FACTORS INFLUENCING CUSTOMER PREFERENCE IN CHOICE OF A COMMERCIAL BANK IN KENYA; A CASE OF EQUITY BANK OF KENYA LIMITED

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ABSTRACT

High level of competition has become the global influential factor in the structure and activities of the banking system. Moreover, commercial banks are not only competing with themselves but also with other deposit taking financial institutions and building societies within the financial industry. They have therefore realized the need to focus on the previously neglected retail sector, as a source of deposits and much needed income. To attract these customers, banks need to know the factors they consider in their bank selection. The purpose of this study was therefore to find out the factors influencing the customers’ choice of banks in Kenya. In this regard, the case study of Equity banks was undertaken. The specific objectives were to establish the role of technological innovation, personal factors, quality of service and marketing effort as influencing factors in the customer choice of a bank.

This study used descriptive research design that utilized the case study approach. In terms of sampling, this study employed random sampling technique. The target population of this study was the Equity bank management and customers. Primary data was collected using a questionnaire while secondary data was obtained from bank’s annual reports, website and other accessible publications. The study collected quantitative data using a self-administered questionnaire. The data was then coded to enable the responses to be grouped into various categories and analyzed using the statistical software, SPSS. The findings were finally presented in tables and charts. The study revealed that service quality, technological innovation, personal factors and marketing effort influences the customer preference of a commercial bank; as indicated by their combined coefficient of determination ($R^2$) with a value of 0.752. This implies that the joint independent variables explain 75.2% of the factors influencing customers’ preference of commercial bank. The study further revealed that technological innovation had the
greatest influence followed by, personal factors, customer service and marketing effort respectively.

The study recommends that growth oriented banks should innovate and adopt technologies that cheaply delivers convenience and better service quality to the customers. They should also design flexible products to accommodate the wide variety of customers. Customer preference is also significantly influenced by the bank’s marketing effort.