FACTORS AFFECTING CUSTOMER SATISFACTION IN SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KENYA: BALOZI SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD

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D53/OL/22156/2011

A RESEARCH PROJECT SUBMITTED TO SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KENYATTA UNIVERSITY

MAY 2013

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Factors affecting customer satisfaction in
DECLARATION

This is my original work and has not been presented for the award of a degree in any other university or any other award.

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DEDICATION

This Research Project is dedicated to my wife and children who have always stood by me and understood all of my absence from the family. To my parents who have given me the opportunity of an education.
ACKNOWLEDGEMENTS

I give glory to God for this far He has brought me. He has been my guide, helper and light. He has not let me waiver even in times of hardship. I wish to extend my sincere thanks first and foremost to my supervisor, Mr. Chrispen Maende of the Department of Business Administration. His criticism, guidance and suggestions have made this project a reality. I am indebted to the contacts I interacted with at sources such as KU Post-modern Library, School of Business, Department of Management Science as well as KU Bookshop at Kenyatta University. These contacts were of great assistance. A resounding vote of thanks and praise go to my wife Lydiah, my daughter Jolie, my sons Jayson, Emmanuel and Samuel, for their love, support and understanding. Their encouragement has provided me with impetus to write this project.
ABSTRACT

Customer satisfaction is one of the most important factors in a firm, since they regard customer satisfaction as one of the main goals of evaluating how effective the business is. In addition, customer satisfaction is a starting point in the value chain between customer satisfaction, customer loyalty, firm product, marketplace and financial performance, and shareholder wealth. In today's dynamic global business environment, competition is forcing cooperative societies to assess and respond to the growing importance of the role their customers play in their success. A full understanding of factors that affect customers' satisfaction is crucial, to ensure long-term share for the societies in the market. Customer satisfaction is the base on which cooperatives build their success through decreasing costs. The main objective of this research was to investigate the factors influencing customer satisfaction in Savings and Credit Co-Operative Societies (Saccos) in Kenya, with specific focus on Balozi Sacco Ltd. The specific objectives of the study were to find out how nature of the products influences customer satisfaction in the Sacco; to determine the extent to which staff qualification influence customer satisfaction in the Sacco and to establish the effects of facilities and ICT on customer satisfaction in Balozi Sacco. The study used descriptive study design. To satisfy the research objectives and answer the research questions, the research used the survey technique. A self-administered questionnaire was used for collecting data. The questionnaire had both open and close ended questions. The research question had simple and logical questions in order to obtain the information intended. The target population for this study was the members, staff, the management committee as well as the supervisory committee of Balozi Sacco Ltd. The sample consisted of 202 members from different branches of the Sacco, who were selected using a stratified random sampling technique. The collected data was analyzed with the help of tools like descriptive statistics, correlation and factor analysis. The findings showed that the nature of products, information communication technology and staff training are some of the factors affecting customer satisfaction in Saccos. In terms of recommendations The research recommends that customer or market oriented products be developed in order to retain their members and attract new ones, that SACCOs must acquire and use the latest information technology, that SACCOs should implement training for all staff.
**ABBREVIATIONS AND ACRONYMS**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AGM</td>
<td>Annual General Meeting</td>
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<tr>
<td>BBC</td>
<td>British Broadcasting Corporation</td>
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<td>CHC</td>
<td>Canadian High Commission</td>
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<td>DAI</td>
<td>Development Alternatives Inc.</td>
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<td>HJFMRI</td>
<td>HJF Medical Research International</td>
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<td>ICT</td>
<td>Information Communication Technology</td>
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<tr>
<td>ILO</td>
<td>International Labor Organization</td>
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<tr>
<td>KUSCCO</td>
<td>Kenya Union of Savings &amp; Credit Co-operatives</td>
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<tr>
<td>LOC</td>
<td>Library of Congress</td>
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<tr>
<td>MC</td>
<td>Management Committee</td>
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<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperatives</td>
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<td>SC</td>
<td>Supervisory Committee</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<td>WOCCU</td>
<td>World Council of Credit Unions</td>
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<td>WRP</td>
<td>Walter Reed Project</td>
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DEFINITION OF OPERATIONAL TERMS

Customer: in this study, this term was used to denote members of Balozi Sacco, who were the respondents in this study.

Customer satisfaction: the degree to which Balozi Sacco's products and services met or exceeded the customers' (members') requirements.

Information Communication Technologies (ICT): the hardware, software, applications and telecommunication facilities through which information was transferred, recorded, edited, stored, manipulated or disseminated.

Management Committee: committee composed of Chairperson, Vice-chairperson, Secretary Treasurer and Board members.

Member: to be a member of Balozi on had to be a Kenyans employee who worked in the US Mission in Kenya as well as other organized groups that the Management Committee deemed fit and approved by delegates in the AGM from time to time. These were the customers who were used in this study.

Product: the various saving and loans and other services that the Sacco offered to members.

Sacco: in this study, the Sacco referred to Balozi Sacco Ltd.
Staff qualification: denotes the knowledge or skill that the staff possessed to enable them offer quality service to the customers of the Sacco.

Staff training: the educational skills that Balozi staff acquired through the facilitation by the Sacco or through their own initiative.

Supervisory Committee: a committee elected in a general meeting that was responsible for Sacco’s compliance and internal control and oversight. It was also responsible for making sure that the Sacco’s administrative practices and procedures were adequate to safeguard the members’ and the institution’s rights and interest.
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CHAPTER ONE
INTRODUCTION

This is the introduction chapter on the factors that affect customer satisfaction in Savings and Credit Cooperative Societies (Saccos) in Kenya. It contains a section on background to the study, statement of the problem, and research objectives. It also contains sections on research questions, significance of the study, scope and limitations of the study, as well as the assumptions of the study.

1.1 Background to the study

In early human societies people learned to cooperate and work together to increase their success in hunting, fishing, gathering foods, building shelter, and meeting other individual and group needs. Historians have found evidence of cooperation among peoples in early Greece, Egypt, Rome and Babylon, among Native American and African tribes, and between many other groups. Early agriculture would have been impossible without mutual aid among farmers. They relied on one another to defend land, harvest crops, build barns and storage buildings, and to share equipment. These examples of informal cooperation – of working together – were the precursors to the cooperative form of business (Klein, 2009).

The earliest cooperatives appeared in Europe in the late 18th and 19th centuries, during the Industrial Revolution. As people moved from farms into the growing cities, they had to rely on stores to feed their families because they could no longer grow their own food. Working people had very little control over the quality of their food or living conditions. Those with money gained more and more power over those without. Early co-operatives were set up as a way to protect the interests of the less powerful members of society – workers, consumers, farmers, and...
producers (Zimbelman, n.d.). Zimbelman states that in the United States, cooperatives of one sort or another have roots going back to colonial times. Like their counterparts in England, these early groups experimented with ways to band together and gain economic clout.

One of the earliest co-ops was established in 1752 by Benjamin Franklin and is in operation to this day - the Philadelphia Contributorship for the Insurance of Homes from Loss by Fire. It is the oldest continuing co-op in the United States and predates the historical Rochdale group but its place in co-op history is less well known. From colonial times on, most early American co-ops were formed primarily for the benefit of farmers. Some co-ops helped farmers keep their costs low through joint purchases of supplies, such as feed, equipment, tools, or seed. Some marketing co-ops helped farmers obtain the best prices for their goods by combining their crops and selling in large quantities. Others provided storage or processing services, such as grain elevators or cheese making.

In Germany, the Co-operative movement started with the Raffeissen movement in the middle of the 19th century. Friedrich Wilhelm is associated with the cooperative movement. As a modern phenomenon, the co-operative form of business organization originated in England amongst the industrial workers in the mid-nineteenth century. Cooperatives started as an urban consumer stores but soon spread to rural areas amongst farmers (Robertson, 2010). Robert Owen established self-contained semi-agricultural, semi-industrial communities in Great Britain. The real co-operative movement can be credited to Rochdale Pioneers who established the co-operative consumer store in North England, which can be called as the first in the co-operative consumer movement (Tchami, 2007). Tchami continues to state that to this day, the
Rochdale principles dominate the world cooperative movement. These principles are open and voluntary membership, democratic control and limited interest on share capital.

Other principles according to Tchami are distribution of surplus to members in proportion to their shareholding, cash trading, education and training for members, political and religious neutrality and charitable distribution of assets in the event of dissolution.

Cooperatives were introduced in Africa as a foreign model specifically designed for colonial purposes. During that period, cooperatives in Africa were used by the colonial powers as a strategic tool to group rural producers into clusters, so that essential export commodities such as coffee, cocoa and cotton, could be collected more cost-effectively. After the independence of most African countries, cooperative development became an area of high priority irrespective of the countries. Cooperative development was seen as a strategy to gain control over production and marketing of agricultural produce. Cooperative was granted monopolies and subsidies and cash allocations by the governments. This forced the rural producers to apply to be members of these societies, in order to enjoy some of those benefits. Cooperatives were characterized by government control and interference hence this compromised the formation of proper operational self-help groups that were autonomous. These led to cooperatives being dens of corruption, inefficiency and often were used to control rather than to promote small farmers. (Wanyama, Develtere, & Pollet, 2008).

In Tanzania the pioneer cooperators were peasants who owned land and grew cashcrops. These still make a large proportion of cooperators, although they have notitle deeds to the land they farm on traditional lines. Peasants in Tanganyika (now the mainland of Tanzania) started
informal (unregistered) cooperatives in 1925 so that they could capture part of the trade profit of their crops. The first cooperative union in the country was the Kilimanjaro Native Cooperative Union (KNCU), which was registered with its eleven affiliated primary cooperatives on 1st of January 1933 (Maghimbi, 2010).

Uganda is one of the few British Colonies that advocated for the establishment of cooperatives as early as 1900. Some pseudo cooperatives were subsequently established to operate along the ideals of the Rochdale cooperative pioneers of 1844. The Cooperative Ordinance of 1946 and the Cooperative Societies Act of 1962 only served to formalize the already organized cooperatives. The performance of cooperatives in the immediate post-colonial period was impressive, with the government offering them a monopoly status in agricultural marketing (Kyazze, 2010). With political control from outside the movement, members' involvement in the management of cooperatives eroded. Primary cooperatives and unions increasingly became indebted so that they could not effectively provide services to members.

Kyazze (2010) states that the recognition of cooperatives as crucial means for poverty alleviation and, therefore, African development has been widely acknowledged. It is for this reason that cooperatives have been promoted in virtually all African countries since the colonial period. This has witnessed a significant growth of the cooperative movement. Recent statistics show that out of 100 Africans, including children and the elderly, at least seven people are members of a cooperative and the total number of cooperatives in most countries has continued to grow.
1.1.1 Cooperative Movement in Kenya

The Cooperative movement in Kenya is an important player in the social economic development of this country. Cooperatives cut across all sectors of the economy and provide an important framework for mobilization of both human and capital resources (Ministry of Cooperative Development & Marketing, 2012). The cooperative movement in Kenya is one of the nationally organized institutions available for all cadres of persons. Its agenda is usually based on locally determined proposals whose aims are to empower citizens to realize their socio-cultural and economic capacities using locally available/generated resources (Gunga, 2009). The cooperative movement in Kenya has experienced major upheaval in recent past. The previously protected market share has been challenged by competition from commercial banks and other financial institutions.

In Kenya the first Co-operative Society, Lumbwa Co-operative Society, was formed in 1908 by the European Farmers. The main objective was to purchase fertilizer, chemicals, seeds and other farm input and then market their produce to take advantage of economies of scale. In 1930, Kenya Farmers Association was registered as a Co-operative Society to take over the role of supply of farm input played by Lumbwa Co-operative Society (Bwisa, 2010). Bwisastates that the African smallholder farmers fought for the formation of their own Cooperatives and later in 1950’s they were allowed to promote and register Co-operatives for cash crops like coffee and pyrethrum. Consequently at independence in 1963, there were 1,030 Co-operative Societies with 655 being active with a total membership of 355,000.
1.1.2 Balozi Sacco Ltd

Balozi SACCO was formed in the year 1975 and registered as a cooperative society. The objectives of Sacco were: to encourage thrift among its members by according them an opportunity to accumulate savings; to create and develop a source of funds for lending to qualified members at comparatively low and reasonable rates of interest; to provide an opportunity for its individual members to improve their respective economic and social conditions-, and to perform the functions and exercise the powers designated for savings and credit co-operative societies under the applicable law (Balozi Sacco Society Ltd, 2012).

The core functions of the Sacco was mobilization of savings from members, giving loans to members, undertaking investments and provided education, training and information to members and staff. The society’s values were integrity, commitment to service delivery, teamwork (encouraging team spirit, collaboration and consultation to maximize synergy of working together in service delivery), innovation and creativity, customer focus, professionalism and staff development. Balozi Sacco offered both saving and loan products. The saving products on offer were shares, deposits, benevolent fund and investment scheme fund. Among the loan products were normal loan, normal loan plus, school fees loan, insta-loan, insta-loan plus, okoa advance, quick pesa, bridging finance and super loan (amalgamation). The society’s customer service charter sets out its commitment and the standards of service that it aimed to provide.

The Society draws its membership from employees who work in the US Embassy, United States Agency for International Development (USAID), Walter Reed Project, Library of Congress,
Peace Corps, British Broadcasting Corporation, KK Guards and any other organized groups whose membership may be proposed by the Management Committee and approved by delegates at the AGM. Balozi’s operations and service delivery to its members is based on some core values. Some of these values are; customer care, people friendly, integrity, quality, equity and fairness, innovation, equity and fairness, transparency and accountability and professionalism. The Society secretariat was headed by a Manager who reported to the Management Committee (MC). The MC comprised nine elected officials; namely, the Chairman, Secretary, Treasurer and six committee members. A Supervisory Committee (SC), which also composed of elected members, oversees the Management Committee and the Manager on behalf of the members. Both the MC and the SC reported to the Annual General Meeting, which was the highest organ of the Society. The day to day activities are undertaken by the Secretariat which had the following staff members: Manager, Accountant, Assistant Accountant, Loans Officer, Assistant Loans Officer, ICT Officer, Registry Officer and a Receptionist (Balozi Sacco Society Ltd, 2012).

1.2 Statement of the problem

One of the biggest problems affecting businesses these days is poor customer service that leads to customer dissatisfaction. Poor satisfaction can put a business into a downward trend in performance. Providing customers with poor customer service can cause a chain of events that can leave an organization or business without enough clients to survive. In the most severe cases, providing poor customer service can even cause a company to shut down. Poor customer service will result in customers leaving the business due to dissatisfaction and move to the competitor. The customers who remain will become disgruntled. The organization gets affected in that the company can develop a bad reputation and maybe loose customers and money. The staff can be
poisoned with bad attitude and a bad atmosphere to work in. It could turn away new talent for potential employees who were thinking of working for your organization (Wanyama, 2009).

With the onset of liberalization and competition from other players like banks and other financial institutions, the role of cooperative societies have diminished leading to low levels of satisfaction with cooperatives' service delivery on the part of customers. SACCOs as institutions that offer financial products like banks have not seen the exponential growth experienced by the banks. Their customer base and market share as well as expansion level is not as good as that of commercial banks and other financial institutions. This has meant increased competition with a wider range of banking products and services available to customers.

Research has shown that customer satisfaction is a precursor of improved performance as well as customer retention for any business. With the onset of competition from other players like banks and financial institutions, Saccos have come to realize that customer satisfaction is key to their business. It has become a key factor of business strategy. Customer satisfaction is critical for service industries to be successful in today's competitive business environment (Wanyama, 2009).

Extensive research has been carried out on customer satisfaction in the country. However, most of these studies concentrated on other industries. For example, Gichuru (2011) carried out a survey on customer satisfaction in the insurance industry. Chaichi (2012) examined the effects of staff training on customer satisfaction in travel agencies. M'Ndaka (2008) and Murugami (2011) examined the factors influencing customer satisfaction in the education sector. Ouma (2011) carried out a study on factors influencing customer satisfaction in the telecommunication
industry. In his research Wangondu (2009) investigated factors that influence customer satisfaction in the airline industry in Kenya.

Few studies have been done on customer satisfaction in the cooperative movement in Kenya. Those that concentrated on the factors that influence customer satisfaction show that it is influenced by many factors. Abdullah and Rozario (2009) assert that the level of customer satisfaction may be influenced by various internal and external factors. Gunga (2009) on the other hand accentuate that ICT has an effect on the level of customer satisfaction. In a study to establish factors influencing customer satisfaction in the telecom industry, Hanif (2010) states that price fairness and quality of service are the factors that influence the level of satisfaction most. This study therefore sought to investigate the factors that influence customer satisfaction in cooperative societies in Kenya.
1.3 Objectives of the study

1.3.1 General objective

The general objective of the study was to investigate factors influencing customer satisfaction in Balozi Sacco.

1.3.2 Specific objectives

(i) To find out how products and services characteristics influence customer satisfaction in Balozi Sacco;

(ii) To determine how staff qualification and training influence customer satisfaction in Balozi Sacco;

(iii) To establish the effects of ICT on customer satisfaction in Balozi Sacco;

1.4 Research questions

The study was guided by the following questions:

(i) How does nature of the products and services influence customer satisfaction in Balozi Sacco?

(ii) What is the extent to which staff qualification and training influence customer satisfaction in Balozi Sacco?

(iii) What are the effects of ICT on customer satisfaction in Balozi Sacco?
1.5 Significance of the study

This study served as guidance to the management of Saccos on the formulation of policies on service delivery to their stakeholders in order to enhance customer relationship and satisfaction. The study was also significant to the government in its endeavor to establish legislation and policies that concern Saccos in Kenya to ensure overall sustainability of the Sacco industry. Scholars, academics and researchers found this study as a useful contribution to the existing literature on customer satisfaction particularly in regard to Saccos. The study identifies other areas for future studies.

1.6 Scope and limitations of the study

1.6.1 Scope

The scope of this study was about 800 members of Balozi Sacco Ltd. based in the Sacco’s Headquarters in Nairobi County. The headquarters were selected since that is where policies, strategic plans were formulated. The researcher is also based in Nairobi County hence the preference.

1.6.2 Limitations

This study was confined to Balozi Sacco Ltd. headquarters. The respondents were picked from the members who work for the institutions that are based in Nairobi. Inclusion of other branches of the Sacco would have yielded a clearer picture of the customer satisfaction. The study was
also limited to the study of the factors affecting customer satisfaction in the society. The other major limiting factor was financial constraints. The researcher was self-sponsored, part-time student. If the study were wider, it would call for more financial commitment, which was beyond the means of the researcher. Time constraints also limited the study. The researcher was in full-time employment and carried out the research during his free time. The researcher had therefore to balance between work, study and family responsibilities. This affected the sample size as the researcher was not able to reach as many respondents as possible. This proved a challenge when generalizing the results to a larger group.

1.7 Assumptions

In this study, the following assumptions were made:

a. That all respondents were able to respond to the questionnaire because it was simple and the questions were not technical;

b. All respondents would cooperate and provide honest and reliable responses;

c. That all respondents were fully aware of their rights and gave satisfactory answers.
2.1 Introduction

This chapter reviews literature related to the subject of study. The researcher tackled the theoretical as well as the empirical review of literature. A summary of identification of the research gap was given. The chapter had a conceptual framework for the study.

2.2 Theoretical review

Both public and private sectors have realized the need to pay more attention to the concept of customer satisfaction. The concept of customer satisfaction has attracted much attention in recent years. Organizations that try to analyze this concept should begin with an understanding of various customer satisfaction models. Such models clarify various theories about customer satisfaction, making research and analysis in this topic more focused and less wasteful of research resources (Gichuru, 2011). This section will provide an overview of models of customer satisfaction. These emanate from a wide range of available literature on this subject. This pool of research includes models that integrate the concept of customer satisfaction in a network of related concepts, such as value, quality, complaining behavior, and loyalty.

2.2.1 The Kano model

Kano Model of customer (consumer) satisfaction was a theory of product development and customer satisfaction developed in the 1980s by Professor Noriaki Kano. It classified product attributes based on how they were perceived by customers and their effect on customer
satisfaction. It also classified customer preferences into five categories, namely attractive quality, one-dimensional quality, must-be quality, indifferent quality and reverse quality. These classifications were useful for guiding design decisions in that they indicate when good was good enough, and when more was better. The Kano model offered some insight into the product attributes which were perceived to be important to customers. The purpose of the tool was to support product specification and discussion through better development of team understanding. Kano's model focuses on differentiating product features, as opposed to focusing initially on customer needs. A competitive product met basic attributes, maximized performances attributes, and includes as many attributes as possible at a cost the market can bear (Wikipedia, 2013).

2.2.2 The SERVQUAL model

SERVQUAL was developed in the mid-1980s by Zeithaml, Parasuraman & Berry. SERVQUAL means to measure the scale of quality in the service sectors. SERVQUAL was originally measured on 10 aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding the customer and tangibles. It measured the gap between customer expectations and experience. The basic assumption of the measurement was that customers can evaluate a firm's service quality by comparing their perceptions with their expectations. Service quality was originally measured on 10 aspects.

By the early 1990s, the authors had refined the model to the useful acronym RATER: reliability, assurance, tangibles, empathy, and responsiveness (Hanif, 2010).
2.3 Empirical review

This section presents an overview of prior empirical research on the various factors affecting customer satisfaction. The section review literature on customer satisfaction, staff training and ICT.

2.3.1 Customer satisfaction

Customer satisfaction is defined as a customer’s overall evaluation of the performance of an offering to date. This overall satisfaction has strong positive effect on customer loyalty intentions across a wide range of product and service categories. Customer satisfaction is one of the most important issue concerning business organization of all types, which is justified by the customer oriented philosophy and the principles of continuous improvement in modern enterprise. Firms have come to realize that their customers are the most important assets and that they must keep those assets, grow them, and profit from them (Gustafsson, Johnson, & Roos, 2005).

A firm interacts with its customers repeatedly: fulfilling transactions, providing after-sales service, creating and expanding more sales opportunities etc. All these are aimed at creating value from the customer base that a firm intends to capture down the road. This means that firms have to identify the key drivers of long-term customer retention and profit from them. Managers commonly believe that satisfied customers have a higher likelihood of repeat patronage and that therefore satisfied customers are an asset for the firm. For the reason, customer satisfaction should be measured and translated into number of measurable parameters (Hanif, 2010).
Customer satisfaction measurement may be considered as the most reliable feedback, providing client's preferences and experiences in an effective, direct, meaningful and objective way. Thus, customer satisfaction may be considered as a base line standard of performance and a possible standard of excellence for any organization. Managers need to know how their consumer groups define satisfaction and then interpret satisfaction scales to accurately target, report, and respond to satisfaction levels. Guided by our framework, managers should conduct post-purchase segmentation, realizing that consumers vary with respect to the components and related properties of satisfaction. Results suggest that different industries may need to use different satisfaction scales, or a single industry may need to tailor scales to different types of consumers. More importantly, managers can recognize that the satisfaction focus and timing can be customized for their needs. Rather than looking at all aspects of choice/consumption experience, managers can concentrate on those that are of direct interest or are directly controllable. As a result, managers are able to obtain "true" consumer responses that are relevant to managerial decision making (Gies, 2009).

2.3.2 Quality of service products

Customer service interaction starts with what customer thinks and what will happen or what is he expect. Overtime, as the customer uses the service, this dimension changes and becomes past experience. How the customer has been treated in the past will affect what the customer expects to happen on a particular encounter. Service quality and customer satisfaction are the two core concepts in any organization. In today's world of intense competition, the key to sustainable competitive advantage lies in delivering high quality service that will in turn result in satisfied customers. The importance of service quality on customer satisfaction as the ultimate goals of service providers cannot be emphasized enough (Hanif, 2010).
Achieving high levels of customer satisfaction requires that organizations continually monitor and examine the experiences, opinions, and suggestions of their customers and people who are potential customers. Improving service quality to meet customers’ standards is an ongoing part of doing business. In this way, customers drive the organization. With its high degree of intangibility, it is difficult to assess service quality. Service products are a crucial component of service quality and can be a component of physical environment quality, interaction quality and outcome quality in a hierarchical context (Malallah, 2011).

Wanyama (2009) states that market forces have triggered a transformation in the structural organization of cooperatives in Kenya. Due to their inability to provide members with competitive services, the national federation and some cooperative unions have largely faded away. Wanyama further argues that to reclaim the services that were previously provided by the federation and the unions, primary cooperatives and the national cooperative organizations are steadily making alternative arrangements to provide the same services to their members. Thus, the indication is that liberalization has given cooperatives the impetus to re-examine their organizational formations with a view to reorganizing in their best interest, rather than in the interests of the state.
2.3.3 Staff qualification and training

The role of employees in service organizations is comparable to the role of the service itself. Their importance to the firm is critical to both service delivery and service production. No gainsay that, service is all about the people (employees) because they appear more often to be the most tangible clue to customers’ perception of what quality service entails. Customer satisfaction relies on motivated and qualified staff. The people rendering the services to customers should have the attribute of knowledge and ability to inspire trust and confidence in the customers. It is crucial for any organization to keep their current customers satisfied, while attracting new customers. If the staff is not knowledgeable and considerable, they would not be able to render quality services to the customers. Customer service is diverse and cuts across various industries, sectors, and environments. Hence there is no definite set of qualifications for the staff to possess. However, despite the diversity of circumstance, all customer service has human interaction at its core. Customer service is always about people helping other people, and as such, certain attributes are universally helpful for the staff who have to serve the customer to possess (Chaichi, 2012).

Malallah (2011) states that training has been an important mechanism for re-focusing existing staff on customer satisfaction as a new priority and for developing or strengthening their customer service skills. In addition, structured communication with staff has helped planners identify and respond to customer service challenges. Training is a viable method to build and maintain a customer focus and to keep the current customer base. Customer service training is based on the assumption that changing the organization's service culture by empowering
employees to better serve the customer through personal enrichment training. There is need for employee training and restructuring of human resources procedures and policies in order to build and maintain a good business relationship with the customers.

2.3.4 Information Communication Technology (ICT)

With the development of information and communication technologies still increases the number of other electronic services and applications. ICT, enabling automated processing of information, however, were so powerful tool that they can be used for purposes other than originally intended. ICT and e-commerce are the main engines of development value chain: procurement, manufacturing, marketing, sales and distribution. Specific objectives and applications of electronic commerce, however, vary greatly in depending of the business model, its size and market in which it operates. It is obvious that the marketing has changed over the years. At the forefront is getting the transition from traditional ways of marketing more interactive and non-traditional ways of marketing (KUSCCO, 2012).

ICT now drives businesses in a fast-paced world, where competitiveness and customer satisfaction is measured by efficiencies, convenience, delivery speeds and cost-effectiveness. The recent development towards self-service and automated customer care has allowed organizations to reduce costs while handling an ever-increasing number of customers’ transactions efficiently. However, the changing profile of end customers, who are becoming increasingly mobile and no longer reliant on a single communications device, means that this reactive customer service model is starting to look increasingly outdated and unresponsive to the modern consumer’s needs (Gunga, 2009).
Companies are now turning to e-marketing in order to cope with the current demand of getting more from marketing resources while simultaneously meeting greater expectations to establish durable relationships with customers. Organizations can improve customer acquisition and retention by integrating IT into their marketing practices to foster rich interactions with their customers. E-marketing encompasses a broad set of interaction-enabling technologies that are frequently used in industrial business-to-business markets including customer relationship management, sales force automation, e-commerce websites, and extranets. E-marketing has had positive contribution in the life of modern societies especially the consuming societies. It allows the customer to purchase goods and services cheaply and with no limit or restrictions. It allows the customer to make a free selection and comparison between the prices of goods at the electronic stores through the Internet. E-marketing also allows customization, personalization, and niche targeting in a much more flexible, easier, quicker and cheaper way (Hanif 2010).

KUSSCO (2012) accentuate that Saccos cannot escape the hold of ICT over business operations, especially considering that ICT enables businesses to find new ways to drive down the costs of products and processes, in addition to improving performance. Saccos should embrace ICT in order to benefit from technological advances of internet connectivity, electronic communication as well as web-based production and delivery of products and services, besides closer customer service, secure and more data storage, as well as marketing and e-commerce. Saccos should integrate ICT in their operations in order to: automate their business processes, facilitate timely acquisition of information about business activities, apply ICT to redefine business processes and relationships with members and other Saccos and communicating to members more efficiently.
Ensuring that customers have ease of access and readily available channels to use is an integral step towards guaranteeing the convenience of delivery channels for the customer. The customer has been used to the immediacy offered by technology and is therefore demanding speed and convenience from the service providers. Channels must provide full functionality and maintain high levels of reliability and availability to meet customer expectations. Customers want to be able to carry out their transactions on their mobile phone or the computers from the comfort of their homes or workplaces (KPMG, 2012).

KUSCCO (2012) argue that SACCOs cannot escape the hold of ICT over business operations, especially considering that ICT enables businesses to find new ways to drive down the costs of products and processes, in addition to improving performance. According to Develtere et al. (2008) SACCOs need to modernize their management systems by adopting information technology in their management to reduce transaction costs and improve the quality of services to their members.

The cooperative movement in Kenya is one of the nationally organized institutions available for all cadres of persons. Its agenda is usually based on locally determined proposals whose aims are to empower citizens to realize their socio-cultural and economic capacities using locally available/generated resources. It is believed that people within a specific geographical or institutional locality have similar perceptions about how to resolve common issues in their lives. Often, cooperative societies bring together various classes of people regardless of their socio-economic status and their agenda would be one only-to share ideas, suggest and implement viable practices that are likely to bring development and uplift economic status of members. The
various forums they organize for education purposes are often devoid of political, ideological or socio-cultural emotivism that may derail focus (Gunga, 2009).

A review of empirical literature shows a shortage of literature on the factors that have an impact on customer satisfaction in Saccos in Kenya. Current literature on cooperatives is scarce. This is in spite of the fact that the government recognizes the sector as a major contributor to national development. Most of the literature available on cooperatives in Kenya tackle the issue of cooperatives in terms of either the history and development, the importance of Saccos to economic development (for example Gunga, 2009, Develtere et al., 2008, Swedish Cooperative Centre, 2009, Wanyama, Develtere, & Pollet, 2008). Only a few of the studies have been written on customer satisfaction. These studies however had dealt with the issue of customer satisfaction in other industries, rather than the cooperative movement. For example Gichuru, 2011, Ouma, 2011, Wangondu, 2009, Kipchirchir, n.d., M’Ndaka, 2008, Murugami, 2011). Among these few recent studies, none takes a broad comprehensive perspective of the issue of customer satisfaction in the cooperative movement in the country in order to give one an insight into what factors that affect the overall customer satisfaction.

2.4 Summary and identification of research gap

From the empirical review, it is apparent that the study on factors influencing customer satisfaction in the cooperative movement in Kenya is not well known to development scholars, commentators and practitioners. Therefore, this study sought to address the above mentioned gaps by performing a meaningful survey in order to add to the existing body of knowledge on this subject. Further research should be undertaken to establish whether the factors determining
customer satisfaction in Saccos affect the big Saccos and the small Saccos equally. Research should be carried out to establish whether the factors impact the same on urban, semi-urban and rural based Saccos. A study to establish if the factors that affect customer satisfaction applied across the various categories of Saccos should be conducted. This research sought to establish among others, the impact of nature of service products, staff qualification and training as well as Information Communication Technologies (ICT) on customer satisfaction. Exploration of the possibilities to overcome the persistent factors affecting customer satisfaction should continue. The study therefore exhaustively explored these factors and gave suggestions as to how negative influences was to be eliminated and advice as to how to take advantage of them for the well being of the SACCO movement.

2.5 Conceptual framework

In this section, the researcher presented a conceptual framework which guided the study, as shown in figure 3.1 below. The figure shows that that the nature of service products determine customer satisfaction in a Sacco. For a Sacco to retain a sustainable competitive advantage it ought to deliver high quality service products that in turn result in satisfied customers. The foundation of most quality services are: friendliness/courteousness of employees, safety/risk of service, billing/invoicing procedure, responsiveness to requests, appearance of physical facilities, approachability of the service provider, willingness to listen to customer, honesty and an ability to communicate in clear language.
Customer service is an inherently human-driven activity. It is about one person trying to help another person get what they want. Staff qualification and training also has an effect on the delivery of service and hence customer satisfaction. It is important for the employee to be able to relate to how their customers are feeling in order to help replace those feelings with more positive ones. They also must be able to detach themselves from situations that they handled. Every form of customer service is dependent on clear and productive communication for successful execution. Hence the staff needs to have excellent communication skills, such as the ability to actively listen, the ability to maintain a level head, or more importantly, to show restraint and exhibit calm when one’s head is not so level was a key qualification. There should be teamwork and collaboration put forth in order to serve the customer well.

Employee training and qualification is also measured by the level of performance change, rate of staff turnover, average length of service, enhancement and increased productivity by the employee. Well educated and trained staff is more efficient and effective in whatever they do. The more qualified and trained the staff, the better the service delivery and vice versa. Continuous learning is essential to the ongoing success of any organization. It allows employees to cope with and also excel at increased job demands - allowing businesses to achieve excellence and maintain competitive advantage.

Information and communication technology (ICT) generates rapid changes of business processes throughout the world, especially in developing countries. Basis of ICT development is composed of ICT infrastructure, ICT hardware, software & information system, and people. Having relevant ICT facilities in SACCOs ensures good services to members, effective communication,
and improved delivery of service as well as improvement of their value. Through these facilities customers have ease of access to the services they need. They also guarantee convenience of delivery of services to the customer.
Figure 3.1: Conceptual framework

Independent Variables

Nature of service products
Indicators:
- Reliability
- Friendliness/courtesy of employees
- Safety/risk of service
- Responsiveness to requests
- Appearance of physical facilities
- Willingness to listen to customers

Staff qualification and training
Indicators:
- Increased productivity
- Performance change or enhancement
- Efficient and effective delivery of service
- Knowledge and skills

Information Communication Technology (ICT)
Indicators:
- ICT Infrastructure
- Hardware
- Software & Information System
- People

Customer satisfaction
Indicators:
- Loyalty to the product/service
- Positive feedback
- Referring other customers
- Repeat purchase

Intervening variables

Source: Author (2013)
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the procedures followed in conducting the study. This helps other researchers in understanding one's study particularly in the case of replication. The chapter therefore discusses research design, target population, sampling techniques and sample size, research instruments, pilot study/pre-testing, validity, reliability, logistical and ethical considerations, as well as data presentation, analysis and discussion.

3.1 Research design

The study used descriptive study design. Bryman, (2012) explains that descriptive study designs are concerned with describing the characteristics of a particular individual, or of a group. Descriptive research is therefore concerned with specific predictions, with narration of facts and characteristics concerned with individuals, group or situations. According to Mugenda (2012), descriptive research design generates explanatory information or characteristics about a specific population or phenomenon. These studies provide factual, accurate and systematic data but such data cannot be used to explain the cause of the situation. Descriptive research helps to generate hypotheses rather than to test them, hence they form the basis for further research.
3.2 Target population

Target population is the particular entity of people or units to which a researcher can reasonably generalize his or her research findings. The geographic and temporal characteristics of the target population need to be delineated (Mugenda, 2012). The target population for this study was the Sacco members, the Management Committee as well as the Supervisory Committee who are based in Nairobi County. The Society has 812 members based in Nairobi. The membership was broken down as follows: State Department-198 members, USAID – 101 members, WRP-230 members, KK Guards -154, BBC-18 members, HJFMRI-40, CHC-16 members, Chemonics-31 members and other agencie-24 members, (Balozi Sacco Ltd., 2012). These members were used in this study as the customers of the Sacco.

3.3 Location of the Study

The study was carried out at the Balozi Sacco headquarters in Nairobi County. The Sacco is housed at Nginyo Towers, in Nairobi Central Business District. This location was selected because majority of the members of the society are based at the Saccos headquarters in Nairobi County. The researcher was also based in Nairobi County; hence the County was preferred for proximity.
3.4 Sample selection and size

A stratified random sampling method was used to get the sample size from the membership. Stratified random technique is a probability sampling elements or subjects are selected in proportion to the categories in the population (Mugenda 2012). This method involved grouping members of the population into relatively homogenous subgroups and helped the researcher achieve the desired representation of the various subgroups during sampling. The main advantage with stratified sampling was how it captured key population characteristics in the sample. Similar to a weighted average, this method of sampling produced characteristics in the sample that were proportional to the overall population. Stratified sampling works well for populations with a variety of attributes.

The sampling frame for this study had a target population of 812, from which a sample (n) equivalent to 10% (82 members) was selected. The sample was 10% of the target population. A census method was used to obtain data from the Management Committee and the Supervisory Committee, since these committees have nine and three members respectively. The sample was distributed randomly in order to collect an adequate sample size and to reach an accurate finding.
Table 3.1: Sampling technique

<table>
<thead>
<tr>
<th>Population category</th>
<th>Target population</th>
<th>Sample size (10% of target population)</th>
<th>Percentage of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>WRP</td>
<td>230</td>
<td>23</td>
<td>2.83</td>
</tr>
<tr>
<td>State Department</td>
<td>198</td>
<td>20</td>
<td>2.44</td>
</tr>
<tr>
<td>KK Guards</td>
<td>154</td>
<td>15</td>
<td>1.90</td>
</tr>
<tr>
<td>OTHERS</td>
<td>24</td>
<td>2</td>
<td>0.30</td>
</tr>
<tr>
<td>USAID</td>
<td>101</td>
<td>10</td>
<td>1.24</td>
</tr>
<tr>
<td>HJF</td>
<td>40</td>
<td>4</td>
<td>0.49</td>
</tr>
<tr>
<td>Chemonics</td>
<td>31</td>
<td>3</td>
<td>0.38</td>
</tr>
<tr>
<td>BBC</td>
<td>18</td>
<td>2</td>
<td>0.22</td>
</tr>
<tr>
<td>CHC</td>
<td>16</td>
<td>2</td>
<td>0.20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>812</strong></td>
<td><strong>81</strong></td>
<td><strong>10.00</strong></td>
</tr>
</tbody>
</table>

Source: Balozi Sacco Ltd. (2013)

3.5 Data collection instruments

A self-administered questionnaire was used for collecting data. The questionnaire had both open and close ended questions. The research questionnaire had simple and logical questions in order to obtain the information intended. The method has the advantages of low costs, freedom from bias of the interviewer, adequacy of time to give well thought out answers, convenience in reaching respondents, and that large samples made use of and the results be more dependable and reliable.
3.6 Pre-testing of the questionnaire

A pilot study was conducted on respondent who would not participate in the final study. The purpose of the pre-test was to assess the relevance, validity and cultural acceptability of the questions. The pilot study was also useful since some of the questions that were unclear or ambiguous were rephrased so that respondents in the final study comprehended them better.

3.6.1 Reliability

According to Saunders, Lewis, & Thornhill, (2009) reliability is the ability of data collection techniques used in research to result in consistent findings that are compatible with the observations and conclusions of other research. They further indicate that reliability addresses the issue of whether repeated measurements or assessments provide consistent results given the same initial circumstances. Reliability in this study was established using a pilot test by collecting data from 20-30 subjects not included in the sample. Data collected from pilot test was analyzed using Statistical Package for Social Sciences (SPSS) as well as Microsoft Excel software. To determine stability, the pilot test was repeated on the same subjects. Results were compared and correlated with the initial test to give a measure of stability.
3.6.2 Validity

Validity is the extent to which data gathering methods assess what they are supposed to measure and the extent to which research is what it asserts or affirms to be. Validity is about accuracy of the data and it is crucial in descriptive research as it depends heavily on the collected data in order to validate the outcomes (Saunders et al., 2009). Validity of the questionnaire was done by using an expert in the particular field, in this case, the supervisor. The questionnaire was given to the expert, for guidance on assessing what concept the instrument was trying to measure. The researcher also sought to determine whether the set of items or checklist accurately represented the concept under study.

3.7 Data collection procedures

The researcher delivered the questionnaires to the respondents and later personally collected the questionnaires after the respondents had completed them. The researcher also followed up on the respondents to ensure a high response rate. Each questionnaire was numbered. These numbers were used in lieu of the names of the respondents. This was particularly important to instill confidence in the respondents as their identity remained undisclosed.
3.8 Ethical Considerations

To ensure respects to the respondents, the researcher personally got in touch with the respondents. The nature and benefits of the research was clearly explained and laid out to the respondents so that they could make an informed judgment about whether they wished to participate in the research. The respondents were properly furnished with all the information necessary prior to administering the questionnaire. The researcher assured the respondents of high level of confidentiality as pertains to the information they were to provide. A covering letter attached to the questionnaire also stated clearly that the information gathered would be used for the purpose of research only and that such information remained absolutely confidential, and that no unauthorized persons would be allowed to access the data. The researcher explained to the respondents that the survey was conducted anonymously so that the responses could not identify or be used to identify the respondents.

3.9 Data analysis and presentation

Data analysis is the process of systematically applying statistical and logical techniques to describe, summarize and compare data. The collected data was used to analyze the factors affecting customer satisfaction in Saccos. The researcher checked the raw data for legibility, consistency, completeness and uniformity of the answers given by the respondents. The data collected was edited and scrutinized to eliminate errors and omissions. Data was grouped in line with the study’s objectives. The data analysis involved the following closely related operations; scanning by checking the entire questionnaire to ensure that they were complete and instructions were followed, establishment of categories, the application of these categories to raw data.
through coding for purposes of analyzing and finally the tabulation of data in tables for each question in order to draw statistical inferences. Data from completed questionnaires was captured on Microsoft Excel spreadsheets and then imported into Software Package for Social Sciences (SPSS) for analysis, to benefit from tools such as correlation analysis, frequency analysis and cross tabulation, to produce results. These results was presented in tables, graphs and pie charts to clarify interpretation and analysis.
4.0 Introduction

This chapter presents an analysis and interpretation of the collected data. The analysis was conducted in line with the study’s objectives. These included finding how products and services, staff training as well as ICT affect customer satisfaction in SACCO. Findings were interpreted and compiled to present results in a meaningful way.

4.1 Presentation of findings

A total of 82 questionnaires were given out of which 58 were returned. This represented a 70.73% response rate. Thus the generalizations from the sample’s answers are considered as applicable to the entire population. The data collected was analyzed with the Statistical Package for Social Science (SPSS). Of the 58 responses, 48.5% or 28 were male, while 51.7% or 30 respondents were female.

Figure 4.1: Response by gender
The study also sought to establish the respondent’s position in the Sacco. 94.8% (55) of the respondents indicated to be members, while 5.2% (3) indicated they were in the Management Committee. This is an indication that majority of the respondents were members. As indicated below.

**Figure 4.2: Position in the Sacco**

![Bar chart showing position in the Sacco](image)

The respondents were asked to indicate the years they had been in the Sacco. From the responses, 24.1% of the respondents indicated that they had been in the SACCO for less than 5 years, 37.9% of the respondents indicated that they had have spent 6-10 years in the SACCO, 20.7% of the respondents indicated that they had 11-15 years in the SACCO, 10.3% indicated to have been in the SACCO for 16-20 years while 6.9% of them had been with the SACCO for over 20 years. This shows that majority of the respondents had been in the SACCO for a substantial time and hence could give authoritative information concerning customer satisfaction. The findings are summarized in figure 4.3 below.
The study also wanted to establish the respondents' educational level. Table 4.2 below indicates the results. The study results reveal that 13.8% of the respondents had attained O-level education, 31% of the respondents indicated that they had acquired a college Diploma, 25.9% indicated to have acquired a Bachelors degree whereas 29.3% indicated to have acquired Masters degree as their highest level. This results imply that majority of the respondents had at least a Diploma and hence understood well the requirements of the study and were able to provide the information sought.

Table 4.2: Level of education

<table>
<thead>
<tr>
<th>Educational Level</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>O-Level</td>
<td>8</td>
<td>13.8</td>
</tr>
<tr>
<td>Diploma Level</td>
<td>18</td>
<td>31.0</td>
</tr>
<tr>
<td>Bachelors degree</td>
<td>15</td>
<td>25.9</td>
</tr>
<tr>
<td>Masters Degree</td>
<td>17</td>
<td>29.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
4.2 Customer satisfaction

The study sought information on the level of satisfaction with the Sacco as a whole. Results indicated that 26.3% (or 15) of the respondents were highly satisfied, 49.1% (28) were satisfied, 22.8 (13) were fairly satisfied, while 1.8% (1) indicated they were dissatisfied. This is an indication that the respondents were generally satisfied with the Sacco. Table 4.3 below gives a breakdown of the results.

Table 4.3: Customer Satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly satisfied</td>
<td>15</td>
<td>26.3</td>
</tr>
<tr>
<td>Satisfied</td>
<td>28</td>
<td>49.1</td>
</tr>
<tr>
<td>Fairly satisfied</td>
<td>13</td>
<td>22.8</td>
</tr>
<tr>
<td>Dissatisfied</td>
<td>1</td>
<td>1.8</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>100</td>
</tr>
</tbody>
</table>

4.3 Effects of service products on customer satisfaction

The respondents were asked whether the service products of the Sacco were tailored to meet their needs. Figure 4.4 below indicates the results. 87.9% indicated they were, 8.6% indicated they were not, while 3.4% did not respond to the question.

Figure 4.4: Products tailored to members’ needs
On whether the respondents were satisfied with the products of the Sacco, 37 respondents, representing 63.8% indicated they were satisfied, while 17 or 29.3% indicated they were not. 4 respondents or 6.9% did not respond.

Figure 4.5: Satisfaction with product
The study also sought information on what could be done to the products to improve customer satisfaction. 25.9% indicated that the Sacco needs to improve timeliness, quality of the products and hospitality. 1.7% indicated that the Sacco finds ways of recovering money lost through defaulters rather than attaching guarantors, 12.1% recommended improvement of staff motivation, 17.2% indicated reduction of interest rates and increase of dividends as ways of improving customer satisfaction. 3.4% indicated the Sacco to open guarantorship to include collaterals, 6.9% recommended prompt updating of members’ statements, while 3.4% indicated adding more products with low interest rates.

Table 4.4: What to be done on products to improve satisfaction

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improve quality, timeliness and hospitality</td>
<td>15</td>
<td>25.9</td>
</tr>
<tr>
<td>Finding ways of recovering money lost through defaulters rather than attaching guarantors</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>Improve staff motivation</td>
<td>7</td>
<td>12.1</td>
</tr>
<tr>
<td>Reduce interest rates and increase my dividends</td>
<td>10</td>
<td>17.2</td>
</tr>
<tr>
<td>Open guarantorship to include collaterals</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Prompt updating of members’ statements</td>
<td>4</td>
<td>6.9</td>
</tr>
<tr>
<td>More products with low interest</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>No response</td>
<td>17</td>
<td>29.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
4.4 Effects of staff qualification and training on customer satisfaction

The respondents were asked to rate the professionalism of employees at the Sacco. 12.1% indicated the staff were highly professional, 62.1% indicated they were professional, 22.4% stated the staff were fairly professional while 3.4% did not respond. The results are summarized in figure 4.6 below.

Figure 4.6: Level of staff professionalism
The respondents were asked to rate the responsiveness of the staff to their request. The results are summarized in table 4.5 below. 17.2 rated the staff as highly responsive, 55.2% as responsive, 22.4% rated them as fairly responsive while 1.7% indicated that the staff was unresponsive. 3.4% of the respondents did not respond.

Table 4.5: Staff responsiveness to requests

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly responsive</td>
<td>10</td>
<td>17.2</td>
</tr>
<tr>
<td>Responsive</td>
<td>32</td>
<td>55.2</td>
</tr>
<tr>
<td>Fairly responsive</td>
<td>13</td>
<td>22.4</td>
</tr>
<tr>
<td>Unresponsive</td>
<td>1</td>
<td>1.7</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

The study required information on the reliability of staff to provide services. 20.7% indicated the staff were highly reliable, 50.0 rated the staff as reliable, 25.9 indicated the staff was fairly reliable while 3.4% did not respond to the question. The results can be summarized in figure 4.7 below.

Figure 4.7: Reliability of staff
The respondents were asked to rate the level of accuracy of the staff in handling their request. The results are summarized in figure 4.8 below. 20.7% indicated the staff were highly accurate, 65.5% rated the staff as accurate, while 10.3% indicated they were fairly accurate.

Figure 4.8: Level of accuracy of staff

The study sought information on how the respondents rated the staff based on their level of knowledge to handle their requests. 15.5% of the respondents rated the staff as highly knowledgeable, 69% rated them as knowledgeable, while 7% rated them as fairly knowledgeable. Table 4.6 below summarizes the findings.
Table 4.6: Level of knowledge by staff

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly knowledgeable</td>
<td>9</td>
<td>15.5</td>
</tr>
<tr>
<td>Knowledgeable</td>
<td>40</td>
<td>69</td>
</tr>
<tr>
<td>Fairly knowledgeable</td>
<td>7</td>
<td>12.1</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>100</td>
</tr>
</tbody>
</table>

The respondents were asked to indicate whether qualification and training of the employees affected their satisfaction. 74.1% of the respondents indicated yes, while 24.1% indicated it did not. The results can be summarized in figure 4.9 below.

Figure 4.9: Does qualification affect customer satisfaction
4.5 Effects of Information Communication Technology (ICT) on customer satisfaction

The respondents were requested to provide information on the ways in which the Sacco communicated to them. The results are summarized in table 4.7 below. 79.3% indicated the Sacco communicated by email, 12.1% stated telephone, 5.2% indicated that the Sacco communicated via letters.

Table 4.7: Means of communication to members

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Email</td>
<td>46</td>
<td>79.3</td>
</tr>
<tr>
<td>Telephone</td>
<td>7</td>
<td>12.1</td>
</tr>
<tr>
<td>Letters</td>
<td>3</td>
<td>5.2</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>Total</td>
<td>58</td>
<td>100</td>
</tr>
</tbody>
</table>

The respondents were asked to indicate if the Sacco offered mobile banking services. 13.8% indicated it they did not know while 86.2% indicated the Sacco did not have the services. This question was to gauge whether the Sacco had embraced this form of technology, since it could improve the performance greatly and hence enhance customer satisfaction. The findings are summarized in figure 4.10 below.
Figure 4.10: Whether the Sacco offers mobile banking

The study requested information on whether the respondents trusted the Sacco’s IT system to respond to their needs. 43.1% of the respondents stated that they trusted the IT system, while 46.6% indicated they did not. Asked to state the reason for their responses, the respondent gave the following; delay response by the system, inability to provide financial statement accurately and precisely, lack of

The respondents were also asked to rate the IT system’s reliability to produce accurate reports and data when needed. 10.3% indicated that the system was highly reliable. 48.3% stated that the system was reliable, 31% fairly reliable, while 3.4% indicated unreliable. 6.9% did not respond. Table 4.8 below summarizes the results.

Table 4.8: Reliability of the Sacco’s IT system

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly reliable</td>
<td>6</td>
<td>10.3</td>
</tr>
<tr>
<td>Reliable</td>
<td>28</td>
<td>48.3</td>
</tr>
<tr>
<td>Fairly reliable</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td>Unreliable</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>No response</td>
<td>4</td>
<td>6.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
The research sought information on how often the respondents visited the Sacco’s website. 20.7% indicated very often, 25.9% often, 25.9% indicated fairly often while 22.4% indicated they visited the website infrequently. Asked to rate the website’s efficiency in providing required information, 12.1% stated highly efficient, 37.9% indicated efficient, 43.1% stated fairly efficient while 3.4% indicated inefficient. The results are summarized in table 4.9 below.

Table 4.9: Efficiency of Sacco’s website

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly efficient</td>
<td>7</td>
<td>12.1</td>
</tr>
<tr>
<td>Efficient</td>
<td>22</td>
<td>37.9</td>
</tr>
<tr>
<td>Fairly efficient</td>
<td>25</td>
<td>43.1</td>
</tr>
<tr>
<td>Inefficient</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

 Asked to suggest ways to improve the Sacco’s website to satisfy their needs, the respondents suggested the following; introduce electronic application forms, regular or real-time updates, including more information on the site, involving members in its improvement, introduction of online chat and a suggestion section and use of fast and reliable internet service provider.

Figure 4.11 below summarizes the results on the level of interaction of the Sacco’s website with the users. 6.9% of the respondents indicated that the site was highly interactive, 36.2% interactive, 36.2% fairly interactive while 12.1% indicated the site was uninteractive.
The respondents were asked to suggest ways of improving the Sacco ICT system to improve the customer satisfaction. The following were suggested; the Sacco should provide information that is accessible, timely, authoritative, accurate and up-to-date, purchasing of a modern ICT system and equipment and have frequent update, putting up a database for members and updating it regularly and introducing mobile banking.
CHAPTER FIVE
CONCLUSIONS AND POLICY RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary of findings and conclusions made. In this chapter the findings gathered are summarized and the conclusions made of the study done. Recommendations are also laid out in this chapter.

5.1 Conclusions

The cooperative movement in Kenya has been expanding significantly and has greatly improved the economic life of members. The introduction of the Sacco’s Act of 2008 by the government was aimed at regulating the activities of SACCOs. This is an indication of the pivotal role that the Saccos play in the financial sub-sector as they attract huge deposits and savings from members. Retention of the members by the Saccos is crucial to the survival of these Saccos. One way of ensuring this is to enhance customer satisfaction to the members.

Some factors hamper the attainment of customer satisfaction in Saccos. The study draws some conclusions that products, staff qualification as well as ICT are some of the factors affecting customer satisfaction in Saccos. These factors need to be addressed by the Sacco’s management and other stakeholders. Saccos need to be more innovative in products development in order to appeal to customers who are now demanding diverse products which satisfy their diverse needs. ICT enables business to improve performance, find new and innovative way to reduce costs of product and services, improve efficiency, among other benefits. Hence, Saccos need to embrace
ICT. Those organizations that are not embracing the IT are finding themselves confronted by numerous challenges. Staff training/qualification plays a major role in the performance of the Saccos. Properly trained employees are able to deal with the tasks that may arise in the organizations. The Saccos ought to train staff irrespective of the position they hold in the society.

5.2 Recommendations

After carrying out the study, the following recommendations are made by the researcher, to deal with the factors that affect customer satisfaction in Saccos:

1. That the Sacco develops market or customer oriented products to ensure that it retains the existing members and attract new ones. The overall interest rates of the products should be lowered and the time of processing the loans should be shortened. The prevailing competition in the financial sector in which Saccos operate becomes a huge threat to the existence of SACCOs.

2. ICT systems should be upgraded and the software should be up to date. Saccos should acquire and use the latest technology available in the market in order to be ahead or be in touch with other financial institutions and to increase efficiency in service delivery.

3. That staff training be an integral part of the Sacco strategic plan. The training should be done across board. To be effective and efficient in service delivery, staff training should be continuous, or at least periodically reinforced. This could be done through workshops, seminars, refresher courses and advanced training in the respective fields.

4. The Sacco should formulate a strategy where members are able to use collateral as security to the loans. This will eliminate the problem of attaching guarantors, once a member fails to pay their loans.
5.3 Suggested areas for further research

The study looked at the factors affecting customer satisfaction in Saccos in Kenya. The study was limited to three factors; products, staff training and ICT. These findings establish a firm foundation to build upon in further research in other related but specific areas. The following are such areas:

- Study other factors affecting customer satisfaction in Saccos;
- Comparative study on factors affecting customer satisfaction in the various types of Saccos;
- Conduct a study focusing on employees when researching factors affecting customer satisfaction.
References


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Appendix 1

Introduction letter to the respondents

John Nderitu Gichuru  
Department of Business Administration  
School of Business, Kenyatta University  
P.O Box 7495, 00100  
Nairobi  
Tel: 0722-705645

Dear Sir/Madam,

I am a post-graduate student pursuing Master of Business Administration (MBA) degree at Kenyatta University. I am carrying out a research on customer satisfaction. The objective of the study is to establish the factors affecting customer satisfaction in Balozi Sacco Ltd. You have been selected as one of the respondents in this study. Therefore, this is to kindly request you to complete the attached questionnaire as candidly and as honestly as possible. Please be assured that all information you provide will be kept strictly confidential. Your name or other identifying information will not appear on any study report. If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me at 0722-705645 or at johngichuru2004@gmail.com. Your participation represents a valuable contribution to research, and I thank you for your cooperation.

Yours faithfully,

John N. Gichuru
Appendix 2

QUESTIONNAIRE

Introduction
The researcher was a student of Kenyatta University and this questionnaire was part of a research carried out in partial fulfillment of the requirements of Masters in Business Administration (MBA) Course.

The researcher is therefore requesting the respondents to furnish him with some information. The information is meant for academic purposes and will be treated with utmost confidentiality. Your cooperation will be highly appreciated.

Please fill the questionnaire as correctly as you can. Where indicated [ ], please tick [ ✓ ] as appropriate.

SECTION A: GENERAL INFORMATION

1. Your gender
   Male [ ]   Female [ ]

2. Position in the SACCO
   a) Member [ ]
   b) Management Committee [ ]
   c) Supervisory Committee [ ]

3. Years in the SACCO
   a) Less than 5 years [ ]
   b) 5 - 10 [ ]
   c) 10 - 15 [ ]
   d) 15 - 20 [ ]
   e) Over 20 years [ ]
4. Highest Education attained
   a) O-Level [ ]
   b) Diploma level [ ]
   c) Bachelors Degree [ ]
   d) Masters Degree [ ]
   e) Others (please specify) .................................................................

SECTION B: CUSTOMER SATISFACTION

5. How can you describe your level of satisfaction with Balozi Sacco?
   a) Highly satisfied [ ]
   b) Satisfied [ ]
   c) Fairly satisfied [ ]
   d) Dissatisfied [ ]
   e) Highly dissatisfied [ ]

6. What influences or contributes to the level of satisfaction stated in (5) above?

7. Have you ever resigned as a member of Balozi Sacco?
   Yes [ ]
   No [ ]

8. If the answer to question (7) above is yes, what was the reason of your departure?
   a) High interest rates [ ]
   b) Limited range of products [ ]
   c) Poor services [ ]
   d) Lack of communication from the Sacco [ ]
   Others (please specify) .................................................................
SECTION C: SERVICE PRODUCTS

9. What credit products does the Sacco provide?
   a) Emergency loans [ ]
   b) Education loan [ ]
   c) Normal loan [ ]
   d) Instant loan [ ]
   e) Other (please specify) ..........................................................

10. Does Balozi Sacco provide deposit products?
    Yes [ ]  No [ ]

11. If the answer to question (13) above is yes, what deposit products does the Sacco provide?
    a) Shares [ ]
    b) Deposit accounts [ ]
    c) Withdrawable deposits [ ]
    d) Fixed deposits [ ]
    e) Other (please specify) ..........................................................

12. Do you think the products are tailored to meet your needs?
    Yes [ ]  No [ ]

13. Do you think service products provided by the SACCO affect your satisfaction?
    Yes [ ]  No [ ]

14. State in which ways service products provided by the SACCO affect your satisfaction
                                        ..........................................................
                                        ..........................................................

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15. What do you think should be done to the service products by the SACCO to improve satisfaction of the members?

SECTION D: STAFF QUALIFICATION AND TRAINING

16. How do you rate the level of professionalism of employees at the SACCO?
   a) Highly professional [ ]
   b) Professional [ ]
   c) Fairly professional [ ]
   d) Unprofessional [ ]
   e) Highly unprofessional [ ]

17. 1. How do you rate the responsiveness to requests by the staff?
   a) Highly responsive [ ]
   b) Responsive [ ]
   c) Fairly responsive [ ]
   d) Unresponsive [ ]
   e) Highly unresponsive [ ]

18. Please rate the reliability of the staff to provide the services to you when you need them
   a. Highly reliable [ ]
   b. Reliable [ ]
   c. Fairly reliable [ ]
   d. Unreliable [ ]
   e. Highly unreliable [ ]
19. How accurate is the staff when processing your request?
   a. Highly accurate [ ]
   b. Accurate [ ]
   c. Fairly accurate [ ]
   d. Inaccurate [ ]
   e. Highly inaccurate [ ]

20. How do you rate the knowledge of the employees of the Sacco to handle your requests?
   a. Highly knowledgeable [ ]
   b. Knowledgeable [ ]
   c. Fairly knowledgeable [ ]
   d. Unknowledgeable [ ]
   e. Highly unknowledgeable [ ]

21. Please rate the level of courtesy of the staff when handling your requests
   a) Highly courteous [ ]
   b) Courteous [ ]
   c) Fairly courteous [ ]
   d) Discourteous [ ]
   e) Highly discourteous [ ]

22. How do you rate the level of willingness of Balozi staff when handling your requests?
   a) Highly willing [ ]
   b) Willing [ ]
   c) Fairly willing [ ]
   d) Unwilling [ ]
   e) Highly unwilling [ ]

23. Do you believe qualification and training of the employees affect your satisfaction as a member?
   Yes [ ]
   No [ ]

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24. State in what ways qualification and training of the employees affect your satisfaction as a member

25. What in your opinion should the Sacco do on staff qualification and training to improve customer service in Balozi?

SECTION E: INFORMATION COMMUNICATION TECHNOLOGY (ICT)

26. How does the Sacco communicate with members? Please tick as appropriate
   a) Email [ ]
   b) Telephone [ ]
   c) Letters [ ]
   d) Short message services [ ]
   e) Other (please specify) [ ]

27. Does the Sacco provide mobile phone banking service (e.g. mpesa services)?
   Yes [ ]
   No [ ]

28. Does Balozi offer short message services for inquiries from and notifications to members?
   Yes [ ]
   No [ ]

29. Do you trust the Sacco’s IT system to respond to your needs?
   Yes [ ]
   No [ 61 ]
30. Please give the reasons for your answer in (29) above.

............................................................................................................................................
............................................................................................................................................

31. How do you rate the system’s reliability to produce accurate reports and data?
a) Highly reliable [ ]
b) Reliable [ ]
c) Fairly reliable [ ]
d) Unreliable [ ]
e) Highly unreliable [ ]

32. How do you rate the Sacco’s website to providing the required information/enquiries?
a) Highly responsive [ ]
b) Responsive [ ]
c) Fairly responsive [ ]
d) Unresponsive [ ]
e) Highly unresponsive [ ]

33. Please suggest ways that the Sacco’s could be improved to satisfy your needs?
............................................................................................................................................
............................................................................................................................................

34. What do you think the SACCO should do on ICTs to improve satisfaction of the members?
............................................................................................................................................
............................................................................................................................................

THANK YOU VERY MUCH
### Appendix 3

#### Time schedule

<table>
<thead>
<tr>
<th>Activity</th>
<th>Duration in weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7 8 9 10 11 12 13 14</td>
</tr>
<tr>
<td>Proposal</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Pilot testing</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Data collection</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>Data coding</td>
<td>✓</td>
</tr>
<tr>
<td>Data entry</td>
<td>✓</td>
</tr>
<tr>
<td>Data analysis</td>
<td>✓ ✓</td>
</tr>
<tr>
<td>Report writing</td>
<td>✓ ✓ ✓</td>
</tr>
</tbody>
</table>

Note: The table indicates the duration of each activity across the specified weeks.
## Appendix 4

### Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>Quantity</th>
<th>Unit Price (in ksh.)</th>
<th>Cost (in ksh.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet Expense</td>
<td>1</td>
<td>5,000.00</td>
<td>5,000.00</td>
</tr>
<tr>
<td>Photocopying</td>
<td>1</td>
<td>3,000.00</td>
<td>3,000.00</td>
</tr>
<tr>
<td>Printing paper</td>
<td>10</td>
<td>800.00</td>
<td>8,000.00</td>
</tr>
<tr>
<td>Stationery.</td>
<td>1</td>
<td>3,500.00</td>
<td>3,500.00</td>
</tr>
<tr>
<td>Traveling expenses.</td>
<td>25</td>
<td>1,000.00</td>
<td>25,000.00</td>
</tr>
<tr>
<td>Typing Service</td>
<td>10</td>
<td>1,000.00</td>
<td>10,000.00</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td></td>
<td></td>
<td>54,500.00</td>
</tr>
<tr>
<td>Contigencies (10%)</td>
<td></td>
<td></td>
<td>5,450.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>59,950.00</td>
</tr>
</tbody>
</table>