVQUAL, BSQ and SQ model and these mainly focused on service quality leaving the banks' strategists with no model to predict customer loyalty.

Previous researchers used linear regression model to establish relationships, they also applied correlation to determine whether relationship exist between the variables. These studies used analysis of variance (ANOVA) to test hypothesis. The problems encountered during research included very low response rate as data were collected through internet, posting of questionnaires and delivering the questionnaires and collecting them at a later date. This study adopted on-spot collection method of questionnaire to ensure 100% response rate.

Further research was needed to resolve the gaps and advance customer loyalty model. In line with previous calls to research related variables surrounding customer loyalty and the gaps identified during the literature review, this study sought to analyse the effect of customer personality on determinants of customer loyalty in the banking sector in Homa Bay County, Kenya.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methods and procedures that were used to address the tenuous link between customer personality and customer loyalty. The main objective was to analyse the effect of customer personality on customer loyalty determinants in Homa Bay County, Kenya, but the specific objectives focus was on the effect of service quality, service features, complaint handling and moderating effect of customer personality on the determinants of customer loyalty. This chapter presents the research design, the study area, the target population, sampling frame, type of data collection instrument, data collection procedures, operationalization of key variables, reliability and validity and analytical techniques used in this study.

3.2 Study Design

Several frameworks have been used in consumer behavior research. The dominant paradigms among these frameworks include the work of (Ahmed & Gul, 2006; Hashash, 2008; Ramzi, 2010). These researchers generally fall into the paradigms of, functionalism, radicalism, radical structuralism, humanism, and interpretative approaches. The prevalent paradigms in the consumer behavior are interpretative and functionalist resulting in two extreme points of view, the quantitative and qualitative. The quantitative approach claims that there is similarity between social and natural phenomena and therefore, similar methods can be used to study both phenomena, though a positivistic quantitative methodology in social science research has been favoured.

Research methodology literature indicates that in order to test hypotheses, as was advanced in chapter one of this study, a survey design is appropriate. Survey design is posited as the most appropriate where the main aim of the study is to determine existence and extent of a problem. In this regard, the methodology used in this study adopted the positivist paradigm to scientific inquiry. Positivist approach is founded on the belief that objective reality exists independently of what individual perceive. That is, the positivist seeks facts or causes of social phenomena with little regard for the subjective states of individuals. Consequently, high regard is placed on identifying causal relationships among variables.

A major principle of the positivist paradigm is the formulation and testing of hypotheses. In light of the foregoing, this study used cross-sectional survey design to acquire relevant data in order to engage a correlational and analytical approach. This approach facilitated the development of a broad based understanding of the banking sector, rather than of individual banks, of the moderating influence of customer personality on the relationship between customer loyalty determinants and customer loyalty.

3.3 Target Population

The study was conducted in Homa Bay County which has a population of 4.260m (MoP, 2010), the target population consists of 845,000 customers from Equity, Barclays, Kenya Commercial Bank and Cooperative Bank in Homa Bay County distributed in the major towns of Ndhiwa, Mbita, Sindo, Oyugis and Homa Bay distributed as shown in table 2.

3.3.1 Study Area

The study area was Homa Bay County which is situated along the shore of Lake Victoria to the south of Kisumu City. Homa Bay County has four major district; Ndhiwa, Rachuonyo, Mbita and Homa Bay districts. It has four major banks, several micro finance institutions and four established saving societies distributed within the four districts.

3.3.2 Sampling Design

3.3.2.1 Sample Size

Using Yamane's (1967) formula, a sample size of four hundred respondents was selected from the population. This sample size is supported by Amin (2005) who states that population size beyond a certain point about N=5,000, the population size is almost irrelevant and the sample size of 400 is adequate. Hence based on Yamane and Amin's recommendation, a sample of 400 was selected.

Table 1: How to arrive at the proper sample size

Population	Confidence level	Sampling error
845,000	95	.05

$$n = \frac{N}{1 + N(e^2)} \tag{3.1}$$

Where N=Population

e=expected error

$$\text{Sample size} = \frac{845{,}000}{1 + 845{,}000(.05)^2} = 399 \neq 400$$

Samples were selected using stratified random sampling whereby banks were put into four strata. By using Fisher's formula, the sample was drawn from each stratum and a total of 130 respondents were drawn from Barclays, Equity 70, Cooperative bank 95 and 105 from Kenya Commercial Bank using simple random sampling where customers were randomly selected. Customers were met at the Automated Teller Machine (ATM) as they transacted at the ATM as shown in table 2 below. This gave a total of 400 respondents (Fishbein, 2004)

Table 2: Sample size from each bank in Homa Bay County.

Banks	Banking Population	Percentage population proportion	Sample size
Barclays	270,000	32.0	130
Equity	155,000	18.3	70
Cooperative	200,000	23.7	95
Kenya Commercial Bank	220,000	26.0	105
Total	845,000	100	400

3.4 Data Collection

3.4.1 Sources of Data

Primary data was collected using a self administered questionnaire on the banks' customer loyalty determinants, customer loyalty and customer personality. Banks' brochures and Central bank's Report was reviewed to extract secondary data on service features, complaint handling and service quality.

3.4.2 Data collection procedure

The questionnaire was self administered through personal hand delivery survey instrument with the help of five research assistants. The questionnaire was divided into two sections with section one establishing the demographic characteristics of the customers and section two covering determinants of customer loyalty, customer personality and customer loyalty. A cover introductory letter accompanied the survey instrument, included as Appendix I and Appendix II respectively. Following the delivery of the survey instrument, the interviewer sought appointments with the branch managers of the selected four banks through telephone with little success. In order to enhance response rate and response quality, the researcher and research assistants then personally made visits to the banks to seek permission from the branch managers to allow the research assistants to collect data from their customers. The respondents were randomly selected in order to give customers equal chance of being sampled.

3.4.3 Instrument for Data Collection

The instrument used to gather the data was self administered questionnaire with on the spot collection, the structure of the questionnaire was both closed ended and a ranking scale of 1-5, that is, from strongly agrees to strongly disagree. Closed ended questionnaire was used in section one and likert scale in section two.

3.4.4 Reliability Tests for Data Collection Instrument

Reliability refers to the extent to which a measuring procedure yields consistent results on repeat trials. For this study, the questionnaire was formally pre-tested on 50 respondents from all the four banks. The customers were met during their visit to the Automated Teller Machine (ATM). Split-Half Reliability test was used where the questionnaire in each subject or variable was divided into two subsets and each subset had two scores which was then correlated using spearman-Brown Prophesy formula. This gave a reliability of 0.89, that is the instruments were 89% reliable (Amin, 2005).

3.5 Validity Test for Data Collection Instrument

Validity is the extent to which research results can be correctly interpreted and generalized to other populations. It is a measure of the accuracy of the study. Validity was ensured through use of experts who were the supervisors of the researcher. The questionnaires were given to the two supervisors to evaluate and rate each item in relation to the objectives as "not relevant" or "relevant" on a scale of the 1-4 such that 1 was *not relevant*, 2 was *somewhat relevant*, 3 was *quite relevant* and 4 was *very relevant*. Content validity index was then determined from the assessors' agreement scale as $n_{3/4}/N$, where $n_{3/4}$ is the number of items marked 3 or 4 and N the total number of items assessed. The items were then modified to attain a validity index of at least .70 which is the least accepted value of validity in survey research (Amin 2005). The results summarized in Table 3 were obtained.

Table 3
Summary of Expert Rating of Research Instruments

		Judge I				
		1	2	3	4	Total
Judge II	1	0	1	0	0	1
	2	1	0	1	0	2
	3	0	1	10	11	22
	4	0	0	12	8	20
	Total	1	2	23	19	45

Table 3 shows that there were 45 items in all the instruments that were used in this study and that the total items rated relevant (3 or 4) by both experts were 41, hence a content validity index of 41/45 = 0.911 was reported. This means that at least nine (9) items out of any ten items used in this study correctly measured what they were intended to measure. This was acceptable validity index since it was higher than the .70 recommended in social research by Amin (2005).

3.5.6 Testing the Assumptions for Linear Regression Analyses

The study used regression analysis of data. The need to identify any violation of the underlying assumptions of linearity is emphasized in research. The following assumptions are considered necessary if conclusions are to be drawn about a population on the basis of a regression analysis on the sampled data. These assumptions relate to the type of variables, homoscedasticity, linearity, normality of residuals and multicollinearity.

3.5.6.1 Types of variable

This study used scalar variables. In addition, customer loyalty, the dependent variable is unbounded.

3.5.6.2 Linearity and Homoscedasticity

These are conditions found in a type of scatter graph. They are also known as a constant variance or homogeneity of the error. It is characterized by variances which do not differ greatly between distributions. Homoscedasticity requires that the dependent variable exhibit equal levels of variance across a range of predictor variables. A plot of standardized differences between the observed data and the values predicted by the regression model against the standardized predicted values of the dependent variable was used to assess whether the assumption of random error and homoscedasticity had been satisfied. This was for the composite measure of customer loyalty, the dependant variable. The normal P-P plots and scatter plots depicting satisfaction of linearity and homoscedasticity conditions, respectively are shown in figure 2 and 3.

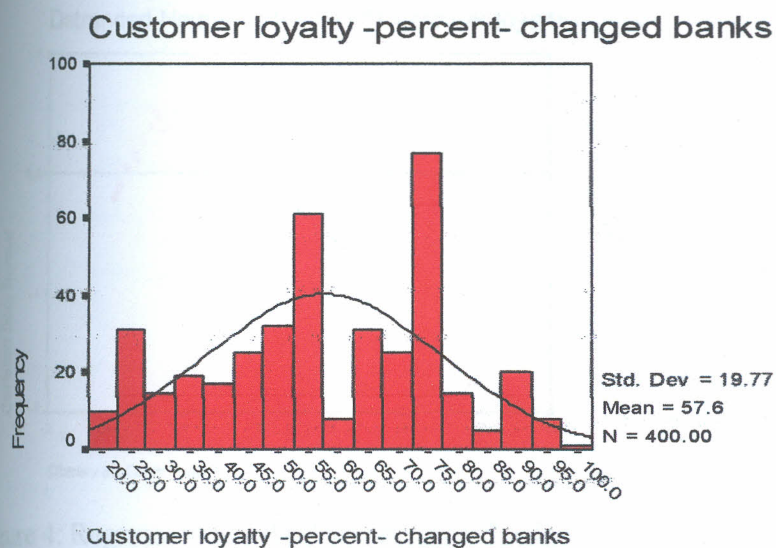

Figure 2: Histogram of regression standardized residual for customer loyalty

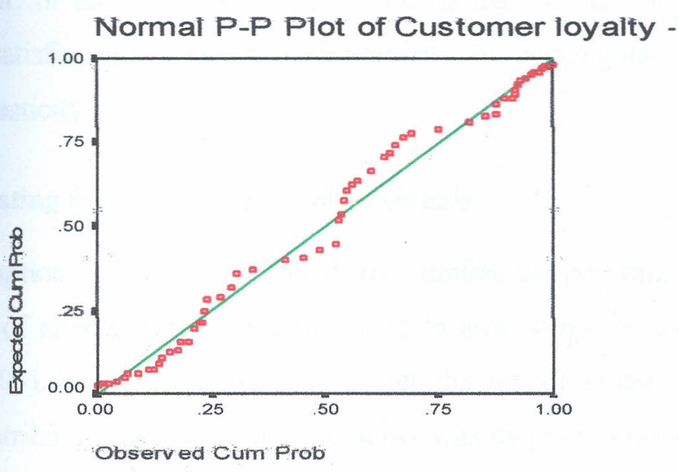

Figure 3: Normal P-P plot of regression standardization residual for customer loyalty

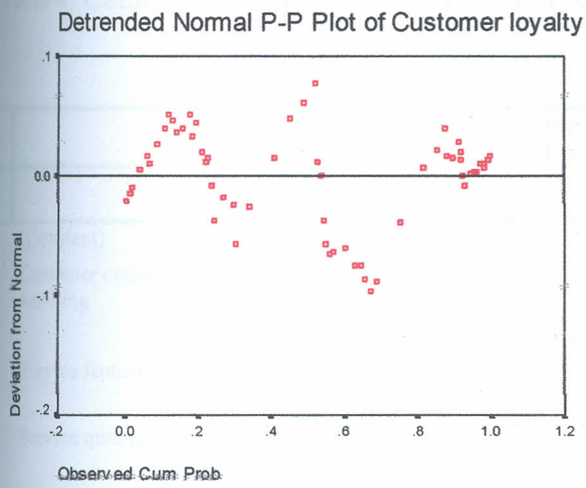

Figure 4: Regression standardized predicted value

As evident above in Figure 4, the points are more or less randomly and evenly spread in the scatter plot. In addition, the shape of the normal scatter P-P plot of regression-standardized residual satisfied the general requirements of rectangularity necessary for linearity and homoscedasticity.

3.5.6.3 Testing for the Normality of Residuals

The assumption of normality of residuals signifies the generalizability of findings. To assess the normality of residuals, it is recommended to look at the residuals and normal probability plot (Amin, 2005). When this assumption is met, the data of an individual variable corresponds to the normal distribution. In this study, normality was diagnosed through a histogram of regression of standardized residuals and normal probability plot (P-P plot) of regression standardized residuals as shown in Figure 3. It indicates a normal distribution for customer loyalty. It suggests that the assumptions of normality are met by the data.

3.5.6.4 Testing for Multicollinearity

This refers to the relationship among the independent variables. According to Pallant (2007) multicollinearity exists when independent variables are highly correlated (r=.9 or above). The study assessed the multicollinearity of the independent variables by means of tolerance and variance inflation factor (VIF). A tolerance of below 0.01 or VIF greater than 10 is regarded as indicative of a serious multicollinearity problem.

Table 4: Collinearity statistics: Source: Field Pre-Survey (2012)

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	52.935	5.362		9.872	.000		
	Customer complaint handling	.183	.045	.204	4.105	.000	.922	1.085
	Service features	.116	.051	.112	2.283	.023	.942	1.061
	Service quality	-.239	.046	-.257	-5.234	.000	.946	1.058

Dependent Variable: Customer loyalty

As indicated in Table 4, the tolerances were all above 0.1 and VIF values were all below ten. It can therefore be concluded that there is no multicollinearity within the data.

3.6 Data Analysis

Data analysis used was correlation and regression analysis. Pearson correlation analysis was conducted to determine the direction, strength, and significance of the Bivariate relationships between service quality and customer loyalty, service features and customer loyalty, and complaint handling and customer loyalty. Multiple regression analysis was used to determine whether the three independent variables, (service quality, service features and customer complaint handling) had a significant effect on the dependent variable (customer loyalty). Moderated regression analysis was used to determine the moderating effect of customer personality. The researcher assumed that moderated regression is the most general and conservative method for testing hypotheses in which interaction exists. This procedure involved the regression of the depended variable (customer loyalty) on the independent variables (determinants of customer loyalty), the potential moderating variable (customer personality), and the cross-product term of the independent variable and the potential moderating variable. If the cross-product interaction term produced a significant change in the R-square value, then the moderating variable was identified as having a significant effect on the nature of the relationship between the determinants of customer loyalty and customer loyalty.

Karl Pearson's Co-efficient Correlation (Saleemi, 1997)

$$r = \frac{\sum d_x d_y}{\sqrt{\sum d_x^2 \sum d_y^2}} \qquad (3.2)$$

where;

d_x = customer loyalty. (deviation of the variable from its mean)

d_y = determinants of customer loyalty; service quality, service features or customer complaint handling. (deviation of the variable from its mean)

The model was used to test the relationship between each of the determinants (service quality, service features and customer complaint handling) and customer loyalty.

If $\sum d_x d_y$ was positive then r was positive; if $\sum d_x d_y$ was negative, r was negative

Simple regression model used was,

$$X = a + by \qquad (3\text{-}3)$$

Where;

X = customer loyalty,

a = constant,

b = coefficient

y= any of the determinants of customer loyalty, that is, service quality, service features and complaint handling.

Multiple regression model that was applied in the study has the following form (Zeithaml, Berry &Parasuraman, 2005)

$$X = a + b_1 y_1 + b_2 y_2 + b_3 y_3 \qquad (3\text{-}4)$$

Where;

X = customer loyalty,

y_1 =service quality,

y_2 = service features

y_3 = complaint handling,

a = constant

b =coefficient

The moderator variable by way of partial regression was used to analyse the effect of personality on the determinants of customer loyalty. The moderator regression analysis used to test data is mathematically presented in the following form (Saura &Molina, 2008).

$$X = a + b_1 y + e_1 \tag{3-5}$$

$$X = a + b_1 y + b_2 Z + e_2 \tag{3-6}$$

$$X = a + b_1 y + b_2 Z + b_3 XZ + e_3 \tag{3-7}$$

Where;

X = dependent variable (customer loyalty),

y = independent Variable (determinants of customer loyalty),

Z = moderator Variable (personality)

XZ = interaction term between customer loyalty and customer personality

b_1 =regression coefficient

a=constant.

The error term for equation (3-5), equation (3-6) and equation (3-7) are e_1, e_2 and e_3 respectively.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the results of the statistical analyses carried out on the variables discussed in the foregoing chapters. The study investigated the determinants of customer loyalty in the banking sector in Homa Bay County, but focused on four specific objectives. The study also collected data on the demographic characteristics of the respondents in the banking sector in Homa Bay County. The first section presents the demographic characteristics of the respondents. Thereafter, the results of the test of the hypotheses are presented, starting with determinants of customer loyalty together with moderating effect of customer personality. It is important to note from the outset that all the targeted 400 respondents were reached. The response return rate was therefore 100.0%. This chapter presents an analysis and interpretation of data according to the research objectives.

4.2 Measurements of variables

The two main variables investigated in this study were customer loyalty and determinants of loyalty. Determinants of customer loyalty were measured from the status of service quality, service features and complaints handling in each bank as assessed by the customers. Each of these elements of determinants was assessed individually for each bank, and the result used to measure the overall customer loyalty in the banking sector. The responses were scored on a Likert scale such that the lowest permissible score was 1 and the maximum permissible score was 5 depending on the response and the item. But since each variable was assessed using various items, each with a minimum score of 1 and a maximum of 5, the scores were added to together for each variable so that each variable had a minimum score of 7 and a maximum score of 45. The scores were then expressed as percentages so that the minimum possible score on customer loyalty was 20.0% and the maximum was 100.0%, and interpreted as described in Table 5.

Customer loyalty was measured from repeat customers, price elasticity, referral of prospective customers and customer retention as described by each respondent. Just like data on determinants of customer loyalty, data on customer loyalty was measured on a Likert scale and scored in a range of 1-5. Because there were several items to measure service quality, the minimum possible score was 9 and the maximum possible score was 65. For uniformity, data on customer loyalty were converted into percentages to produce a minimum score of 20.0% and a maximum score of 100.0%, and interpreted as described in Table 5.

Table 5

Coding and Interpreting customer loyalty Data

		Scores	
	Status of Respondent	Crude Range	Percentage Range
Service Quality	Customers who had changed Banks	9-45	20-100
	Customers who had not changed banks	7-35	20-100
Service Features	Customers who had changed Banks	7-35	20-100
	Customers who had not changed banks	8-40	20-100
Complaint Handling	Customers who had changed Banks	7-35	20-100
	Customers who had not changed banks	8-40	20-100
Personality	Customers who had changed Banks	4-20	20-100
	Customers who had not change banks	4-20	20-100
Customer Loyalty	Customers who had changed Banks	9-45	20-100
	Customers who had not changed banks	13-65	20-100

Data was scored and interpreted as shown in Table 5, and the results generated was used to perform other tests as described in the following subsections. The aim of converting data to percentages was to create a uniform basis for comparison and other tests.

4.3 Demographic Characteristics of the Respondents

This section reports data on the demographic characteristics of the respondents. Demographic information was collected on the gender, age and level of education of the respondents as well as on the occupation and income of the respondents. It was necessary to describe these characteristics of the respondents to enable users of this study determine its generalizability.

4.3.1 Distribution of the Respondents by Gender

The study further enquired into the gender of the respondents. When the respondents were asked to indicate their gender, the responses were as summarized in Figure 5.

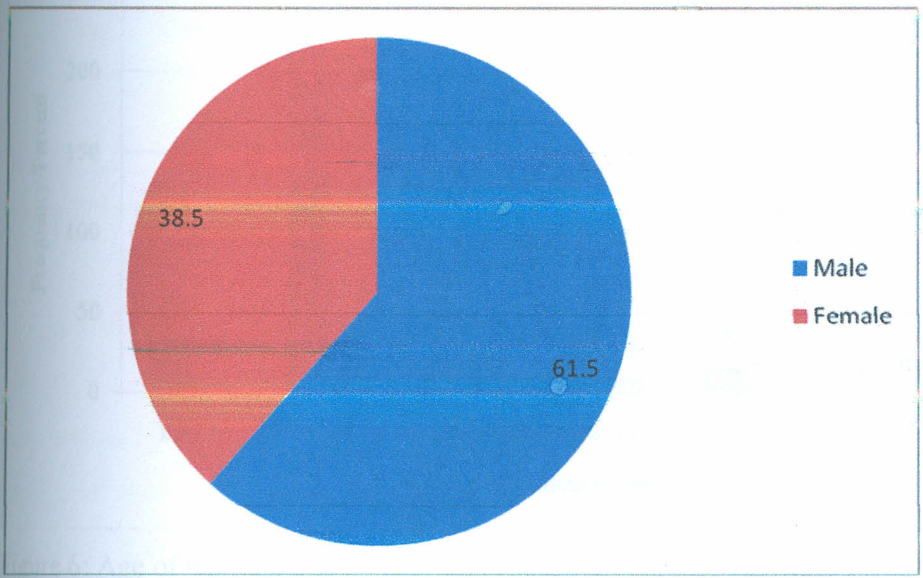

Figure 5: Gender of respondents

Figure 5 shows that majority (61.5%) of the respondents were males while 38.5% of respondents were females. This was also a true reflection of the proportions of males and females that are banked not only in Homa Bay County, but in Kenya as a whole. There were generally more banked males than females in Kenya (Central Bank Report, 2010). This proportion was, therefore, assumed to reflect the true views of the customers on the determinants of customer loyalty of males and females in the banking sector in Homa Bay Country.

4.3.2 Distribution of the Respondents by Age

The study investigated the age of the respondents in order to determine whether the banking sector is age sensitive. The results summarized in Figure 6 were obtained.

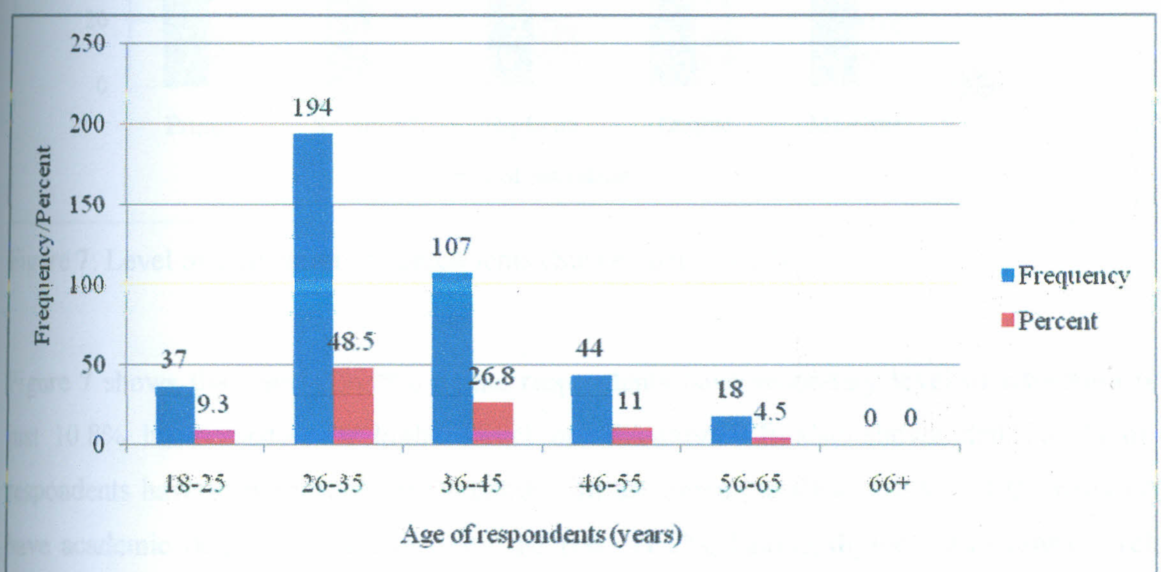

Figure 6: Age of respondents

Figure 6 shows that most (48.5%) of the respondents were aged between 26-35 years while just 4.5% were aged between 56-65 years. There were however, no respondents aged over 66 years. It can be said that majority of respondents (75.3%) were aged between 26-45 years. This shows that most of banked populations are young energetic people that can be retained for a long time if the determinants of customer loyalties are known, hence, the need to determine the factors that influence customer loyalty.

4.3.3 Distribution of the Respondents by Level of Education

The study also enquired into the level of education of the respondents in order to determine whether the banking sector is sensitive to the level of education of the customers. The results summarized in Figure 7 were obtained.

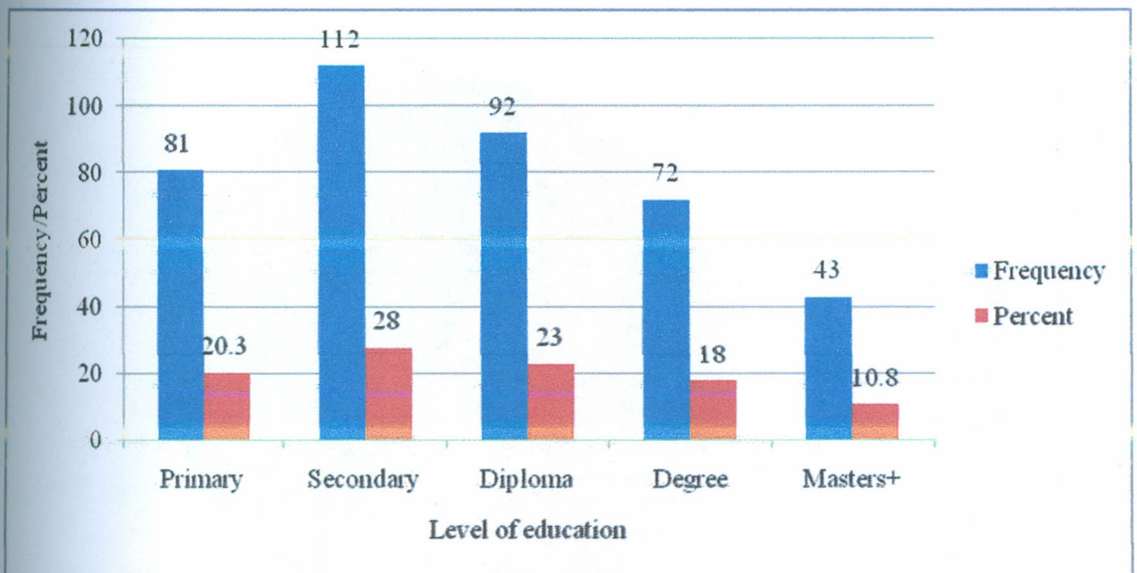

Figure 7: Level of Education of respondents (Survey data, 2012)

Figure 7 shows that most (28.0%) of the respondents have secondary level of education while just 10.8% have masters or higher level of education. It also shows that 20.3% of the respondents have primary level of education. In the overall analysis, 28.8% of the respondents have academic degree and above, with the rest, 41.2%, having diploma and lower levels of education. It can be said that people being served by the retail banks in Homa Bay County are generally lowly educated. This means that these customers are exposed to various information sources about bank products, services and complaint handling processes hence can make informed decisions on whether to switch service providers or remain loyal. As such, there is enough reason to believe that it provided reliable information on the determinants of customer loyalty in this study.

4.3.4 Distribution of the Respondents by Occupation

The other demographic factor investigated in this study was the occupation of the respondents. The respondents were asked to state their main occupation, and they responded as summarized in figure 8.

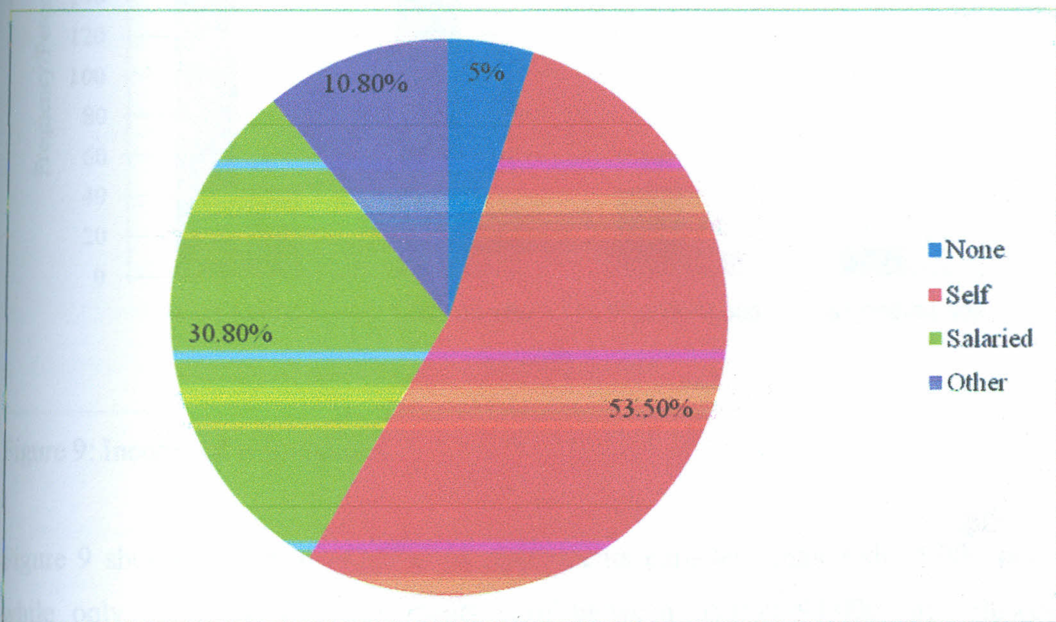

Figure 8: Occupation of respondents

Figure 8 shows that majority (53.5%) of the respondents were self employed while 5.0% were not employed at all. But large proportions (30.8%) were employed on salary while 10.8% had other forms of employment. However, in the overall analysis, majority of the respondents (84.3%) were employed either as self or salaried. It can be said therefore that the banking sector mostly serve people who are in employment of some form. This shows that the banking population are people who interact with other people in their working environment hence when loyalty is maintained, their positive word of mouth and referrals can boost banks' customer loyalty.

4.3.5 Distribution of the Respondents by Income

The last demographic factor investigated in this study was the income of the respondents. It was necessary to determine the levels of income of the people that are banked in the study area. The respondents were asked to state their level of monthly income, and they responded as summarized in figure 9.

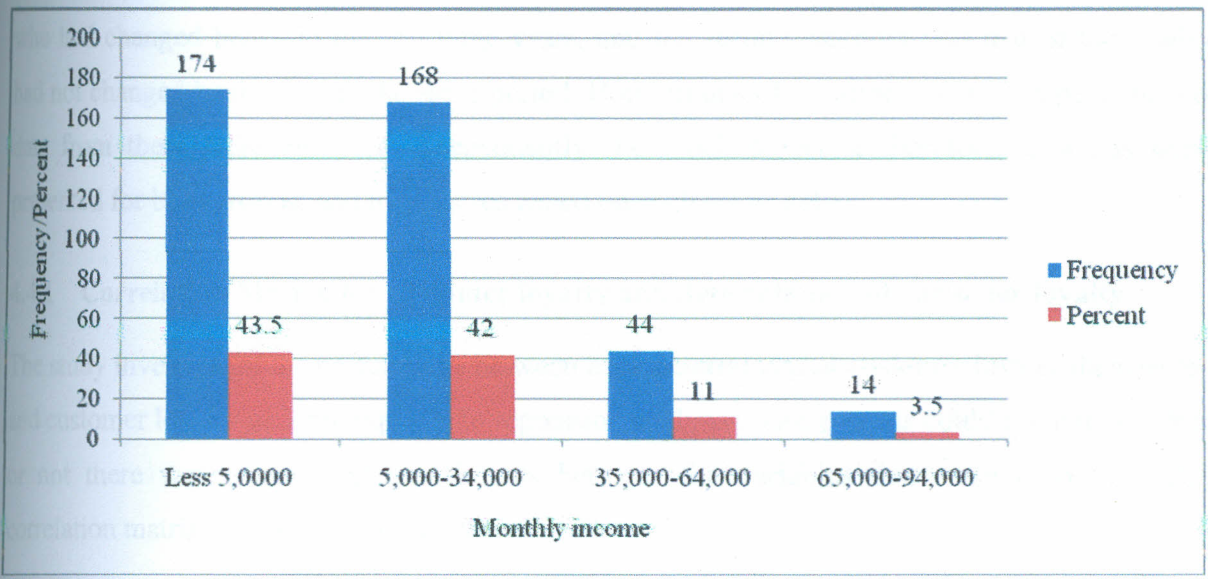

Figure 9: Income of respondents

Figure 9 shows that most (43.5%) of respondents earn less than Kshs 5,000 per month (pm) while only 3.5% of the respondents earn between 65,000–94,000 pm. However, a good proportion (42.0%) earn between 5,000-34,000 pm. In the overall analysis, only 14.5% of the respondents earn over 35,000 per month. It can therefore be said that most of the customers of retail banks in Homa Bay County are low income earners, with a monthly income of less than Kshs 35,000 per month. This shows that banks have limited market and so customer loyalty is paramount.

4.4 Determinants of Customer Loyalty

This study investigated the determinants of customer loyalty as moderated by personality among customers in the banking sector in Homa Bay County. Having described the demographic characteristics of the respondents, this section focuses on the relationships between customer loyalty and its determinants as moderated by personality. Determinants of customer loyalty were conceptualized as service quality, service features and complaints handling while customer loyalty was conceptualized as repeat customers, price elasticity, referral of prospective customers and customer retention. The study also investigated the relationship between determinants of customer loyalty and customer loyalty with personality as a moderating variable. Personality was conceptualized as character, temperament, intellect, lifestyle, motivation and self concept of customers. Data was collected from two sets of respondents. The first category included those who had changed banks in the last three years, and the second category was that of those who had not changed banks during the same period. Both groups of customers were independent and data from them were analyzed independently. For each objective therefore, data has been presented for both groups, and hypotheses tested on each set of data.

4.4.1 Correlation Matrix for customer loyalty and determinants of customer loyalty

The study investigated the correlations between each determinant of customer loyalty themselves and customer loyalty as a prerequisite to regression analyses. This process could point to whether or not there were significant associations between the variables that were regressed. The correlation matrix is summarized in Table 6.

Table 6

Correlation Matrix for determinants of customer loyalty and loyalty of customers who had changed Banks

	Service Quality	Service Features	Complaint Handling	Personality	Customer Loyalty
Service Quality	1	.299**	.133	.035	.258*
Service Features		1	.179	.022	.062
Complaint Handling			1	.211	.062
Personality				1	.145
Customer Loyalty					1

N = 80; Pearson correlation, 2-tailed. The table is symmetrical along the diagonal. The values below the diagonal are excluded because they are mirror images of the values above the diagonal, with the diagonal as the mirror line. Asterisks * and ** indicate significant correlations at .05 and .01 respectively.

Table 6 shows that there are only two significant correlations between the variables at .01, and at .05. It shows that there is significant positive association between service quality and service features at .01. The positive sign indicates that the quality of service in the banking sector improves when service features are improved and vice versa. There is however a significant positive association between service quality and customer loyalty at .05. This indicates that service quality and customer loyalty vary in the same direction and an improvement in one variable leads to an improved second variable and vice versa. It can therefore be deduced from these results that the 80 respondents who had changed their banks did so due to poor quality of service.

When the correlation was investigated among the 320 respondents who had not changed their banks, the results summarized in Table 7 were obtained.

Table 7

Correlation Matrix for determinants of customer loyalty and Customer Loyalty among customers who had not changed banks

	Service Quality	Service Features	Complaint Handling	Personality	Customer Loyalty
Service Quality	1	.082	.238**	.141*	.220**
Service Features		1	.241**	.064	.126*
Complaint Handling			1	.035	.153**
Personality				1	.069
Customer Loyalty					1

N = 320; Pearson correlation, 2-tailed. The table is symmetrical along the diagonal. The values below the diagonal are excluded because they are mirror images of the values above the diagonal, with the diagonal as the mirror line. Asterisks * and ** indicate significant correlations at .05 and .01 respectively.

Table 7 shows that there are six significant correlations between the variables at .01, and at .05. The table shows that there are three significant positive associations between the elements of determinants themselves. Service quality and complaint handling, and service features and complaint handling are significant at .01, while service quality and personality are significant at .05. This suggests that service quality, complaint handling, and personality could have the same effect on customer loyalty in the banking sector. But there are significant positive associations between all the determinants and customer loyalty for customers who had not changed banks in the last three years. Service quality and complaint handling have significant positive associations with customer loyalty at .01, while service features have a significant positive association with customer loyalty at .05. These indicate that customer personality can improve customer loyalty and customer loyalty can be improved if quality of service, service features, and customer complaint handling are improved and vice versa. These significant associations indicated the need to investigate the specific association between the determinants of customer loyalty and customer loyalty through regression analysis so as to generate models that could aid prediction of variable from the others.

4.4 Bivariate Relationship between determinants of customer loyalty and customer loyalty

Once significant associations were established between the determinants of customer loyalty and customer loyalty of customers in the banking sector in Homa Bay County, it was necessary to determine the nature of individual relationships between each determinant and customer loyalty. From the correlations in Tables 5 and 6, there was reason to expect that the determinants and customer loyalty are related, and that knowing the status of a determinant could enable a corresponding value of customer loyalty to be predicted using a general model of $CL^{I} = a + dD$; where CL^{I} is the predicted value of customer loyalty, D the determinant, a is the regression constant, and d the coefficient of regression. The determinants' scores (service quality, service features and complaints handling) in Appendix V and VI were regressed and the results of the regression analysis summarized in the following subsections were obtained.

4.4.1 Service quality and customer loyalty of customers in the banking sector

The first objective of this study was to establish the effect of service quality on customer loyalty in the banking sector in Homa Bay County. Service quality was measured through timeliness of services, efficiency, and ease of access of services as perceived by customers. Data on this objective was collected from customers who had changed banks and from those who had not changed banks in the last three years. Data from the two groups of respondents were analyzed using a regression analysis and the results summarized in this sub section were obtained.

4.4.1.1 Service quality and customer loyalty of customers who had changed Banks

Data on service quality and customer loyalty from 80 respondents who had changed banks in the last three years were analyzed using regression analysis and the results summarized in Table 8 were obtained.

Table 8

Simple Regression of service quality and customer loyalty of customers who had changed Banks

		Coefficients		R values/proportions				F statistic		t-statistic		
Determinant	Constant	B	B	R	R^2	Adj. R^2	Std. ε	F_o	F_c	t_o	t_c	Sig.
Service Quality	71.637	-.247 (0.137)	-.258	.258	.066	.055	24.01	5.556	3.960	-2.357	1.930	.021
Personality	63.108	-.242	-.253	.292	.085	.061	23.92	5.576	3.110	-2.320	1.930	.033

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(1, 78; 2, 77)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(78, 77)}$; $\alpha = .05$. Parenthesis indicates the moderated Beta Value of Service Quality.

Table 8 shows the statistics for regression of service quality and customer loyalty for customers who had changed banks. The row of service quality provides statistics of the regression of service quality and customer loyalty unmoderated by personality. The table shows that the overall regression model is significant $F_o = 5.556 > F_{(1, 78)} = 3.960$; $\alpha_o = .021 < \alpha_c = .05$, $t_o = 2.357 > t_{(78)} = 1.930$. This led to the rejection of the null hypothesis that service quality has no significant effect on customer loyalty in the banking sector in Homa Bay County. The study therefore established that service quality is a significant determinant of customer loyalty among customers in the banking sector in Homa Bay County.

The adjusted R square statistic is Adj. $R^2 = .055$. This indicates that service quality accounts for 5.5% of the variance in customer loyalty among customers in the banking sector in Homa Bay County. This leaves about 94.5% to other factors including errors in measurements. Since service quality is a significant predictor of customer loyalty, it was possible to build a prediction model of customer loyalty using the constant and B value such that $CL^I = 71.637 - .247SQ$; where CL^I is the predicted customer loyalty, and SQ the status of service quality. It is therefore possible to influence the loyalty of customers in the banking sector in Homa Bay County by about 5.55% through manipulating service quality.

The row of personality shows the variations in the relationship between service quality and customer loyalty when moderated by personality. The overall regression model is still significant, that is, $F_o = 5.576 > F_{(2, 77)} = 3.110$; $\alpha_o = .033 < \alpha_c = .05. t_o = 2.320 > t_{(78)} = 1.930$. The null hypothesis that service quality when moderated by personality has no significant effect on customer loyalty in the banking sector in Homa Bay County was rejected. The study therefore established that personality has significant moderating effect on the relationship between service quality and customer loyalty. The adjusted R square statistic (Adj. $R^2 = .061$) shows an improved effect of service quality on customer loyalty from 5.5% to 6.1%. Consequently, 6.1% of the variance in customer loyalty in the banking sector in Homa Bay County is accounted for by service quality when moderated by personality. This leaves about 93.1% to other factors including errors in the measurements. Because the overall model was significant, it was possible to develop. The moderated prediction model $CL^I = 63.108 - 0.242PS -0.137SQ$ where CL^I was the predicted customer loyalty, and QS the status of service quality while PS is personality.

4.4.1.2 Service quality and customer loyalty of customers who had not changed banks

Data on service quality and customer loyalty from the 320 respondents who had not changed banks in the last three years were analyzed using simple regression analysis and the results summarized in Table 9 were obtained.

Table 9

Simple Regression of service quality and customer loyalty for customers who had not changed banks

		Coefficients		R values/proportions				F statistic		t-statistic		
Determinant	Constant	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	t_o	t_c	Sig.
Service Quality	70.024	-.202	-.220 (0.034)	.220	.049	.046	17.95	16.234	3.860	-4.029	1.960	.000
Personality	71.682	-.197	-.215	.224	.050	.044	17.96	8.355	3.020	-3.886	1.960	.000

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(1, 318; 2, 317)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(318; 317)}$; $\alpha = .05$. Parenthesis indicates the Beta Value of moderated Service Quality.

Table 9 shows the statistics for regression of service quality and customer loyalty of customers who had not changed banks in the last three years. The row of service quality provides statistics of the regression of service quality and customer loyalty unmoderated by personality. The table shows that overall regression model is significant $F_o = 16.234 > F_{(1, 318)} = 3.860$; $\alpha_o = .000 < \alpha_c = .05$). The t values also indicate a significant association because ($t_o = 4.029 > t_{(318)} = 1.960$). This led to the rejection of the null hypothesis that service quality has no significant effect on customer loyalty in the banking sector in Homa Bay County. The alternative hypothesis that service quality has a significant effect on customer loyalty was therefore accepted. The study therefore established that service quality is a significant determinant of customer loyalty among customers in the banking sector in Homa Bay County among customers who had not changed banks in the last three years.

The adjusted R square statistic (Adj. $R^2 = .046$) indicates that service quality accounts for 4.6% of the variance in customer loyalty among customers who had not changed banks within the last three years in Homa Bay County, leaving about 95.4% of the variance in customer loyalty to other factors including errors in the measurements. Since service quality is therefore a significant predictor of customer loyalty among customers who have not changed banks in the last three years, it was possible to build a prediction model of customer loyalty using the constant and B value such that $CL^I = 70.024 - 0.202SQ$; where CL^I is the predicted customer loyalty of customers who have not changed banks in the last three years, and SQ the status of service quality. It is therefore possible to change the loyalty of customers who have not changed banks in the last three years in Homa Bay County by about 4.6% by manipulating service quality.

The row of personality shows the variations in the relationship between service quality and the loyalty of customers who have not changed banks in the last three years when moderated by personality. Even after moderation with personality, the overall regression model is still significant ($F_o = 8.355 > F_{(2, 317)} = 3.020$; $\alpha_o = .000 < \alpha_c = .05$). Further $t_o = -3.886 > t_{(317)} = 1.960$). The null hypothesis that service quality has no significant effect on customer loyalty among customers in the banking sector in Homa Bay County was still rejected even when moderated with personality. The study therefore established that personality has a moderating effect on the relationship between service quality and customer loyalty as the adjusted R^2

reduced among customers who had not changed banks. The adjusted R square statistic (Adj. R^2 = .044) shows a reduced effect of service quality on customer loyalty from 4.6% to 4.4%. Consequently, 4.4% of the variance in customer loyalty of customers who had not changed banks in the last three years in Homa Bay County is accounted for by service quality when moderated by personality. Due to these significant results, it was possible to generate a prediction model and B values. The moderated prediction model is $CL^I = 71.682 - 0.197PS - 0.0.034SQ$; where CL^I is the predicted loyalty of customers who had not changed banks in the last three years, and SQ the status of service quality while PS is personality.

4.4.2 Service features and customer loyalty among customers in the banking sector

The second objective of this study was to analyse the effect of service features on customer loyalty in the banking sector in Homa Bay County. Service features, as a determinant of customer loyalty was conceptualized as interest on loans, credit cards, account charges, service cost, loans and interest on savings. Data on this objective was collected from customers who had changed banks as well from those who had not changed banks in the last three years. Data from the two categories of customers were analyzed using simple regression analysis and the results summarized in the following sub section were obtained.

4.4.2.1 Service features and customer loyalty of customers who had changed banks

Data on service features and customer loyalty from the 80 customers who had changed banks in the last three years were analyzed using regression analysis. The results obtained are summarized in table 10.

Table 10

Simple Regression of Service Features and Customer Loyalty of Customers who had changed Banks

		Coefficients		R values/proportions				F statistic		t-statistic		
Determinant	Constant	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	t_o	t_c	Sig.
Service Features	53.156	.064	.062	.062	.004	-.009	24.80	.306	3.960	.553	1.930	.582
Personality	44.628	.061	.059	.157	.025	-.001	24.70	.970	3.110	.527	1.930	.600

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(1, 78; 2, 77)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(78, 77)}$; $\alpha = .05$.

Table 10 shows the statistics of regression of service features and customer loyalty of customers who had changed banks in the last three years. The row of service features provides statistics of the regression of service features and customer loyalty of customers who had changed banks in the last three years, unmoderated by personality. From the table, the overall regression model is not significant ($F_o = .306 < F_{(1, 78)} = 3.960$; $\alpha_o = .582 > \alpha_c = .05$), which leads to the same conclusion. The t values also indicate a non significant association ($t_o = .553 < t_{(78)} = 1.930$) which points to the same conclusion. The null hypothesis that there is no significant relationship between service features and customer loyalty among customers in the banking sector in Homa Bay County was therefore accepted. The alternative hypothesis that service features have a significant effect on customer loyalty was rejected. The study therefore established that service features is not a significant determinant of customer loyalty among customers who had changed banks in the last three years. The adjusted R square statistic (Adj. $R^2 = .001$) indicates that service features accounts for just .01% of the variance in customer loyalty among customers in the banking sector in Homa Bay County, leaving a whole 99.9% of the variance in customer loyalty to other factors. Since service features is not a significant predictor of customer loyalty, it was not necessary to build a prediction model of customer loyalty using the constant and B values.

The row of personality shows the variations in the relationship between service features and customer loyalty when moderated by personality. Even after moderation, however, the overall regression model is still not significant ($F_o = .970 < F_{(1, 77)} = 3.960$; $\alpha_o = .384 > \alpha_c = .05$). Further $t_o = .527 < t_{(77)} = 1.930$), which led to the same conclusion. The null hypothesis that service features has no significant effect on customer loyalty in the banking sector in Homa Bay County was therefore accepted even after moderation. The alternative hypothesis that personality has significant moderation effect on the relationship between service features and customer loyalty was therefore rejected. The adjusted R square statistic (Adj. $R^2 = .009$) improved slightly to 0.9% from 0.1%, but this increment does not have a significant effect on the overall regression model, as it can only explain 0.9% of the variance, leaving 99.1% of the variance in customer loyalty to other factors including errors. Therefore even after moderation, it was not necessary to construct a prediction model. Hence, the study established that service features is not a significant determinant of customer loyalty among customers who had changed banks in the last three years. Service features therefore does not explain why customers in the banking sector in Homa Bay County changed banks in the last three years.

4.4.2.2 Service Features and Customer Loyalty of customers who had not changed banks

Data on service features and customer loyalty from the 320 customers who had not changed banks in the last three years were analyzed using regression analysis and the results summarized in Table 11 were obtained.

Table 11

Simple Regression of Service features and Customer Loyalty of customers who had not changed banks

		Coefficients		R values/proportions				F statistic		t-statistic		
Determinant	Constant	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	t_o	t_c	Sig.
Service features	49.974	.130	.057(0.067)	.126	.016	.013	18.25	5.123	3.860	2.263	1.960	.024
Personality	53.565	.135	.058	.148	.022	.016	18.22	3.545	3.020	2.351	1.960	.030

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(1, 318; 2, 317)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(318; 317)}$; $\alpha = .05$.

Parenthesis indicates the moderated Beta Value of Service Features.

Table 11 shows the statistics of regression of service features and customer loyalty of customers who had not changed their banks in the last three years. The row of service features provides statistics of the regression of service features and customer loyalty unmoderated by personality. The table shows that overall regression model is significant ($F_o = 5.123 > F_{(1, 318)} = 3.860$; $\alpha_o = .024 < \alpha_c = .05$). The t values also indicate a significant association since $t_o = 2.263 > t_{(318)} = 1.980$, which led to the same conclusion. The null hypothesis that there is no significant relationship between service features and customer loyalty among customers who had not changed banks in the last three years was rejected. The alternative hypothesis that service features has a significant effect on customer loyalty was accepted. The study therefore established that service features is a significant determinant of customer loyalty among customers who had not changed banks in the last three years.

The adjusted R square statistic (Adj. $R^2 = .013$) indicates that service features accounts for 1.3% of the variance in customer loyalty among customers who had not changed banks in the last three years. 98.7% of the variance in customer loyalty among customers who had not changed banks in the last three years is therefore explained by other factors including errors in measurements. Since service features is significant predictor of customer loyalty among customers who had not changed banks in the last three years, it was possible to build a prediction model of customer loyalty from service features using the constant and B value such that $CL^I = 49.974 - 0.13SF$; where CL^I is the predicted customer loyalty among customers who had not changed banks in the last three years, and SF the status of service features. This means that it is possible to influence customer loyalty among loyal customers in the banking sector in Homa Bay County by about 1.3% by manipulating service features.

The row on personality shows the variations in the relationship between service features and customer loyalty among customers who had not changed banks in the last three years when moderated by personality. Even after moderation by personality, the overall regression model was still significant ($F_o = 3.545 > F_{(1, 217)} = 3.020$; $\alpha_o = .030 < \alpha_c = .05$). Further $t_o = 2.531 > t_{(317)} = 1.960$), and this led to the same conclusion. The null hypothesis that there is no significant relationship between service features and customer loyalty among customers in the banking sector was confirmed still rejected even after moderation with personality. The alternative hypothesis that personality has a significant effect on the relationship between service features and customer loyalty was accepted. The study therefore established that personality has significant moderating effect on the relationship between service features and customer loyalty.

The adjusted R square statistic (Adj. $R^2 = .016$) shows an increased effect of service features on customer loyalty from 1.3% to 1.6% when moderated by personality. Hence 1.6% of the variance in customer loyalty among customers who had not changed banks in the last three years in Homa Bay County is accounted for by service features when moderated by personality. Because of this significant effect, it was necessary to develop a prediction model of customer loyalty from service features. The moderated prediction model is $CL^I = 53.565 + 0.135PS - 0.067SF$; where CL^I is the predicted customer loyalty of customers who had not changed banks in the last three years, and SF the status of service features while PS is personality. It can be said from these findings that customers tend to stay in and remain loyal to banks due to service features provided by the banks and due to their personalities.

4.4.3 Complaint handling and customer loyalty among customers in banking sector

The third objective of this study was to analyze the effect of complaint handling on customer loyalty in the banking sector in Homa Bay County. Data on complaint handling was collected on fairness and participatory nature of the complaint handling process as well as on interest in clients' problems, problem resolution, exiting resolution and timeliness. Data was collected from customers who had changed banks as well from those who had not changed bank in the last three years. Data from the two categories of customers were analyzed using simple regression analysis and the results summarized in the following subsections were obtained.

4.4.3.1 Complaint handling and customer loyalty of Customers who Changed Banks

Data on complaint handling and customer loyalty from the 80 customers who had changed banks in the last three years were analyzed using regression analysis. The results obtained are summarized in Table 12

Table 12

Simple Regression of Complaint Handling and Customer Loyalty among customers who had changed Banks

	Coefficients			R values/proportions				F statistic		t-statistic		
Determinant	Constant	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	t_o	t_c	Sig.
Complaint Handling	53.597	.062	.062	.062	.004	-.009	24.80	.296	3.960	.544	1.930	.588
Personality	46.830	.033	.139	.148	.022	-.003	24.73	.868	3.110	.280	1.930	.424

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(1, 78; 2, 77)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(78, 77)}$; $\alpha = .05$.

Table 12 summarizes the statistics of regression of complaint handling and customer loyalty. The row of complaint handling provides statistics of the regression of complaint handling and customer loyalty of customers who had changed banks in the last three years unmoderated by personality. The table indicates that the overall regression model is not significant since F_o = .296 < $F_{(1, 78)}$ = 3.960; and α_o = .588 > α_c = .05, which led to the same conclusion. The t values also indicate a non significant association between complaint handling and customer loyalty among customers who had changed banks in the last three years, when not moderated by personality since t_o = .544 < $t_{(78)}$ = 1.930). This also points to the same conclusion as above. The null hypothesis that complaint handling does not have a significant effect on loyalty of customers in the banking sector in Homa Bay County was therefore accepted. However, the alternative hypothesis that complaint handling has a significant effect on customer loyalty was rejected. The study therefore established that complaint handling is not a significant determinant of loyalty of customers who had changed banks in the last three years.

The adjusted R square statistic (Adj. R^2 = .009) indicates that complaint handling accounts for just .09% of the total variance in customer loyalty among customers in the banking sector in Homa Bay County, leaving 99.1% of the variance in customer loyalty to other factors. This large proportion of unexplained variance further confirms that this relationship is not significant. Since complaint handling is not a significant predictor of customer loyalty, it was not necessary to build prediction model of customer loyalty and complaint handling using the constant and B values.

The row of personality shows the variations in the relationship between complaint handling and customer loyalty when moderated by personality. The table shows that, even after moderation, complaint handling still does not have a significant effect on customer loyalty of customers who had changed banks in the last three years. In fact, F_o = .868 < $F_{(2, 77)}$ = 3.110; and α_o = .424 > α_c = .05, which led to the acceptance of the hypothesis. Moreover, t_o = .544 < $t_{(77)}$ = 1.930), which led to the same conclusion. The null hypothesis that complaint handling has no significant effect on customer loyalty of customers in the banking sector in Homa Bay County was still accepted even after moderation. However, the alternative hypothesis that personality has a moderating effect on the influence of complaint handling and customer loyalty was rejected. The study therefore established that complaint handling whether moderated with personality or not, has no significant effect on the loyalty of customers who had changed banks.

The adjusted R square statistic (Adj. R^2 = .003) reduced slightly to 0.3% from 0.9% when moderated by personality, but this change does not have a significant effect on the overall regression model, since it can only explain 0.3% of the total variance, leaving 99.7% of the variance in customer loyalty to other factors including errors. Therefore even after moderation, the prediction model could not be constructed. Hence it was established from these results that complaint handling is not a significant determinant of customer loyalty of customers who had changed banks in the last three years in the banking sector in Homa Bay County. It therefore does not explain why a customer may become loyal or leave a bank.

4.4.3.2 Complaint handling and customer Loyalty of customers who had not changed banks

Data on complaint handling and customer loyalty from the 320 customers who had not changed banks in the last three years were analyzed using regression analysis and the results summarized in Table 13 were obtained.

Table 13

Simple Regression of Complaint Handling and Customer Loyalty among customers who had not changed banks

	Coefficients			R values/proportions				F statistic		t-statistic		
Determinant	Constant	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	t_o	t_c	Sig.
Complaint Handling	48.375	.137	.153(0.064)	.153	.023	.020	18.18	7.579	3.860	2.753	1.960	.006
Personality	51.967	.139	.155	.170	.029	.023	18.16	4.714	3.020	28.03	1.960	.101

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(1, 318; 2, 317)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(318; 317)}$; $\alpha = .05$. Parenthesis indicates the Beta Value of Moderated complaint Handling

Table 13 shows the statistics of regression of complaint handling and customer loyalty on customers who had not changed their banks in the last three years. The row of complaint handling provides statistics of the regression of complaint handling and customer loyalty of customers who had not changed banks in the last three years, when unmoderated by personality. It can be seen that under these conditions, the overall regression model is significant ($F_o = 7.579 > F_{(1, 318)} = 3.860$; $\alpha_o = .006 < \alpha_c = .05$). On the other hand, the t values also indicate a significant association complaint handling and customer loyalty among customers who had not changed banks in the last three years ($t_o = 2.753 > t_{(318)} = 1.980$). This led to the same conclusion. The null hypothesis that complaint handling does not have a significant effect on customer loyalty of customers in the banking sector in Homa Bay County was therefore rejected. However, the alternative hypothesis that complaint handling has a significant effect on customer loyalty was accepted. The study therefore established that complaint handling influences customer loyalty in the banking sector among customers who had not changed banks. This is not true for customers who had changed banks in the last three years. The study therefore established that complaint handling is a significant determinant of customer loyalty in the banking sector in Homa Bay County, especially among customers who had not changed banks in the last three years. It can therefore be said that such customers have not changed banks and are therefore loyal to their banks due to customer complaint handling processes in those banks.

The adjusted R square statistic (Adj. $R^2 = .020$) indicates that complaint handling accounts for 2.0% of the total variance in customer loyalty among customers who had not changed banks in the last three years in Homa Bay County. However, 98% of the loyal customers who had not changed banks in the last three years were due to other factors including errors in measurements rather than complaint handling. Since complaint handling is a significant predictor of customer loyalty among customers who had not changed banks in the last three years, it was necessary to build a prediction model of customer loyalty from complaint handling using the constant and B value. The prediction model is $CL^I = 48.375 + 0.137CH$; where CL^I is the predicted customer loyalty for customers who had not changed banks in the last three years, and CH the status of complaint handling. Thus it is possible to influence the loyalty of customers who had not changed banks in the last three years in Homa Bay County by about 2.0% by manipulating complaint handling procedures in the banking sector.

The row on personality shows the variations in the relationship between complaint handling and customer loyalty among customers who had not changed banks in the last three years when moderated by personality. The table shows that even after moderation with personality, the overall regression model is still significant ($F_o = 4.714 > F_{(2, 317)} = 3.020$) and $\alpha_o = .010 < \alpha_c = .05$. These led to the rejection of the null hypothesis. Further $t_o = 2.803 > t_{(317)} = 1.980$), which also led to the same conclusion. The null hypothesis that complaint handling has no significant effect on customer loyalty among customers who had not changed banks in the banking sector in Homa Bay County was therefore rejected even after being moderated with personality. The alternative hypothesis that personality has a significant moderating effect on the effect of complaint handling on customer loyalty was therefore accepted.

The adjusted R square statistic (Adj. $R^2 = .023$) shows an increased effect of complaint handling on customer loyalty from 2.0% to 2.3%. Hence 2.3% of the total variance in customer loyalty among those who had not changed banks in the last three years in Homa Bay County could be explained from complaint handling when moderated by personality. Moreover, because there was a significant effect it was necessary to develop a prediction model of customer loyalty from complaint handling. The prediction model is determined as $CL^I = 51.967 + 0.139PS - 0.064CH$; where CL^I was the predicted customer loyalty, and CH the status of complaint handling while PS is personality. The results suggest that customers tend to stay and remain loyal to their banks due to the way their complaints are handled by the banks and their loyalty may be increased when customers' personality is taken into consideration in the banking sector.

4.4.4 Multivariate relationship between determinants of customer loyalty and customer loyalty

The last objective was to establish the moderating effect of customer personality on the relationship between determinants of customer loyalty and customer loyalty. Having described the bivariate relationships between each determinant and customer loyalty, it was necessary to determine the relationship between all the determinants of customer loyalty taken together, and customer loyalty. The researcher was aware that all these determinants exist in all banks at the same time and so they could not affect customer loyalty in isolation. So even if each of them could have individual association with customer loyalty, they could still have a combined effect of customer loyalty when they are all taken together. The need for a multiple relationship of the model therefore showed in the following form,

$$CL^1 = a + d_1 D_1 + d_2 D_2 + d_3 D_3 + \ldots d_{.n} D_n \qquad (4.1)$$

Where;

CL^1 = predicted customer loyalty,

D = determinants of customer loyalty

a = regression constant

d = coefficients of regression.

The scores in Appendix III and IV were regressed on customer loyalty under the hypothesis that service quality, service features and customer complaint handling together do not have a significant effect on customer loyalty among customers in the banking sector in Homa Bay County. The results of the analysis are summarized in Table 14.

4.4.4.1 Determinants of customer loyalty and customer loyalty among customers who changed banks

Data on all the determinants of customer loyalty and customer loyalty from the 80 customers who had changed banks in the last three years were analyzed using multiple regression analysis. The results obtained are summarized in Table 14.

Table 14

Multiple Regression for all the determinants and Customer Loyalty among customers who had changed Banks

Determinants	Coefficients (UM)		Coefficients (MD)		R values/proportions				F statistic		t statistic			Sig.
	B	β	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	$t_{o(UM)}$	$t_{o(MD)}$	t_c	
Constant	67.05		61.22								5.079	4.291		
Service Quality	-260	-.271	-.254	.111							-2.338	-2.284		
Service Features	-.001	-.001	-.007	.120							-.009	-.058		
Complaint Handling	.098	.097	.071	.116							.866	.608		
Personality			.122	.121								1.070		
Model Summary (UM)	-	-	-	-	.275	.076	.039	24.20	2.079	2.720			1.980	.110
Model Summary(MD)	-	-	-	-	.300	.090	.041	24.18	1.849	2.480		4.604	1.980	.128

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(3, 76; 4, 75)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(76, 75)}$; $\alpha = .05$; MD is moderated; UM is unmoderated.

The data on the last row (model summary) of Table 14 gives information on all the determinants of customer loyalty taken together, and customer loyalty. It provides the overall significance of the regression for the unmoderated model (UM), and the moderated model (MD), for the customers who had changed banks in the last three years. The F value is not significant for both the moderated and unmoderated models. In the first case, $F_o = 2.079 < F_{(3, 76)} = 2.720$; and $\alpha_o = .110 > \alpha_c = .05$ for the unmoderated model (UM); and $F_o = 1.849 < F_{(4, 75)} = 2.480$; while $\alpha_o = .128 > \alpha_c = .05$ for the moderated model (MD). This gives a strong evidence for the null hypothesis that all d_s are equal to zero for both models. The hypothesis that service quality, service features and customer complaint handling do not have a significant effect on customer loyalty of customers in the banking sector in Homa Bay County was therefore accepted. However, the alternative hypothesis that service quality, service features and complaint handling have a significant effect on customer loyalty was rejected. This means that none of the determinants is a significant predictor of customer loyalty if taken together, as all d_s are equal to zero. The study therefore established that service quality, service features and complaint handling are not significant determinants of customer loyalty among customers who had changed banks. Having established that all d_s were equal to zero, and that none of the elements is a significant determinant of customer loyalty, it was not necessary to investigate d_1, d_2, d_3 as the overall model is insignificant.

The column of t values confirms that none of the three factors are significant determinants of customer loyalty. For both moderated and unmoderated cases, $t_{os} < t_{(76; 75)} = 1.980$; and $\alpha_{os} > \alpha_c = .05$) which led to the same conclusion as above. The hypothesis that at least one of the determinants is a significant predictor of customer loyalty in the banking sector in Homa Bay County was therefore rejected. The study therefore established that service quality, service features and customer complaint handling, when acting together, are not significant determinants of customer loyalty among customers who had changed banks in the last three years.

The adjusted R square statistic for both the unmoderated and the moderated cases (adj. $R^2 = .039$) and (adj. $R^2 = .041$) indicate that only 3.9% and 4.1% respectively of the variance in customer loyalty is explained by the three variables taken together. In other words, service quality, service features and customer complaint handling together account for just 3.9% of the variance in customer loyalty when not moderated by personality but when moderated by personality, service quality, service features and customer complaint handling together account for 4.1% of the total variance in customer loyalty. Therefore, about 96.1% and 95.9% of the total variance customer loyalty can be accounted for by other factors, and by errors due to measurements when unmoderated and moderated by personality. Service quality, service features and customer complaint handling, together are therefore not among the factors that create customer disloyalty among customers who changed banks in the last three years.

4.4.4.2 Determinants of customer loyalty and Customer Loyalty among customers who had not changed banks

Data on all determinants of customer loyalty and customer loyalty from the 320 customers who had not changed banks in the last three years were analyzed using multiple regression analysis. The results obtained are summarized in Table 15.

Table 15

Multiple Regression for all the determinants and Customer Loyalty among customers who had not changed banks

Determinants	Coefficients (UM)		Coefficients (MD)		R values/proportions				F statistic		t statistic			Sig.
	B	β	B	β	R	R^2	Adj. R^2	Std. ε	F_o	F_c	$t_{o(UM)}$	$t_{o(MD)}$	t_c	
Constant	46.503		48.397								7.904	7.818		
Service Quality	-.245	-.268	-.238	-.260							-4.922	-4.737		
Service Features	.171	.166	.176	.170							3.043	3.111		
Complaint Handling	.230	.256	.231	.257							4.587	4.606		
Personality			-0.45	.46								-.985		
Model Summary (UM)	-	-	-	-	.345	.119	.111	17.32	14.218	2.620			1.960	.000
Model Summary(MD)	-	-	-	-	.349	.122	.110	17.32	10.905	2.390		4.604	1.960	.000

B is un-standardized coefficients, β is standardized coefficients; R is multiple correlation coefficient, R^2 is the proportion of the total variance, R^2-adjusted is improved approximation of R^2; Std ε is standard error of the estimate, F_o is the observed ANOVA statistic, F_c is critical ANOVA statistic $F_{(3, 316; 4, 315)}$; t_o is observed t statistic, t_c is critical t statistic $t_{(316; 315)}$; $\alpha = .05$; MD is moderate while UM is unmoderated.

The data on the last row (model summary) of Table 15 gives information on all determinants of customer loyalty taken together, and customer loyalty. It provides the overall significance of the regression for the unmoderated model (UM), and the moderated model (MD), for the customers who had not changed banks in the last three years. The F value is significant for both the moderated and unmoderated models. For the unmoderated model, $F_o = 14.218 > F_{(3, 316)} = 2.620$; and $\alpha_o = .000 < \alpha_c = .05$. This indicates a significant association. For the moderated model, $F_o = 10.905 > F_{(4, 315)} = 2.390$; while $\alpha_o = .000 < \alpha_c = .05$, which also indicates a significant effect. Both cases therefore give strong evidence against the null hypothesis that all d_s are equal to zero in both cases. The hypothesis that service quality, service features and customer complaint handling do not have a significant effect on customer loyalty was therefore rejected. But the alternative hypothesis that service quality, service features and complaint handling have a significant effect on customer loyalty was therefore accepted.

This suggests that all the determinants are significant predictors of customer loyalty, if taken together, as all d_s are not equal to zero. Therefore the study established that at least one of the determinants of customer loyalty (service quality, service features and complaint handling) have a significant effect on customer loyalty. Having established that not all d_{is} are equal to zero, and that at least one of them is a significant determinant of customer loyalty, there was need to investigate a, d_1, d_2, d_3 to determine which of the factors are actually significant in the model. To achieve this, a, d_1, d_2, and d_3 were investigated under the hypothesis that at least one of them is not a significant predictor of customer loyalty by investigating H_{oj}: $b_j = 0$ against H_1: $b_j \neq 0$ for $j = 0,1,2,3$, through t values.

The column of t values provides evidence on which of the variables are significant predictors of customer loyalty. The t values indicate that all the three factors are significant determinants of customer loyalty among customers in the banking sector in Homa Bay County. For both unmoderated model, all $t_{os} > t_{(315)} = 1.960$; and all $\alpha_{os} < \alpha_c = .05$, which led to the rejection of the null hypothesis. The null hypothesis that service quality, service features and complaint handling are not significant determinants of customer loyalty was therefore rejected. But the alternative hypothesis was accepted. For the moderated model, all $t_{os} > t_{(316)} = 1.960$; and all $\alpha_{os} < \alpha_c = .05$; which also led to the same conclusion as above. The null hypothesis that at least one of the determinants is a significant predictor of customer loyalty in the banking sector in Homa Bay County was therefore accepted. Further, the hypothesis that personality is a moderating factor on the effect of determinants of customer loyalty was accepted. The study therefore established that service quality, service features and customer complaint handling when acting together, are significant determinants of customer loyalty in the banking sector in Homa Bay County. A general model for determining customer loyalty based on the three determinants was developed as $CL^I = 46.503 - 0.245SQ + 0.171SF + 0.23CH$; where CL^I is the predicted customer loyalty, SQ is service quality, and SF is service features while CH is complaint handling. However, the model changes to $CL^I = 48.397 - 0.238SQ + 0.176SF + 0.231CH - 0.045PS$; when moderated by customer personality. It can be said from these findings that customers tend to stay and remain loyal to the banks due to service quality, service features, their personality and the way the complaints are handled by the banks.

The adjusted R square statistic for unmoderated model (adj. $R^2 = .111$) and moderated model (adj. $R^2 = .110$) indicate that 11.1% and 11.0% of the variance in customer loyalty could be explained by the three variables working together, under unmoderated model and under moderated model respectively. The total variance in customer loyalty explained by the unmoderated model is 11.1%. In other words service quality, service features and customer complaint handling together account for 11.1% of the variance in customer loyalty. But 88.9% of the total variance in customer loyalty is explained by other factors not investigated in this study. However, when moderated by personality, service quality, service features and customer complaint handling together account for 11.0% of the variance in customer loyalty among customers in the banking sector in Homa Bay County. This indicates a slight reduction of about 0.1%. Service quality, service features and customer complaint handling together and personality are some of the factors that create customer loyalty among customers in the banking sector in Homa Bay County, and make them remain loyal to their bank.

4.5 Discussion of Findings

The main objective of this study was to analyse the effect of customer personality on customer loyalty determinants in the banking sector in Homa Bay County, Kenya. The specific objectives were to: analyse the effect of service quality on customer loyalty outcomes; find the effect of service features on customer loyalty; analyze the effect of complaint handling on customer loyalty and to establish the moderating effects of customer personality on the relationship between determinants of customer loyalty and customer loyalty.

Based on the extant concepts from literature on determinants of customer loyalty and customer loyalty, a conceptual framework was developed and used to develop and investigate these variables. After literature review, four (4) hypotheses were developed. All the hypothesis of the study were supported on the customers who had not changed banks for the last three years, although the results indicated varying levels of significance. However, some hypotheses were not supported among customers who had changed banks in the last three years. This section discusses the results of the study, including the analysis of the hypotheses in detail.

4.5.1 Determinants of Customer Loyalty

The results presented in sections 4.4.4.1 represent customers who had changed banks for the last three years. It indicates that service quality, service features and customer complaint handling had no effect on the customer loyalty when put together among customers who had changed banks in the last three years. However section 4.4.4.2 shows that when the three determinants are applied together, customer loyalty increased particularly among customers who had not changed banks for the last three years. Before discussing these findings in light of literature, it is expedient to point out several issues. First, previous studies on customer loyalty have been based on cross-sectional case studies with comparatively relatively few surveys-based studies. Secondly, most of the studies, both survey and case study have predominantly addressed the relationship between service quality and customer loyalty, other determinants are therefore neglected. Thirdly, notable studies on all the three determinants are (Gronroos, 2000; Parasuraman et al, 2005; Ahmed & Gul, 2006). Several studies are based on quantitative approaches that address partial components of customer loyalty.

The next section will discuss the individual determinants of customer loyalty (service quality, service features and customer complaint handling) and customer loyalty on both customers who had changed banks for the last three years and those who had not changed banks for the same period.

4.5.2 Service quality and customer loyalty

This study made several significant findings. First, it found that service quality is a significant determinant of customer loyalty in the banking sector, whether or not service quality is moderated by personality among customers who had changed banks and who had not changed banks in the last three years. This finding can be understood from the views of Beryl and Brodeur (2007) who pointed out that the interrelationships between service quality, customer satisfaction and customer loyalty provide creative ideas for improving services in order to gain a competitive advantage in the retail banking sector. The finding is also supported by the views of Gee *et. al.* (2008) that service quality is a critical success factor that influence the competitiveness; and that a bank can differentiate itself from competitors by providing high quality service. This was again supported by the views of Baker (2004) that loyal customers tell others about their experiences and this increases WOM advertising. This could lead to high customer loyalty which is important in maintaining a loyal customer base.

Nevertheless, as Gronroos (2000) pointed out earlier, a service must consist of a series of more or less intangible activities that normally, but not necessarily always, take place in interactions between the customer and service employees or physical resources or goods or systems of the service provider, which are provided as solutions to customer problems. It could be argued that commercial banks in Homa Bay have managed to do this very well. It seems, as Blackwell, Miniard & Engel (2006) point out, that they have made a global judgement or attitude relating to particular services; and created overall impression on customers of the relative inferiority or superiority of the organization and its services. The finding is supported by Bahia and Nantel (2000), while arguing that the Service Quality (SERVQUAL) approach has, not excempted from criticism, developed a new measurement for perceived service quality in Retail Banking, and proved that the dimensions of Bank Service Quality (BSQ) are more reliable than the dimensions of SERVQUAL.

This finding deviates from Best (2009) he found out that there was a mismatch between service quality the banks provide and service quality the customers preferred. The implication here is that there is the need for management to take a look at strategies that emphasise service delivery as it relates to relationship issues since the study shows through the correlations that banks that score well in complaint handling have customers with high loyalty intentions compared with the loyalty intentions of customers whose bank focuses more on service quality. In other words, customers who perceive their bank staffs to be empathetic (caring and giving individualised attention) tend to be more loyal than those who perceive their banks to be investing more in profitability. Put another way, providing customers with care and individualised attention is more important than providing conducive business environment to the customer. This finding may be unique since service quality is the highest determinant of customer loyalty. This difference may have been brought about by the uniqueness of the Ghanaian culture.

The findings show that there is a negative coefficient in the relationship between service quality and customer loyalty. This suggests that as service quality improves, customer loyalty decreases. This finding is brought about by customer overestimation of performance in that as service quality improves, the customers use that service level as a benchmark for tomorrow's performance. It is also as a result of improved constructs of service quality which leads to reduction in switching cost due to technological advancements which enables customers to carry out transactions through internet and mobile phones and there is little or no interaction with the banks' employees which reduces relationship management. This finding is in agreement with (Hashash, 2008) who concluded that underestimation of performance reduces customer loyalty while overestimation does not lead to improved customer loyalty in the banking sector. However, this relationship does not show causation.

4.5.3 Service features and customer loyalty

The study also found that service features is not a significant determinant of customer loyalty among customers who had changed banks, but that it is a significant determinant of customer loyalty among customers who had not changed banks, whether or not it is moderated with customer personality. It follows therefore, as pointed out in the background, and as confirmed by the study, that with the intense competition and increasing globalization in the financial markets, banks must develop customer-oriented strategies in order to compete successfully in the competitive retail banking environment. It is true, as Zeithaml (2008) indicates that the longer a bank can retain a customer, the greater revenue and cost savings from that customer. But of critical effect in this area are the service features that a bank has to offer to its customers. This finding supports the views of Zeithaml (2008) that price must be given up or sacrificed to obtain certain kinds of products or services. He pointed out that customers change banks in search of better prices for the services offered.

This finding is also supported by the views of Keaveny (2005) who observed that all critical switching behaviors involved prices, rates, fees, charges, surcharges, service charges, penalties, price deals, coupons, or price promotions. Thus, as Keaveny (2005) had noted, and as this study has confirmed, price has wider implications in the banking sector than in other service industries. In fact, the findings of this study are also confirmed by Baker (2004) that price is a critical factor in bank selection, and has an important impact on customers' switching decisions. The study concurs with the findings of Berry (2004) who concluded that in a technology-driven, fast-paced environment, delivering a wide range of products to customers is essential for businesses' success and survival. Hence service features become key in business success. As Shapiro (2003) had pointed out, this finding also confirms that delivering a broad range of service products is critical in the banking industry. Commercial banks must have a diversity of features of service products to provide customers with unlimited access to financial service products and offer them a wider range of choices.

The study found that service feature was not a significant determinant of customer loyalty among customers who changed their banks for the last three years. This findings did concur with Best (2009) who found that acceptable price may not attract or increase customers loyalty. He suggested therefore that the evidence regarding the relationship between price satisfaction and customer loyalty may be inconclusive.

4.5.4 Customer complaint handling and customer loyalty

This study found that complaint handling is not a significant determinant of customer loyalty among customers who had changed banks, but it is a significant determinant of customer loyalty in the banking sector among customers who had not changed banks, whether or not it is moderated with personality. This finding supports the view of Dick & Basu (2004) that complaints management is now an integral part of business, either as a regulatory principle or as a customer service standpoint. In view of this finding, the study takes the view of Banks Internal Communication (2010) that there must exist a formal process of recording and resolving a customer complaint, within the larger strategy of customer experience management. And for a start, all banks must have formal complaints-handling process and strive to resolve the complaints at the local level.

These findings are also supported by Carvajal (2011) who concluded that complaint handling though it had smaller impact remains an important factor in securing customer loyalty. He adds that customers have a positive perception of banks that resolves problems and complaints satisfactorily and in a reasonable prompt manner and it is this perception that translates to greater loyalty. However, the study carried out by Arancibia (2010) to establish the impact of personalization and complaint handling on customer loyalty with the main objective to determine the impacts of personalization, service quality and complaint handling on the satisfaction and loyalty of current account holders with Chilean banks. Complaint handling was a lesser but still significant determinant among customers had left the product within one year and positively impact customer satisfaction and through it customer loyalty. This difference would have been brought about by different research focus as the previous research focused on current accounts while the current research focused on loyalty to the bank.

The study found that complaint handling was not a significant determinant of customer loyalty among customers who had changed their banks in the last three years. This finding concurs with the findings of Shahid (2000) who carried out a study on relationship between complaint handling and customer loyalty. He found out that complaint handling is not an important factor of customer loyalty not only in the banking sector but also in other service industry as well. The result supports that the contention that satisfactory problem recovery leads to heighten customer loyalty or closer bonding of the customer to the service provider. The study ascertains that poor complaint handling leads to customer switching behavior but improved complaint handling does not necessarily increase customer loyalty.

4.5.5 Determinants of customer loyalty and customer loyalty

When all the variables were taken together with customer loyalty, the study established that service quality, service features and customer complaint handling, whether or not they are moderated by personality, are not significant determinants of customer loyalty among customers who had changed banks; but they are significant determinants of customer loyalty among customers who had not changed banks, whether they are moderated with personality or not. This means that for a bank to succeed in customer loyalty, it has to put in place all the determinants of customer loyalty. This was confirmed by the positions of Caruana (2000) that service quality is positively related to customer loyalty mediated by customer satisfaction, and of Tariq & Moussaoui (2009) that there is a positive relationship among service quality, customer satisfaction and customer loyalty in the banking sector. The findings were also supported by Ndubisi & Pfeifer (2005) that the cost of serving a loyal customer is much less than a new customer and that customer loyalty can be enhanced by excellent service quality and prompt complaint handling. The same result was also noted by Gee *et al.* (2008) that the service cost of a loyal customer is less than that of new customers: they pay higher costs for a set of products; and act as a word-of-mouth marketing agent. True loyalty is however, a state of mind, a set of attitudes, beliefs, and desires which must be developed by approaches which reinforce and develop a positive state of mind and the associated behaviors.

However in the study, it was noted that when all the variables were put together, service quality showed a negative correlation. This suggested that as service quality increases, customer loyalty decreases. This may be as a result of overestimation of customers on performance as customers tend to use the service quality given today as a benchmark for tomorrow's performance. This was also noted by Hashash (2008) when he carried out a study of banks in Kuwait. Service features also showed a negative correlation with customer loyalty among customers who had changed banks. Based on the constructs of service features, for example, price, it can be said that as price increases, customer loyalty decreases hence, customers who changed their banks in the last three years could be price sensitive.

The findings among the customers who had not changed banks in the last three years showed evidence that the correlation of service features changed to positive even after moderation by customer personality, this can be attributed to the price inelasticity of the loyal customers such that as interest rate on savings and loans, prices and service cost increases, customer loyalty increases. This was also noted by Maiyaki (2011) who he carried out a study of banks in Nigeria. Customer personality exhibits a negative correlation and this can be attributed to the constructs of customer personality which included lifestyle, motivation and self concept and as these improves, customer loyalty tend to reduce as customers tend to search for a better service provider which offers services that suits their lifestyle, self concept and their new level of hierarchy. However, these relationships do not show causation hence the commercial banks in Homa Bay ought to adopt this approach.

4.5.6 Moderating effect of Personality on the determinants of customer loyalty

The moderating effect of personality on each determinant of customer loyalty and on all determinants of customer loyalty develops from the very nature of personality. The study found that customer personality has significant effect on the relationship between service quality, service features and complaint handling and customer loyalty among customers who had not changed banks in the last three years. The study also established that customer personality have significant effect on the relationship between determinants of customer loyalty and customer loyalty among customers who had changed banks in the last three years. As Blackwell et al. (2006) pointed out, personality is the relatively stable organization of a person's character, temperament, intellect, and physique, which predisposes him or her to behave and act in particular ways in given situations, and which differentiates one individual from another. It follows that since various consumer variables such as personality, values and psychographics can predict the effect of individual variables on purchase and consumption, such individual differences can provide understanding of characteristics of determinants of behaviour, and everyone is different. He concluded that personality has effect on customer loyalty. This finding confirms the views of Allport (2006) based on Trait Theory that loyalty is dependent on the personality of the customer; and the consumer motivation theory by Kotler, (2000). Customer motivation represents the drive to satisfy physiological and psychological needs through product purchase and consumption based on a hierarchy of needs that influence the individual's behaviour.

The finding also follows the points raised by Blackwell et al. (2006) that personality shapes customers' beliefs and the nature of customer behaviour. It creates in the customer self concept and subsequent lifestyle based on a variety of internal (mainly physical and psychological) and external (mainly sociological and demographic) influences. It agrees and builds on the views of Fishbein (2004) that a person's belief is not his or her attitude, but his or her attitude is based on his or her belief. Behaviour does not therefore automatically follow from holding certain attitude. This means that if consumers have a positive perception of the functionality of the bank, these attitudes are not automatically translated into actual behaviour. The consumer attitude is influenced by the interplay between consumers' individual risk orientation and the different risk perception aspects which are influenced by personality.

However, customers are also concerned about their reputation which is somewhat dependent on their personality. This is also true from the findings of this study. Study by Fishbein (2004) concurred with the statement that reputation enhances customer loyalty, especially in the retail banking industry where quality cannot be evaluated accurately before purchase. The study by Nguyen & Leblanc (2001) agrees with the position of the findings of this study that reputation is a critical strategic tool for predicting the outcome of the service-production process, and a reliable indicator of the ability of a service firm to satisfy a customer's desires. Therefore, as Taylor, Roos & Hamer (2009) had pointed out, and as the results of this study corroborates, switching behaviour is not only a matter of distinct decision, but also of involuntary factors not related to the distinct decision but to customer personality. Banking sector should therefore adopt this approach.

In the study, the R^2 value is relatively very low, that is, as low as 0.01% this is attributed to the field of study. For example, any field that attempts to predict human behavior, such as psychology, typically has R-squared values lower than 20%. Humans are simply harder to predict than, say, physical processes. Hence, it is entirely expected that the R-squared values is generally low. Furthermore, the R-squared value is low but the F_0 value and the level of significance shows that the effect is statistically significant predictors, then important conclusions can still be drawn about how changes in the predictor values are associated with changes in the response value. Regardless of the R-squared, the significant coefficients still represent the mean change in the response for one unit of change in the predictor while holding other predictors in the model constant. It is also noted that the low R^2 value does not show that the model is not fit and conclusions are done based on significance coefficient regardless of the adjusted R^2 value (Gary, 1986).

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study analyzed the effect of customer personality on determinants of customer loyalty in the banking sector in Homa Bay County, but focused on four specific objectives. The previous chapter presented the analysis and findings of the study based on the responses of 400 respondents. The summary and conclusions were done on two categories of respondents according to the findings, that is, 80 customers who changed their banks and 320 customers who had not changed their banks in the last three years. This chapter presents the summary and discussion of findings. The chapter also draws conclusions and makes recommendations based on the findings and recommendations.

5.2 Summary of Findings

This study carried out an analysis on the effect of customer personality on determinants of customer loyalty among customers in the banking sectors in Homa Bay County, but focused on four main objectives. The study particularly determined the effect of service quality, service features, complaint handling both moderated and unmoderated with customer personality on customer loyalty. The study therefore made four major findings. The study first determined the correlations between the individual variables themselves. The study noted that there are significant positive association between service quality and service features at .01, and significant association between the determinants of customer loyalty and customer loyalty at .05 for the 80 customers who had changed banks. The study thus deduced that the 80 customers changed their banks due poor quality of service. Among the 320 customers who had not changed their banks, the study reported significant positive associations between service quality and complaint handling, and service features and complaint handling are significant at .01, and between service quality and personality are significant at .05. The study also reported significant positive associations between service quality and complaint handling at .01, and between service features customer loyalty at .05. The study therefore established that customer loyalty can be improved if quality of service, service features, and customer complaint handling is improved and vice versa.

The first objective of this study was to determine the effect of service quality on customer loyalty in the banking sector in Homa Bay County; with service quality being measured from timeliness of the services, efficiency and ease of access of the services as perceived by the customers. The study established that service quality is a significant determinant of customer loyalty in the banking sector in Homa Bay County, accounting for 5.5% using the prediction model of CL^I = 71.637 - .247SQ. But when moderated with personality, service quality accounts for 6.1% of the variance in customer loyalty, with a prediction model of CL^I = 63.108 - 0.242SQ + 0.137PS for customers who had changed their banks.

However, for the second category of customers, that is, those who had not changed their banks in the last three years, service quality accounts for 4.6% of the variance in customer loyalty, with a prediction model of CL^I = 70.024 - 0.202SQ unmoderated; while it accounts for 4.4% of the variance in customer loyalty with a prediction model of CL^I = 71.682 – 0.197SQ – 0.034PS when moderated personality.

The second objective was to analyse the effect of service features on customer loyalty in the banking sector in Homa Bay County; with service features being conceptualized as interest on loans, credit cards, loans, interest on savings and price. Among the customers who had changed banks in the last three years, the study established that service features is not a significant determinant of customer loyalty. In fact, it can only account for .01% of the variance in customer loyalty in the banking sector in Homa Bay County, leaving 99.9% of the variance in customer loyalty to other factors. As R^2 value was less than 1% and the F_0 values showed that it was a non-significant predictor of customer loyalty, it was not necessary to build prediction model of customer loyalty using the constant and B values. Moreover, even when moderated by personality, service features can only explain 0.9% of the variance. The study further established that service features is not a significant determinant of customer loyalty among customers who had changed banks in the last three years in the banking sector in Homa Bay County hence customers who changed their banks did so because of other factors other than the service features.

Though in the second category of customers, that is, those who had not changed banks in the last three years, the study established that service features was a significant determinant of customer loyalty among customers who had not changed banks in the last three years. It accounts for 1.3% of the variance in customer loyalty and as the R^2 value is greater than 1% and the F_0 values showing that service features is a significant determinant, it was necessary to build a prediction model of $CL^I = 49.974 - 0.13SF$ unmoderated; but accounts for 1.6% of the variance in customer loyalty when moderated with personality. The moderated prediction model is $CL^I = 53.565 + 0.135SF - 0.067PS$. Thus customers tend to stay and remain loyal to the banks due to service features provided by the banks.

The third objective was to establish the effect of complaint handling on customer loyalty in the banking sector in Homa Bay County; with complaint handling being conceptualized as fairness, interest in clients' problems, problem resolution, participatory resolution and timeliness solution. In the first category of customers, that is, customers who changed their banks in the last three years, the study established that complaint handling is not a significant determinant of customer loyalty as those who changed their banks did so because of other factors other than service features. In fact, it can only explain about 0.09% of the variance in customer loyalty. Moreover, since complaint handling is not a significant predictor of customer loyalty, it was not necessary to build prediction model of customer loyalty. Even when complaint handling was moderated with personality, complaint handling could only account for 0.3% of the variance. The study therefore established that complaint handling is not a significant determinant of customer loyalty among customers who had changed banks in the last three years.

However, among the customers who had not changed their banks in the last three years, the study established that complaint handling is a significant determinant of customer loyalty in the banking sector in Homa Bay County among customers that had not changed banks in the last three years. Complaint handling accounts for 2.0% of the variance in customer loyalty and can be predicted using a prediction model is $CL^I = 48.375 + 0.137CH$. But when moderated with personality, complaint handling accounts for 2.3% of the variance in customer loyalty; with a prediction model of $CL^I = 51.967 + 0.139SF - 0.064CH$. The study therefore established that customers tend to stay and remain loyal to the banks due to the way the complaints are handled by the banks.

The fourth objective was to establish the effect of determinants of customer loyalty on customer loyalty with the constructs of determinants of customer loyalty conceptualized as service quality, service features and customer complaint handling. In the first category of customers, that is, customers who had changed their banks in the last three years, the study established that these determinants of customer loyalty together are not significant determinants of customer loyalty among customers who had changed banks. It depicted that these customers left their banks for another service provider because of other factors other than these determinants of customer loyalty. The total variance in customer loyalty explained by the unmoderated model is 3.9%, while when moderated by personality, service quality, service features and customer complaint handling together account for just 4.1% of the variance in customer loyalty.

Nevertheless, among customers who had not changed banks, service quality, service features and customer complaint handling are significant determinants of customer loyalty. They account for 11.1% of the variance in customer loyalty under the unmoderated model of $CL^I = 46.503 - 0.245SQ + 0.171SF + 0.23CH$; and for 11.0% of the variance in customer loyalty under a moderated model of $CL^I = 48.397 - 0.238SQ + 0.176SF + 0.231CH$. Service quality, service features and customer complaint handling, together are some of the factors that create customer loyalty among customers in the banking sector in Homa Bay County, and make them remain loyal to the bank.

5.3 Conclusions

Following the findings of this study, the following conclusions were made in respect of determinants of customer loyalty, customer personality and customer loyalty in the banking sector in Homa bay County, Kenya.

5.3.1 Research objective 1

The first objective was to analyze the effect of service quality on customer loyalty in banking sector in Homa Bay County. The conclusion was done on two categories of customers, that is, customers who changed their banks and those who had not changed their banks in the last three years.

In the first customer category, the major finding was that service quality is a major determinant of customer loyalty in the banking sector and is the single most significant determinant of customer loyalty among customers in the banking sector in Homa Bay County. This is because it is the only variable that has a significant correlation with customer loyalty among customers who had changed their banks. It is also the only variable that bias a significant R^2 adjusted value among both groups of customers. Hence to retain customers in a bank, the beginning point must be on the timeliness of service delivery, efficiency and ease of access to the services. Customers in banking sector move from bank to bank in search of a better alternative, that is, the bank which can offer world class service. In the turbulent banking environment and increased technological advancement, customers are able to compare the service quality they get from their current service provider with the others across the world, hence to ensure customer loyalty, banks need to ensure timeliness of service delivery, efficiency of service and ease of access.

In the second category of customers, that is, customers who had not changed banks in the last three years. Service quality was found to be a major determinant of customer loyalty. Customers who had remained loyal to their service provider for the last three years were as a result of the service quality they were getting from the banks. In this regard, it can be concluded that to improve customer loyalty, banks should enhance the service quality in terms of timeliness of the service delivery, efficiency of service and ease of access.

5.3.2 Research Objective 2

The second objective of the study was to analyze the effect of service features on customer loyalty in banking sector in Homa Bay County. This was also analyzed on two categories of customers, that is, customers who had changed banks and those who had not changed banks in the last three years.

The findings showed that service features had no significant effect on customer loyalty among customers who had changed banks. It can be concluded that customers did not leave their banks because of the service features, that is, the price of the products, the benefits, the interest on loans and savings and availability of credit cards.

In the second category, that is, customers who had not changed their banks in the last three years, it can be concluded that service features is a major determinant of customer loyalty. This shows that customers remained loyal because of the benefits they were getting from the products, the loyal customers are price insensitive, they were comfortable with the interest rates on loans and savings. Banks should enhance service features as it was a significant determinant of customer loyalty and it made these customers to remain loyal to their current service providers this will enable customers to stay with their banks and improve loyalty. From the literature, it was noted that it is cheaper to retain customers than acquiring new ones, in this regard, banks should take keen interest on service features to ensure that customers do not move to another service provider.

5.3.3 Research Objective 3

The third objective was to analyze the effect of complaint handling on customer loyalty in banking sector. This result was reported on two categories of customers, that is, those who had changed banks and customers who had not changed banks in the last three years.

In relation to customers who had changed banks, the study established that complaint handling was not a major determinant of customer loyalty. Hence it can be concluded that customers who left their banks had other reasons other than complaint handling. It could be that there were no enough complaint to bring about significant effect on customer loyalty but banks should enhance their complaint handling process as it has some level of determination of customer loyalty.

With respect to customers who had not changed their banks, the findings established that complaint handling was a significant determinant of customer loyalty in the banking sector. It can be concluded that customers who are loyal to their banks are very sensitive to the way their complaints are handled. Customers were involved in complaint handling, bank employees had interest in clients' problems and there was fairness in the way their complaints were handled. This brought satisfaction with their service provider hence enhanced customer loyalty.

5.3.4 Research Objective 4

The fourth objective was to establish the effect of determinants of customer loyalty on customer loyalty in the banking sector. The findings were reported on two categories of customers, that is, those who had changed their banks and customers who had not changed in the last three years.

It was established that all the three determinants together do not have a significant effect on customer loyalty among customers who had changed their banks in the last three years. It can therefore be concluded that customers who left the banks were not influenced by these determinants of customer loyalty.

However, in the second category of customers, that is, those who had not changed their banks, the study established that the determinants of customer loyalty had a significant effect of customer loyalty. Conclusions from this finding is that it is important for the banks to balance all the determinants of customer loyalty which include service quality, service features and complaint handling in order to improve customer loyalty in order to improve customer loyalty in the banking sector.

5.3.5 Research objective 5

The fifth objective was to establish the effect of customer personality on the relationship between determinants of customer loyalty and customer loyalty. The findings were also reported on two categories of customers, that is, those who had changed their banks and customers who had not changed their banks in the last three years.

The study established that in both categories of customers, that is, those who had changed their banks and customers who had not changed their banks, customer personality had a moderating effect on the relationship between the direct link of individual determinants of customer loyalty, that is, service quality, service features and complaint handling and customer loyalty. Customer personality also had an effect on the relationship between the determinants of customer and customer loyalty. From these findings, it can be concluded that customer personality plays a major role in customer loyalty. Customer's lifestyle, self concept, motivation, character and temperament will influence customer's decision to leave their current service provider or to remain loyal to their banks. As such, banks should study their customers to be able to treat them as an individual after understanding their personality. This confirms Black Box Theory that consumer characteristics influences consumer decision making process on what to buy, whether to do repurchase and whether to remain loyal to their service provider or not.

In summary, the study established that service quality is the single most significant determinant of customer loyalty among customers in the banking sector in Homa Bay County. This is because it is the only variable that has a significant correlation with customer loyalty among customers who had changed their banks and those who had not changed their banks. It is also the only variable that bias a significant R^2 adjusted value among both groups of customers. Hence to retain customers in a bank, the beginning point must be on the timeliness of service delivery, efficiency and ease of access to the services.

5.4 Recommendations of the study

The study findings can benefit the service industry in Kenya and especially the banking sector. However, in view of the findings and conclusions of the study, the following recommendations are of particular importance to the banking industry in Homa Bay County.

5.4.1 Service Quality and customer loyalty

Following the conclusion that service quality is a significant determinant of customer loyalty in banking sector, whether or not service quality is moderated by personality, bank management should monitor the time customers take before the service is delivered to reduce waiting time. Employees should also strive to be efficient in order to get customer instruction right first time to avoid errors and improve on efficiency of services in the bank. Bank services should be easily accessible to customers and the bank should remove so many procedures customers have to go through before services are delivered.

Although customer service has been evaluated in the past, it is still one study that banks must continue to conduct in order to meet the changes in the banking industry. New technologies must be incorporated as a factor to measure service quality in future researches. Researches and related questionnaires must also be accommodated with the new banking requirements of the customer. A clearer understanding as to the sequence of relationship between service quality and customer loyalty can help to ensure better targeting of customers using limited marketing resources.

5.4.2 Service features and customer loyalty

The effect of service features was significant among customers who were loyal and had not changed banks in the last three years, whether or not it is moderated with personality. As established in the literature review, it is easier to retain customers than to get new ones, hence the study recommends that banks should now balance their drive to make profits with a desire to serve clients. The product manager in the banking sector needs to enhance product offerings and the government needs to regulate interest on loans, on savings, on credit cards as well as the average charges on accounts to be reduced to minimum so that the focus is on the customer rather than on profits.

The study also recommends that the product managers in the banking sector should enhance service features offerings to go beyond the price, interest on loans and savings, credit cards to include more benefits from a product offering so that service features can have an effect on customer loyalty among customer who had changed their banks.

5.4.3 Customer complaint handling and customer loyalty

Complaint handling was found to be a significant determinant among the loyal customers who had not changed banks in last three years, whether or not it is moderated with personality. The study recommends that the banks be always fair when handling complaints and allow customers to participate on the matters that affect them. Bank customer service employees should always show interest in the customer, rather than just on the business of the bank.

It is rather a unique finding that complaint handling in the bank is a not a significant determinant of customer loyalty for those who changed banks in the last three years. This could either mean that complaints are always handled to the satisfaction of the customers or that there are very few complaints to cause a significant effect on loyalty. The study recommends that banks should have complaint handling managers or an officer in-charge of capturing complaints to ensure that customers' complaints are recorded whether verbally or in writing as this will enhance its effect on customer loyalty in the banking sector.

5.4.4 Customer personality and determinants of customer loyalty

Based on the conclusion that customer personality has a significant effect on the relationship between the determinants of customer loyalty and customer loyalty, the management in the service industry and especially the banking sector need to learn their customers and treat them as individuals and stop generalization on customer categories. This will enable the banks to know their customers character, temperament, intellect, demographic characteristics, source of motivation and lifestyle which will enhance a personalized service to the customers.

5.4.5 Suggestions for further study

The study takes note of the fact that it was done based on the views of the customers per se rather than on the actual data based on manipulation of variables. In actual sense, the study did not manipulate service quality, or service features neither did it manipulate complaint handling procedures which led to low R^2 values. The study cannot therefore claim to have established the effect of these variables on customer loyalty hence a decision would require an experimental design. This study therefore recommends that an experimental study be conducted to determine the actual effect of these variables on customer loyalty among customers in the banking sector not only in Homa Bay County, but in the banking sector as a whole. This study should form a basis for that study.

Directions for future research are consequent to the study findings on customer loyalty determinants, customer personality and customer loyalty. There are also implications for further research emanating from missed opportunities in using the stratified random sampling rather than simple random sampling research methodologies and techniques.

The interesting study findings depicting insignificant effects of customer personality on the relationship between customer loyalty determinants and customer loyalty, particularly for service features and complaint handling is an avenue for further research in the banking sector in Kenya. It has effective implications for consumer behaviour theory.

With regard to methodological issues, avenues for future research are equally numerous, since this study employed a survey design. Future studies could adopt more fine-grained methodologies such as field research and case studies using qualitative designs or even combine case-study with survey methods. Such diversity in studies may provide deeper insights into the customer loyalty determinants, customer personality and customer loyalty interrelationships. Furthermore, the adoption of a longitudinal design could be useful to explain how customer loyalty is affected over time by customer attitude, perception, cultural and general economic conditions, and this could shed light better on the cause-and-effect relationships between customer loyalty determinants and customer loyalty.

Lastly, this study focused on the banking sector in Homa Bay County and did not focus on other area where banks are more stabilized as opposed to a growing town. It is recommended that future studies focus on more developed towns and cover many banks as opposed to the four banks which were covered in the study.

5.5 Contributions of the study

This study makes several contributions to both theory and practice of determinants of customer loyalty, customer personality and customer loyalty in general. Specific contributions of the study are explicated in the following sections.

5.5.1 Contribution of the study to managerial practice

Bank managers can use these instruments of determinants of customer loyalty to assess the bank customer loyalty in Kenyan banks. Moreover, because all the dimensions of determinants of customer loyalty are positively correlated with customer loyalty, Kenyan bank managers should emphasize all the determinants of customer loyalty while improving the service quality that they provide. Service quality showed the highest positive correlation with customer loyalty in the current study. The core concept of service quality is employee-customer interactions. Therefore, Kenyan bank managers would be well advised to emphasize the employee training programmes so that they can offer personalized service. The main aim should be to develop a long-term relationship with the customers. The current study demonstrates that there is a large positive correlation between service quality and customer loyalty. That means that if the bank offers good services then the customers will become loyal.

The managers can also use the contrast of service feature to assess customer loyalty. Service features had a positive correlation with customer loyalty. The managers can learn that apart from good service, satisfactory complaint handling, customers are still keen on the features of the product offered by the banks, that is, the price for their money.

The study has developed a model of customer loyalty and as such banks will be able to predict customer loyalty using the three determinants of customer loyalty, that is, service quality, service features and complaint handling. The study has also made it possible to predict customer loyalty when the determinants are moderated by customer personality. This is intended to improve customer loyalty in the banking sector especially in Homa Bay County.

5.5.2 Contribution of the study to theory

The theory of consumer behavior has not been fully exploited with equivocal research findings on the relationship between determinants of customer loyalty and customer loyalty. Using empirical, theoretical, conceptual and methodological analysis, this study has made contribution to the limited body of knowledge relating to customer loyalty, customer personality and determinants of customer loyalty in the banking sector in Kenya. The study confirmed that customer personality is a significant buyer characterestics which influences consumers' decision making process as postulated in Black Box theory of consumer behaviour.

This study reviewed a wide range of existing studies. This has enabled the screening and structuring of the different studies so that both perspectives of customer loyalty in a facilitation role and as an enabler of business strategy are clearly delineated. This exercise has allowed the study to clearly point out the gaps in literature and offer avenues for future research. Given the hitherto fragmented reviews, this study makes a significant contribution in synthesis of customer loyalty.

5.5 Limitations of the study

While this research makes significant contributions to the body of knowledge on determinants of customer loyalty and customer loyalty, it is necessary to evaluate the results in the context of the study limitations.

The sample for this study was collected from the customers as they transacted over the ATMs (Automated Teller Machines) hence there was a possibility of duplications of respondents as the customers were not writing their names on the questionnaire to ensure anonymity. Future researcher may therefore use simple random sampling and meet the respondents in their places of work.

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