PRODUCTS AND CONSUMERS: A CRITICAL AND COMPERATIVE STUDY OF FINANCIAL SERVICES IN FINANCIAL INSTITUTIONS IN KENYA.

(CASE STUDY OF SELECTED COMMERCIAL BANKS IN KENYA).

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BBA/20076/82/DF

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF DEGREE OF BUSINESS ADMINISTRATION OF KAMPALA INTERNATIONAL UNIVERSITY.

NOVEMBER 2012

DECLARATION

This research study is my original work and has not been presented to any other examination body. No part of this research should be reproduced without my consent or that of Kampala International University School of Business and Management.

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Declaration by the supervisor

This research has been submitted for defense with my approval as the Kampala International University School of Business and Management supervisor.

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For and on behalf of the Kampala International University school of Business and Management.

Name.................................... Sign.......................... Date.....................

DEDICATION

This work is dedicated to my late Dad Mr. John Arieda Nyokeya, my dear Mum Mrs. Jenifer Sylvester, my brothers Emmanuel and Norbert, my sisters Evaline and Beatrice.

ACKNOWLEDGEMENT

I thank the Almighty God for His enduring and unfailing love for He has brought me this far and made me achieve this. I also extend my gratitude and acknowledgement to my supervisors, Mr. Rutaganda Michael and Dr.Kerosi J.Bosire for having taken their time to read through and correct this work and also for their friendly advices and support. I also wish to give special thanks to my best friends Okeyo, Ragot and Christopher for their friendly support during the period for my study and lastly to all my classmates.

ABSTRACT.

In Kenya, commercial banks are known for their consequent and extraordinary profits that they generate at the end of their accounting periods. The entrance of the foreign banks in the local industry within the region posses a high level of competition that has made banks to constantly come up with several and different financial products and services in order to maintain market leadership or to take over the market leadership.

This research takes an investigative study of banks as financial institutions to be examined; this is because they are the leading providers of financial products and services. The major banks considered in this study are Kenya Commercial Bank (KCB), Barclays bank (Kenya), equity bank and Co-operative Bank of Kenya to compare and analyze 1. The nature of financial products and services provided by financial institutions in Kenya, 2. Determine the level of acceptability or importance of financial products and services to the consumer. 3. Asses the consumer's perception on the financial products and services offered by the financial institutions, and 4. Evaluate the relationship between financial products and the consumer.

The study will adopt a cross sectional research design and utilize both the open ended and close ended questionnaires, and interview schedules as methods of data collection. The target population of this study will consist commercial banks and their customers. The sample size will contain a population of 200 people this is to ensure the accuracy and the reliability of the data. Four (4) banks will be visited, four (4) senior managers per the selected bank interviewed, ten (10) employees per bank interviewed and the rest (144) will be customers of these banks.

Stratified and cluster sampling will be used considering the wide geographical area that comprises Nairobi city where the headquarters of these banks are scattered.

The study will be of benefit to the existing and incoming financial institutions within Kenya, it will also be of importance to the consumers of financial products and services e.g. credit cards and private and corporate banking.

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CHAPTER ONE

1.0 INTRODUCTION

The Study is to be carried to investigate financial product and services in Kenya. This chapter contains background information, statement of problem, objectives of the study, research questions, purpose of the study, significance of study, research hypothesis, scope of the study and conceptual framework.

1.1 Background of the study

In financial economics, a financial institution is an institution that provides financial services for its clients or members. Probably the most important financial service provided by financial institutions is acting as financial intermediaries. Most financial institutions are highly regulated by government (Siklos, Pierre 2001).

Broadly speaking, there are three major types of financial institutions:

1. Deposit-taking institutions that accept and manage deposits and make loans, including banks, building societies, credit unions, trust companies, and mortgage loan companies
2. Insurance companies and pension funds; and
3. Brokers, underwriters and investment funds.

According to William L. Scott (1999) financial services are the main output of a financial sector. The financial sector responds to the need for financial services that help with borrowing and funding, lending and investing, buying and selling securities, users of financial services are individuals, families, governmental authorities and non-financial business. The creators and producers of these services are financial institutions, like banks and security firms.

Although financial services are not tangible goods like stereo systems, cars, and computer, they nevertheless have the attributes of "products". This is because financial services have utility by serving consumer's need for assistance in monetary affairs. Marketing professors refer to products as "anything offered to a market that is intended for use or consumption, or attention or experience, in order to meet needs." This definition certainly fits financial services, especially since their users are willing to pay for them in the form of service charges on the checking accounts, loan origination fees, commitment fees for lines of credit etc. (Scott 1999))

The "consumer" is the one who consumes the goods and services produced. As such, a consumer plays a vital role in the economic system of a nation because in the absence of the effective demand that emanates from them, the economy virtually collapses. Mahatma Gandhi said a customer is the most important visitor in our premises. He is not dependent on us, we are on him. He is not an interruption to our work; he is the purpose of it (http://www.consumerdaddy.com/a-23-consumer-customer.htm.)

The soaring economic growth and the resulting increase in demand for both corporate and consumer financial services in Kenya are attracting ever greater interest from international groups. Several international groups are already well established in Kenya; others are seeking out entry routes in niche areas such as credit cards and private and corporate banking.

A number of overseas financial institutions including Barclays, Citigroup, Standard Chartered and CFC Stanbic have developed strong distribution networks and business relationships in Kenya, either through direct offerings, subsidiaries or joint ventures (JVs). Although regulatory restrictions on branch opening and acquisition are in place in Kenya, foreign holdings in most banks and financial institutions continue to increase rapidly. This includes multiple foreign stakes in a number of leading institutions.

1.2 STATEMENT OF THE PROBLEM

For many years financial institutions have played a key role in the development of the Kenyan economy, this is due to financial services that they offer which includes, loans, savings, underwriting, insurance among others. With the increase in economic development of the Kenyan countries, financial education and improvement of technology, financial service demand in the region has constantly been on the increase and this has been evidently seen by the entrants of foreign financial services providers like the Citi group and the British American investment group.

Financial services refer to services provided by the finance industry. The finance industry encompasses a broad range of organizations that deal with the management of money. Among these organizations are credit unions, banks, credit card companies, insurance companies, consumer finance companies, stock brokerages, investment funds and some government sponsored enterprises. As of 2004, the financial services industry represented 20% of the market capitalization of the S&P 500 in the United States (http://en.wikipedia.org/wiki/Financial_services")

Kenya is East and Central Africa's hub for financial services. The Nairobi Stock Exchange (NSE) is ranked 4th in Africa in terms of Market capitalization.

The Kenya banking system is supervised by the Central Bank of Kenya (CBK). As of late July 2004, the system consisted of 43 commercial banks (down from 48 in 2001), several non-bank financial institutions, including mortgage companies, four savings and loan associations, and several score foreign-exchange bureaus. Two of the four largest banks, the Kenya Commercial Bank (KCB) and the National Bank of Kenya (NBK), are partially government-owned, and the other two are majority foreign-owned (Barclays Bank and Standard Chartered). Most of the many smaller banks are family-owned and – operated. (Central bank of Kenya 2010)

This study is intended to compare and analyze financial services in Kenya, the consumers' perception on these financial services and the relationship between financial services and the consumer. It will take a case study of Kenya Commercial Bank (KCB), Barclays Bank, Equity Bank and Co-operative Bank of Kenya.

1.3 PURPOSE OF THE STUDY

The study is intended to serve the purpose of comparing and analyzing financial product or services offered by financial institutions in Kenya, including their nature, importance or level of acceptability by the consumers, the consumers' perception on these financial products and services and the relationship between financial services and the consumer.

1.4 OBJECTIVES OF THE STUDY.

The objectives of the study included;

1.4.1 GENERAL OBJECTIVE.

To compare and analyze the financial products and services provided by financial institutions in Kenya.

1.4.2 SPECIFIC OBJECTIVES;

- To identify the nature of financial products and services provided by financial institutions in Kenya.
- To determine the level of acceptability or importance of financial products and services to the consumer.
- To assess the consumer's perception on the financial products and services offered by the financial institutions.
- To evaluate the relationship between financial products and the consumer.

1.5 RESEARCH QUESTIONS.

The study sought information to answer the following questions;

- What is the nature of financial products and services provided by financial institutions in Kenya?
- To what extent are the financial products and services acceptable or important to the consumers?
- What is the consumers' perception on the financial services provided by financial institutions in Kenya?
- What is the relationship between financial products or services and the consumer?

1.6 RESEARCH HYPOTHESIS

The study is also sought information to test the following hypothesis.

i. H_{O1}: inadequate financial products and services provided by financial institutions have no effect on the consumers in Kenya.

1.7 SIGNIFICANCE OF THE STUDY

The study focused on the financial products and services provided by financial institutions in Kenya and the consumers of these financial services. The study gathered information from bank managers, bank employees and consumers of financial services in Kenya. The information was analyzed and conclusion and recommendation made. The knowledge from this study is essential to all these stakeholders;

Financial institutions

The study will help financial institutions especially banks to know the perceptions, knowledge and the level of the consumers' satisfaction of the financial products and services they offer. The study will again enable the commercial banks to know what their competitors offer and to what degree are their products and services important to the consumers.

To the consumer

It will help the consumers to know what kinds and nature of financial products and services and how important these financial services are in order to assist them in their personal investment and for financing their business pursuits.

Kenya

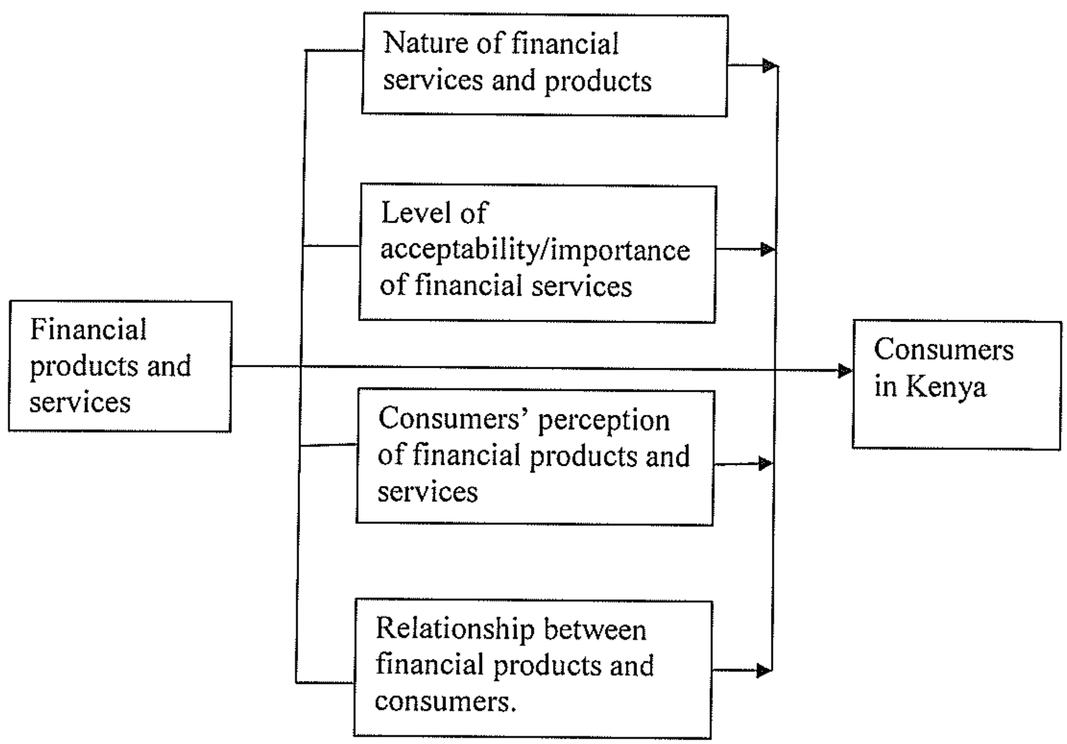
This area of study has been chosen because it is the pillar of economic development especially in this time when Kenya has joined together with other east African countries to form one community with one currency set to be by 2013. Kenya has also launched its vision 2030 development plan and again stands a chance to gain from this study. This is because financial institutions are the lubricators of the economy and the nature and consumers' perceptions of their products and services will determine the rate of development in the country.

1.8 SCOPE OF THE STUDY.

The study was carried out in Nairobi a capital city of Kenya and questionnaires administered to several commercial banks; these were Kenya Commercial Bank (KCB), Equity Bank, Co-operative Bank of Kenya and Barclays Bank.

1.9 CONCEPTUAL FRAMEWORK.

The main variables of this study are summarized in the following framework.



(Source; Otieno 2011)

Explanation

The nature of financial products and services provided by financial institutions (commercial banks) affects the consumers in Kenya

The level of acceptability or importance of financial services by the consumers depends on the kinds of products and services that financial institutions offer for example, quality financial products or services determines their importance or acceptability to customers.

The nature of financial products and services will determine the consumers' perception on them.

The relationship between financial products and the consumers will also depend on the nature of these financial products or services as offered by the financial institutions.

CHAPTER TWO

2.0 INTRODUCTION

This chapter literature review involves the theoretical study of the problem stated.

2.1 Nature of financial products and services

Financial services are fundamental to economic growth and development. Banking, savings and investment, insurance and debt and equity financing help private citizens save money, guard against uncertainty and build credit, while enabling businesses to start up, expand increase efficiency, and compete in local and international markets. For the poor, these services reduces vulnerability and enable people to manage the assets available to them in ways that generate income and options-ultimately creating paths out of poverty. (Christopher & Jenkins 2007)

The financial service sector is the largest in the world in terms of earnings, comprised of a wide range of businesses including merchant banks, credit card companies and stock brokerages, and insurance companies among others.

The term Financial Services′ in a broad sense means mobilizing and allocating savings′. Thus it includes all activities involved in the transformation of savings into investment. The financial service can also be called financial intermediation. Financial intermediation is a process by which funds are mobilized from a large number of savers and make them available to all those who are in need of it and particularly to corporate customers. Thus, financial service sector is a key area and it is very vital for industrial developments. A well developed financial services industry is absolutely necessary to mobilize the savings and to allocate them to various investable channels and thereby to promote industrial development in a country. Financial services, through network of elements such as financial institution, financial markets and financial instruments, serve the needs of individuals, institutions and corporate. It is through these elements that the functioning of the financial system is facilitated. Considering its nature and importance, financial services are regarded as the fourth element of the financial system. (Scribd 2011)

According to Jemini.J.Patil (2011) financial services takes the following nature or features;

Customer-Oriented:

Like any other service industry financial service industry is also a customer-oriented one. That customer is the king and his requirements must be satisfied in full should be the basic of any financial service industry. It calls for designing innovative financial products suitable to varied risk-return requirements of customer.

Intangibility

Financial services are intangible and therefore, they cannot be standardized or reproduced in the same form. Hence, there is a need to have a track record of integrity, reputation, good corporate image and timely delivery of services.

Simultaneous Performance

Yet another feature is that both production and supply of financial services have to be performed simultaneously. Therefore, both suppliers of services and consumers should have a good rapport, clear-cut perception and effective communication.

Dominance of Human Element

Financial services are dominated by human element and thus, they are people-intensive. It calls for competent and skilled personnel to market the quality financial products. But, quality cannot be homogenized since it varies with time, place and customer to customer.

Perishability

Financial services are immediately consumed and hence inventories cannot be created. There is a greater need for balancing demand and supply properly. In other words, marketing and operations should be closely inter-linked.

facilitates easy conversion of financial asset into liquid cash at the discretion of the holder of such assets.

Financial Intermediation

The financial service industry facilitates the function of intermediation between savers and investors by providing a means and a medium of exchange and by undertaking innumerable services.

Contribution to GNP

The contribution of financial services to GNP has been going on increasing year after year in almost all countries in recent times.

Creation of Employment Opportunities:

The financial service industry creates and provides employment opportunities to millions of people all over the world. (Jemini.2011)

2.3 The consumer's perception on the financial products and services.

In economics and marketing the "consumer" is the one who consumes the goods and services produced. As such, consumers play a vital role in the economic system of a nation because in the absence of the effective demand that emanates from them, the economy virtually collapses. (Robert (1997)

Americans are slowly improving their perception of the reputation-battered financial services industry, according to the Harris Interactive 2010 EquiTrend study.

The data in the financial services category shows evidence of recovery in terms of consumer perceptions, according to Harris analysis. The average brand equity scores across all financial services brands are on their way back to 2008 levels, a result of increases in both quality and purchase consideration perceptions.

Even AIG, whose reputation took a large hit during the financial crisis, experienced a significant increase in equity over the past year. The one brand whose equity score decreased in this year's results was Bank of America, although Merrill Lynch – a brand that Bank of America acquired in 2009 – had a significant increase in brand equity.

Trust Recovers More Slowly

EquiTrend results indicate that trust in the financial industry as a whole is also on its way up, though it has not yet achieved 2008 or even 2007 levels. AIG again showed improvement. However, there were decreases in this measure for Aflac, MasterCard, and Bank of America, although Merrill Lynch again experienced an increase while its parent brand is falling.

Despite this recovery there are still some brands that are struggling, particularly when it comes to the percentage of people who would be saboteurs of brands. In the financial services category, brands with the highest percentage of saboteurs include Freddie Mac, AIG, Countrywide, and Bank of America.

"While the industry is enjoying some reprieve from the onslaught of bad news that so damaged brand equity in this sector, consumer trust continues to lag and is taking longer to rebuild," said Howard Lax, SVP, financial services research, Harris Interactive.

Finance Seen as Too Powerful

A sizable majority of Americans think banks and financial institutions have too much power in Washington, DC, according to the results of another recent poll from Harris Interactive. Eighty-three percent of Americans said banks and financial institutions are too influential on the federal government.

Although Republicans have an image of supporting finance, Republicans and Democrats agreed that banks and financial institutions wield too much political power. Seventy-nine percent of Republicans and 83% of Democrats said that banks and financial institutions have too much power. (www.Harris interactive.com)

2.4 The relationship between financial products and the consumer

The *Gramm–Leach–Bliley Act* defines a 'consumer' as "an individual who obtains, from a financial institution, financial products or services which are to be used primarily for personal, family, or household purposes, and also means the legal representative of such an individual."

Examples of Consumer Relationships:

a. Applying for a loan
b. Obtaining cash from a foreign ATM, even if it occurs on a regular basis
c. Cashing a check with a check-cashing company
d. Arranging for a wire transfer

A "customer" is a consumer who has a "customer relationship" with a financial institution. A "customer relationship" is a continuing relationship with a consumer.
Examples of Establishing a Customer Relationship: opening a credit card account with a financial institution, entering into an automobile lease (on a non-operating basis for an initial lease term of at least 90 days) with an automobile dealer, providing personally identifiable financial information to a broker in order to obtain a mortgage loan, obtaining a loan from a mortgage lender, agreeing to obtain tax preparation or credit counseling services "Special Rule" for Loans: The customer relationship travels with ownership of the servicing rights. (http://www.ftc.gov/privacy/glbact/glboutline.htm)

Relations between bank and the borrower

It is not enough, however, that an applicant for a line of credit be judged a good risk by the bank after analysis along the foregoing lines. His past relations with the bank must have been satisfactory, and he must agree to observe certain requirements in the future. One of these is that **he maintains an adequate average balance.**
Although the requirement is not uniform or rigid, it is usual for a bank to insist upon observance of the so-called "20 percent rule." This means that the customer is expected to keep an average balance equal to about 20 percent of the line of credit to which he is entitled.

Another requirement that bank usually tries to enforce is that the borrower pays off his short-term indebtedness from one bank to another. (Woodworth 1950)

An additional way for banks to obtain information about their borrowers is through long-term customer relationships-another important principle of bank management.

If a prospective borrower has had a checking or saving account or other loans with the bank over a long period of time, a loan officer can look at the past activity on the accounts and learn quite a bit of the borrower. The balances in the checking and savings account tell the banker how potential is and at what time of the year has strong need for cash. A review of the checks the borrower has written reveals the borrower suppliers. If the borrower has borrowed previously from the bank, then the bank has a record of the loan payments. Thus, long-term customer relationships reduce the costs of information collection and make it easier to screen out good from bad credit risks.

The need for monitoring by banks adds to the importance of long-term customer relationships. If the borrower has borrowed from the bank before, the bank has already established procedures for monitoring long-term customers will be lower than those for new customers.

Long term relationships benefit the customers as well as the bank. A firm with a previous relationship will find it easier to obtain a loan at a low interest rate, because the bank has an easier time determining if the prospective borrower is a good credit risk and has fewer costs to monitoring the borrower.

A long term customer relationship has another advantage for the bank. No bank can think of every contingency when it writes a restrictive covenant into loan contract; there will always be risky borrower activities that are not ruled out by a restrictive covenant. However, what if borrowers want to preserve a long term relationship with a bank because it will be easier for them to get future loans at low interest rates? The borrower then has the incentive to avoid risky activities that would upset the bank, even if restrictions on these risky activities are not specified in the loan contract.

The advantage of establishing a long-term customer relationship suggests that closer ties and banks might be beneficial to both. One way to create these ties is for banks to hold equity stakes in companies they lend to and for banks have membership on the boards of directors that manage these companies. (Mishkin 1992)

CHAPTER THREE
METHODOLOGY

3.0 Introduction

This is an analytical study based mainly on the primary data collected through developed questionnaires. The questionnaire has been personally administered on a sample size of 200, chosen on a convenient basis from four banks, i.e. KCB, Equity Bank, Barclays Bank, and Co-operative Bank of Kenya. All of the above banks are listed on the Nairobi Stock Exchange, the only stock market in Kenya and the fourth best security exchange in Africa.

The selection of the banks was based on some unique characteristics of the banks.

For example, KCB was established in 1970 after the Kenyan government acquired 100 of the shares of its predecessor National & Grind lays Bank and it is the country's first Kenyan-owned commercial bank with a market capitalization of 39.25 billion.

Equity Bank commenced business on registration in 1984. It has evolved from a Building Society, a Microfinance Institution, to now the all inclusive Nairobi Stock Exchange and Uganda Securities Exchange public listed Commercial Bank. With over 6.3 million accounts, accounting for over 57% of all bank accounts in Kenya, Equity Bank is the largest bank in the region in terms of customer base and operates in Uganda and South Sudan and Rwanda.

Barclays has operated in Kenya for over 90 years. Financial Strength coupled with extensive local and international resources have positioned Barclays Bank of Kenya as a foremost provider of financial services.

The co-operative Bank of Kenya was initially registered under the Co-operative Societies Act at the point of founding in 1965. This status was retained up to and until June 27th 2008 when the Bank's Special General Meeting resolved to incorporate under the Companies Act with a view to complying with the requirements for listing on the Nairobi Stock Exchange (NSE).

The study adopted qualitative methodology that will be used to analyze the financial products and the consumers in Kenya. This qualitative methodology will help the researcher to understand, in the broadest possible terms, not the product of specific enquiry but the product itself.

3.1 RESEARCH DESIGN

During the study a cross sectional research design that utilized both the open ended and close ended questionnaires, and interview schedules as methods of data collection were used.

3.2 TARGET POPULATION

According to Kothari (2004) all items in any field of inquiry constitute a population. Target population is the complete set of individual, cases or objects with the same common characteristics to which the researcher wants to generalize the results of the study (Mugunda1999). The target population of this study consisted commercial banks and their customers. This is because banks are the major intermediaries and providers of financial services and customers are the main consumers of these financial products or services.

3.3 SAMPLE

A ratio scale method was used to measure the variables (financial services and consumers) this is because it has both the characteristics of other scales of measurement, like, nominal, and internal, also because mathematical operations can be applied to yield meaningful values.

3.4 SAMPLING DESIGN AND PROCEDURE

The sample size contained a population of 200 people who were chosen at the convenience of the researcher this is to ensure the accuracy and the reliability of the data. Four (4) banks were visited; four (4) senior managers per the selected bank interviewed, ten (10) employees per bank interviewed and online questionnaires totaling 144 were administered to the customers of these banks.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

4.0 Introduction

This section covers the presentation, analysis and interpretation of the data collected. The research findings were based on data collected from the population sample size selected from both the top management, employees and the consumers of financial services of the selected banks. This was done in order to have a wider view and understanding of the objectives of the study which were; nature of financial services or products offered by financial institutions, level of acceptability or importance of financial service to the consumers, customers or consumers' perception of financial products, and also to examine the relationship between financial products and the consumers. The first step in analysing the data was through descriptive measures (qualitative data from the questionnaires). The second step was analysing through Microsoft excel spread sheet which were used in the entire analysis.

4.1Findings

4.1.1 Demographic profile of respondents

The questionnaire was designed to seek information about the user groups, age, gender, banker, and their occupation. Analysis shows that 65 percent of the respondents are female and 35 percent are male. The detailed breakdown of the demographic profile of the customers has been given in Table I. It is seen from Table I that 45 percent of the respondents are in the age group of below 25 years. The next largest group of the respondents is in the age group of 25-35 years (35 percent). About 20 percent respondents are from the age group of 35 to 45 years. No respondents are in the age group of 45 and above. Analysis also shows that more than half of the respondents are banking with Equity bank 29.1%, those banking with KCB are second with 25.5%

however, co-operative bank and Barclays follow closely with 23.6% and 21.8% respectively Among the 200 respondents, the highest numbers of the respondents are in service sector occupations 40%followed by students 17.5% .However, accountants and others service holders represent 22.5% and 7.5%, respectively.

Demographics	%
1. Gender	
Male: 70	35
Female: 130	65
2. Age (years)	
Below 25	45
25-35	35
35-45	20
45 above	0
3. Bank	
Equity	29.1
KCB	25.5
Co-operative	23.6
Barclays	21.8
4. Occupation	
Service: 80	40
Students: 35	17.5
Accountant: 45	22.5
Academicians: 25	12.5
Others: 15	7.5

Table I

Source; primary data (Otieno 2011)

Demographic profile of the customers

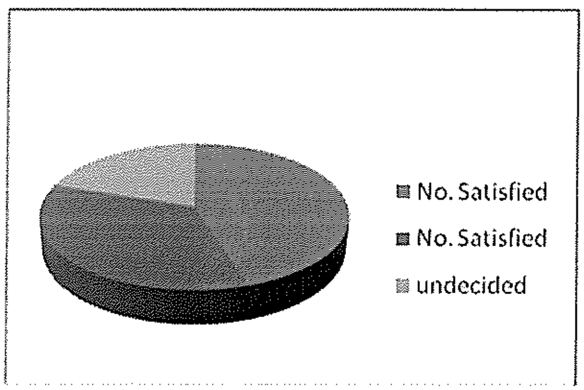
Consumers' response

Table111 A Presentation of consumers' response

Consumers	No. satisfied	Not satisfied	Un decided	Total
Frequency	50	38	22	110
Percentage	45%	35%	20%	100%

Source; primary data (2011)

Fig2. Presentation of the response from the data collected on the Pie chart



Source: Survey Data (2011)

ANALYSIS OF OBJECTIVES

4.2 Nature of financial products and services

Resulting from the interviews carried out by the researcher to top bank officials and several employees of each bank as per the selected sample to be interviewed, the researcher found out that financial products exists in the following nature;

Customer-Oriented:

It was confirmed that financial services as provided by financial institutions are customer oriented meaning; they are built or made to suit the customers' needs and desires and that the customer is the king and has the say on what product or service to get from financial institutions. This has forced financial institutions to spend more on research and development programs to come up with financial services that suits customers demands for example Equity bank introduced a new form of banking product called the M-kesho, while other banks like KCB, Barclays and co-operative has introduced mobile banking to ease customers ways of transaction.

Intangibility

Financial services are intangible and therefore, they cannot be standardized or reproduced in the same form. Hence, there is a need to have a track record of integrity, reputation, good corporate image and timely delivery of services.

Simultaneous Performance

Another feature is that both production and supply of financial services have to be performed simultaneously. Therefore, banks and other financial providers and consumers need to have a good rapport, clear-cut perception and effective communication.

Dominance of Human Element

It was also confirmed by the researcher from the interviews that financial services or products are aimed to target humans therefore are designed for them .It therefore calls for competent and skilled personnel to market the quality financial products. But, quality cannot be homogenized since it varies with time, place and customer to customer.

4.3 Level of acceptability or importance of financial service to the consumers

From the questionnaires administered and obtained from the customers of the selected banks it is been noted that financial products and services contributes positively to the lives of the consumers in the following ways;

Economic Growth

The financial service industry mobilizes the savings of the people and channels them into productive investment by providing various services to the people. In fact, the economic development of a nation depends upon these savings and investment. This also helps in improving their living standards.

Promotion of Savings

The financial service industry promotes savings in the country by providing transformation services. It provides liability, asset and size transformation service by providing large loans on the basis of numerous small deposits. It also provides maturity transformation services by offering short-term claim to savers on their liquid deposit and providing long-term loans to borrowers.

Capital Formation

The financial service industry facilitates capital formation by rendering various capital market intermediary services ± capital formation in the very basis for economic growth. It is the principal mobilizer, of surplus funds to finance productive activities and thus it promotes capital accumulation.

Provision of Liquidity

The financial service industry promotes liquidity in the system by allocating and reallocating savings and investment into various avenues of economic activity. It facilitates easy conversion of financial asset into liquid cash at the discretion of the holder of such assets.

4.3 Consumers perception on the financial services and products

From the questionnaires administered, the researcher found out that consumers perceive financial products and services as;

Customer support:

This is an important service that bank should provide to the customers. Proper support to the customer may lead to the banks generating profit and build customers' confidence. The results indicated that customers' perception is positive regarding service provided by the bank in the way of customer support. Customers also cited areas where bank has given them support and one was majorly on investment advice.

Imposing of service charges and fines

Banks have to charge various amounts to the customers' account for their services, such as demand drafts, money transfer, cheque book issue, etc. Customers pointed out from the questionnaires that their perception in this case is very unsatisfactory. In other words, banks are imposing too many service charges and fines, and customers' dissatisfaction is reflected in the result. Therefore, banks should minimize the service charges.

Promptness and accuracy in transactions

In the banking transaction, customers seek prompt service and accuracy in transactions. It is understood that customers' perception in this case is better than for customer support, good manners and hospitality, resolving customer grievances and imposing of service charge.

Confidentiality of accounts and transactions

This is an important parameter: customers want their account and transactions to be kept confidential. The result indicates that customers have moderate confidence in this service.

4.5 The relationship between financial products and the consumer

From the administered questionnaires and the interviews carried out during the study, both the consumers and the banks identified that their relationship exists once one approaches the other for a purpose of doing business. The bank does this by persuading the person to be its customer (marketing itself plus its products), the customer accepting or approaches another bank to be its customer.

The finding that the relationship exists in the following circumstances;

Account opening

When the bank approaches the customer to open an account with them or when the customer approaches the bank to open an account with them and become its customer. From the response this was positive and it showed that the relationship on account opening is good.

Loan advance

The relationship between banks and consumer also exists when consumers applies for a loan from the bank. This was seen as a common practice but was only challenged with the level of interest rate charged. Majority of the customers complained that the cost of borrowing is high and even though banks are also trying to reduce on the level of bureaucracy involved in getting loan advance.

CHAPTER FIVE:
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0: Introduction

In this section we discuss the main findings from the study, draw conclusion and make recommendations.

5.1 Summary of Findings

The objective of the study was to compare and analyze the financial products and services provided by financial institutions in Kenya. Among the 144 questionnaires that were distributed to the consumers of financial products 45% were satisfied with the financial services offered to them by their bankers, 35% were not satisfied and wished that they could get these services at a low favorable cost majority of those who were not satisfied preferred that loans be provided at a relatively low interest rate, they also condemned the level of bureaucracy involved in obtaining the loans and other services, on accounts they said that the minimum charges are high as compared to other banks.

The unsatisfied customers pointed out that some banks (Barclays) do not take accept old notes which should be their responsibility for example a customer pointed out that he was told to go and add a piece of paper to a torn Kshs 1000 note and then bring it back but when he took it to another bank (Equity bank) the note was accepted the way it was since then he changed to equity bank.

In addition to their issues with their financial service providers they also pointed out that ATM machines are few especially in areas where people use them a lot like Nakumatt (city kabanas) they said that people queue for the ATM services, some also said that they have to walk miles to reach an ATM machine for example Embakasi residents could walk or drive up to Donholm or city kabanas in order to get the ATM services their chosen banks like Barclays and Equity banks.

The 20% were could not tell whether they were satisfied or not. This is as indicated in the above Table 111 and fig6 in chapter 4 (the data presentation, analysis and interpretation)

5.2 Conclusions

Based on the data collected above and the analysis given it is seen that financial services in Kenya have improved and due to competition various services have been introduced to attract customers' or to keep customers. From the customers' point of view, they perceive these financial services as not satisfying that are why the percentage of those with positive perception on the financial services by their bankers are 45% as indicated in the table 111.

5.3 Limitations of the study and future research:

Three limitations have been identified in this study. First, the limited number of financial banks (only four banks) covered under the study. Second, the sample size and the number of actual respondents are limited and finally, a more robust analysis is needed to reach a strong conclusion. In order to greatly contribute to the existing body of knowledge about financial products and the consumers within the banking sector in the Kenya, it is recommended that similar future research could be conducted taking in all banks in the Kenya and with more sample sizes.

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APPENDICES

APPENDIX A

QUESTIONNAIRE

QUESTIONAIRE INSTRUMENTS FOR BANKS AND ITS CUSTOMERS

DEAR REASPONDENT,

This study is about products and consumers: an analytical and comparative study of financial services in financial institutions in Kenya. Its findings will be published in a dissertation for the award of a Bachelors' degree of Business Administration (banking and finance) of Kampala International University. I guarantee you that the information you give will be kept strictly confidential and only for academic purposes.

For section A, tick the appropriate response for questions 1-3 and fill in your response for question 4-5.

Section A: Background information

1. Your gender Male [ ] Female [ ]
2. Age bracket Below25 [ ] 25-35 [ ] 35-45 [ ] 45 and above [ ]
3. Bank: Equity bank [ ] KCB [ ] co-operative [ ] Barclays [ ]
4. Occupation
   Service [ ] Student [ ] Accountant [ ] Academician [ ]
   Others [ ]

SECTION B (the bank only)

Please answer the following questions.

1. What are the various kinds of financial products and services your bank offer?

....

....

....

Time frame

Activities`	Days
Proposal writing	1 month
Editing proposal	2 weeks
Data collection and analysis	1week
Submission	2 weeks

ACTIVITIES	**MONTHS/YEARS**
Proposal writing and submission	August2011- October 2011
Data collection and analysis	2nd November2011- 8th November 2011
Dissertation writing	9th November 2011- 11th November 2011
Dissertation submission	November 11th 2011

BUDGET

Items	**Quantity**	**Amount UGX**
Typing proposal	40 pages	12,000
Printing the proposal	40 pages	4,000
Binding Dissertation	3 copy	2,000
Food	14 days	25,000
Transport	14 days	28,000
Questionnaires	144 copies	14,400
Printing dissertation	3 copies	20,000
Binding dissertation	3 copies	25,000
Total		**130,400**