

**INFLUENCE OF BANKS ALTERNATIVE CHANNELS ON CUSTOMER
SATISFACTION IN KENYA**
(A CASE STUDY OF COAST REGION COMMERCIAL BANK CUSTOMERS)

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**A PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE REQUIREMENTS
FOR THE AWARD OF A MASTER OF BUSINESS ADMINISTRATION DEGREE IN
MARKETING OF
MOUNT KENYA UNIVERSITY**

NOVEMBER, 2024

DECLARATION AND APPROVAL

I, **Nyakundi Nyauama Albert**, certify that this research study is entirely unique with no submissions from other universities for consideration for any other degree.

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I have given my consent as the University Supervisor for this research project to be submitted for review.

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DEDICATION

To my father, who firmly believes in the concept of "learning," and to Our Almighty God, for the magnificent gift of my family.



ACKNOWLEDGEMENTS

I would like to express my profound gratitude and thanks to the professors at Mount Kenya University's Accounting & Finance department for their excellent instruction and impartation of knowledge, which have allowed me to successfully complete this study.

I would especially like to express my gratitude to Dr. Pearry Kilei, who oversaw my research and provided me with unwavering guidance and support. My lecturers, Drs. Yatich and Onsilo, deserve appreciation as well, as they have assisted me in various ways.

I want to express my gratitude to everyone who has been named above as well as the 2019 Masters of Business Administration class. I also want to thank those whose names are not stated directly but who have in some way aided me in my studies.



ABSTRACT

Customer satisfaction in the banking sector is a key metric for assessing the caliber of services and overall interactions with financial institutions. Technology breakthroughs and changes in customer expectations have caused major changes in the banking industry in recent years. Alternative banking channels like online banking, smartphone apps, and digital payment platforms are gradually replacing or supplementing traditional banking procedures. This study aimed to investigate the influence of alternative banking channels on customer satisfaction among commercial bank customers in Kenya's Coast region, specifically in Mombasa and Kilifi counties. The ease of access and the effectiveness of service delivery are closely related to customer

satisfaction, according to research. As digital banking has grown, customers now demand seamless, secure, and convenient experiences, and studies reveal that banks with strong digital platforms typically receive higher ratings in customer satisfaction surveys. This is because these platforms can offer 24/7 access to services, cutting down on wait times and improving convenience. The research focused on four key banking channels: Mobile Banking, Internet Banking, Agency Banking, and Automated Teller Machines (ATMs). The study adopted a descriptive research design to explore the relationships between these channels and customer satisfaction. The target population consisted of customers from various branches of KCB Bank Kenya Limited, selected through purposive and stratified random sampling techniques. Information was gathered using a combination of secondary data from consumer feedback reports and structured questionnaires. To evaluate the influence of each banking channel, multiple regression, correlation analysis, and descriptive statistics were used in the analysis. With both high unstandardized and standardized coefficients, ATM banking was found to have the most positive impact on customer satisfaction, demonstrating its crucial role in improving customer experiences. Mobile Banking also had a positive, although moderate, effect on satisfaction. In contrast, Internet Banking was found to negatively impact customer satisfaction, pointing to issues with service quality and user experience. Agency Banking had a slight negative effect, though not statistically significant. Based on these findings, the study concluded that banks should prioritize ATM services, as they are highly valued for their convenience. Enhancing Mobile Banking features could also improve customer satisfaction, while significant improvements in Internet Banking are necessary to address customer dissatisfaction. Agency Banking could benefit from better agent training to improve its effectiveness. Recommendations include investing in ATM infrastructure, enhancing mobile banking services, improving internet banking quality, and refining agency banking operations to increase customer satisfaction in Kenya’s commercial banking sector.

Keywords: Customer Satisfaction, Alternative Banking Channels, Mobile Banking, Internet Banking, Agency Banking

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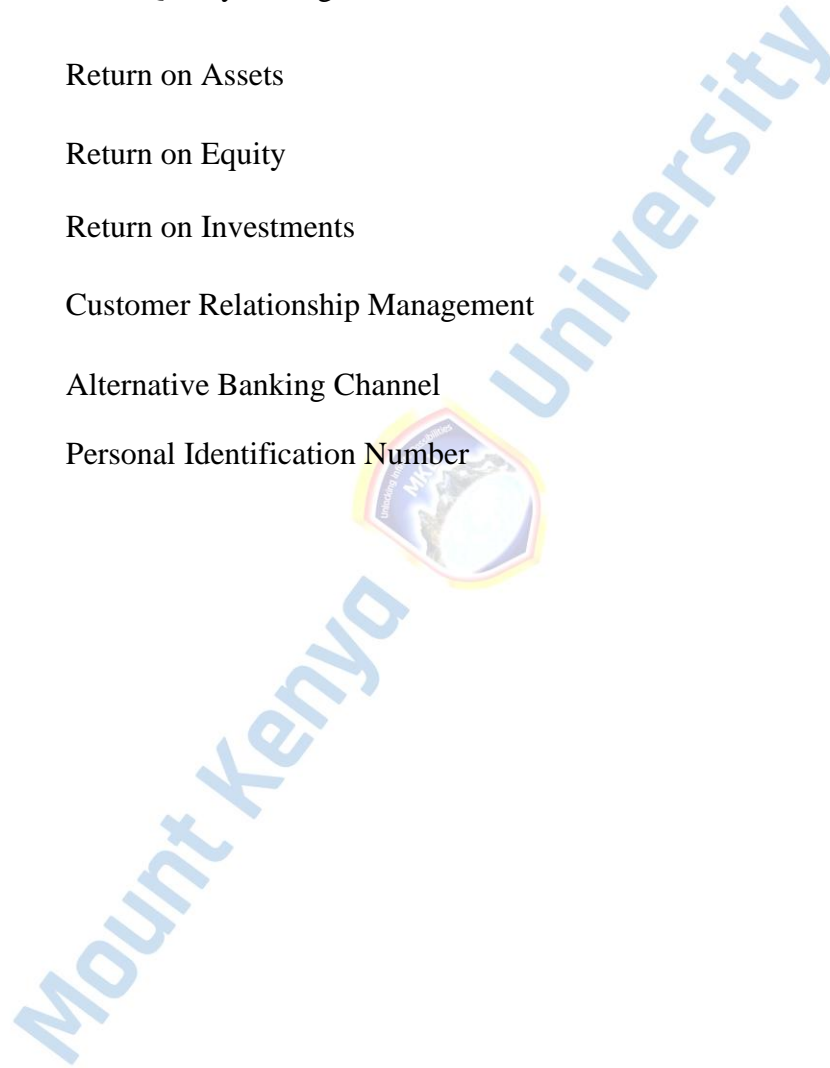
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LIST OF ABBREVIATIONS AND ACRONYMS

ATMs	Automated Teller Machines
CBK	Central Bank of Kenya
CES	Customer Effort Score
EQMS	Electronic Queue Management System
IB	Internet Banking
KCB	Kenya Commercial Bank
NPS	Net Promoter Score
POS	Point of Sale
QA	Quality Assurance
RTGS	Real Time Gross Settlement

SI	Somewhat Important
SPSS	Statistical Packages for Social Scientists
SWIFT	Society for Worldwide Interbank Financial Telecommunications
TQM	Total Quality Management
ROA	Return on Assets
ROE:	Return on Equity
ROI:	Return on Investments
CRM:	Customer Relationship Management
ABC:	Alternative Banking Channel
PIN:	Personal Identification Number



CHAPTER ONE

INTRODUCTION

1.1. BACKGROUND OF THE STUDY

In the banking industry, customer happiness is a crucial indicator of service quality and the general interaction that customers have with financial organizations. Technology breakthroughs and changes in customer expectations have caused major changes in the banking industry in recent years. Alternative banking channels like online banking, smartphone apps, and digital payment platforms are gradually replacing or supplementing traditional banking procedures.

Research shows that the effectiveness of service delivery and accessibility are directly related to consumer happiness. Customers today want smooth, convenient, and secure experiences due to the growth of digital banking. According to studies, banks with strong digital platforms typically receive higher ratings from customers.

Additionally, clients can conduct transactions, handle their accounts, and get help through alternative banking channels without having to visit a physical location. This change appeals to people looking for speed and efficiency in addition to satisfying the needs of tech-savvy consumers. By offering prompt assistance and customized solutions, the incorporation of chatbots, AI-powered customer support, and individualized banking experiences via these channels further improves consumer happiness.

It's crucial to remember that although digital channels might increase pleasure, there are drawbacks as well. Customer perceptions may suffer from problems including cybersecurity issues, a lack of individualized care, and technical hiccups. In order to maintain conventional

channels for clients who prefer in-person contact, banks must strike a balance between their digital services and high-quality customer care.

Modern technology has changed the way both individuals and institutions carry out their daily activities. Globally, the banking sector has evolved to a convenient and cost-effective model provision of their products and services. This has been on an upward trajectory both in developed and developing economies. Modern technological developments and innovations are increasingly crucial for providing outstanding customer service and raising the caliber of bank goods and services. To increase customer confidence and loyalty while achieving growth and profitability, nearly all Kenyan banks have made significant investments in the adoption of alternative banking channels, including Automated Teller Machines (ATMs), Internet Banking (IB), mobile banking, agency banking, and merchant banking, among others.

In conclusion, the use and efficacy of alternative banking channels are having a growing impact on the level of customer satisfaction in the banking industry. Banks that make investments in cutting-edge digital technologies while upholding excellent service standards stand to gain more client loyalty and satisfaction as consumers continue to place a premium on efficiency and convenience.

1.1.1 Alternative Banking Channels

IBM Global Services calls alternate channels "alternative banking." It is using electronic means to execute financial transactions in lieu of going to the bank in person. According to (Chebii, 2013), alternative banking refers to methods other than standard ones for processing banking transactions. To give customers an even greater range of channels through which they can obtain financial services, branchless banking can be employed as a stand-alone channel strategy that

eliminates bank branches or in combination with the existing bank branch network. Virtual banking, online banking, e-banking, electronic banking, and direct banking are other terms for alternative banking. Branchless banking can be utilized as a stand-alone channel strategy that completely avoids bank branches, or it can be used in conjunction with the current bank branch network to provide consumers with an even wider array of channels via which they can receive financial services. Other names for alternative banking include virtual banking, internet banking, e-banking, electronic banking and direct banking.

Through alternative banking channels, it is now feasible to conduct the majority of banking transactions from any location, even without physically entering a financial facility, thanks to advancements in communication and computer technology. There has been a revolution in the selection of payment options as financial institutions and the unbanked try to reach each other through alternative banking channels. All of the modern banking techniques that are used as alternative banking channels include ATMs, internet banking, bank automation, core banking, credit cards, debit cards, and mobile banking (Chris et al., 2005). Internet, mobile, and agent banking are examples of highly adopted alternative channels, according to (Chebii, 2013). According to (Ogilvie, 2008), alternative banking channels are the more recent ways to do banking.

Alternative distribution channels offer practical substitutes for branch banking, claims (Howcroft,1993). Customers of alternative banking can conduct most banking activities through these channels, negating the need for them to visit a physical branch (Kumbhar, 2009). According to (Kimball & Gregor, 1995), the utilization of alternative distribution channels is crucial not just for cost reduction and enhanced competitiveness, but also for maintaining and expanding the client base. Alternative distribution channels can be used by bank executives as a means to an end in order to engage and decrease the attrition of current customers while also attracting new ones.

Business establishments' aim is to realize maximum profits hence strive to reach out for new customers as well as retain their existing customers. In so doing, they embrace the use of information and communication technology to operate close to their customers, competitors, suppliers and government regulators. As a result, there is reduced time in passing information and intelligence hence modern businesses operate in an environment characterized by increased dynamics, hostile conditions and turbulence. They experience daily changes attributed to the product life cycle, changes in information technology, population increase and inflation, social and cultural environments among others. Banks also experience these changes resulting in several uncertainties regarding customers, suppliers, competitors and government regulators.

Due to this increased dynamism, banks aim at reducing the uncertainties that may affect their operations by employing strategies that will enable them to compete effectively within the regulatory frameworks. One of such strategy is customer attraction, which calls for keeping up with both business environment and industry's set standards. Because bank products and services are produced and consumed simultaneously, these modifications must keep up with technology advancements. The impression that customers have when presented with products and services, determines where they take their next business. A bad impression can lead to reduced business from the said customers.

To avoid such negative changes in business, banks should make their attraction models more attractive, these again will have an effect of retaining present customers (Reichheld & Schefer, 2000). A few strategies can be used to build a preference customer base. The products and services can be marketed to customers to enable them to prefer a bank and hence benefit from combined services. Customer complaints can be used to set improvement levels or seek solutions, which will make customers to feel that their requirements will be addressed promptly.

Continuously interacting with the employees can build confidence in customers hence to attract a royal workforce. Lastly, improved technology like ATMs, IB, mobile banking, agency banking, merchant banking can lead to customer attraction. Achieving customer's preference in banks is challenging given that the bank suppliers are at the same time its customers.

Banks create financial institutions that make it possible for people and businesses to invest in business by facilitating the smooth conduct and settlement of financial transactions, offering advice and specialized financial services, and mobilizing savings and directing them toward lucrative investment opportunities. Depositor money is received by banks, who then use them to fund mortgages, investment loans, and personal loans. As a result, a basis for both personal and economic growth would be set. They provide saving products in both fixed and non-fixed terms receive and pay salaries to their salaried account holders, move funds from one point to another and provide financial advice to customers. Other services include lending, investment services, custodian services, mortgage financing, trade financing services like letters of credit and import financing for firms that need bigger loans, agency services, insurance and other related services.

To increase efficiency, the government licensed many banks to operate creating competition hence having a banking industry that takes care of the growing needs of customers. However, competition that is so desirable has been reduced to an oligopoly about four major banks that control more than 60% of both total assets and deposits (Ouma, 2003). They discriminate customers through setting inordinate fees and rules meant to increase their incomes at the customers' expense (Ouma, 2003). The high concentration in this industry and stiff competition, Central Bank of Kenya (CBK) urged small banks to merge to increase competitive pressure on the four as well as survive their harsh regulatory environment and hence become viable and sustainable institutions (Ouma, 2003). However, several small banks still operate on their own creating intense

competition among them. It is in the same category that Imperial Bank and Chase Bank falls (Ouma, 2003).

Banks are very essential for economic growth because they provide investment funds to those who desire. However, competition among the banks stimulates the need to hold on to the present customers as well as getting new ones. Bank management institutes attraction Models for their customers that include selling additional products alongside their perennial products, working on customers complaints, having a loyal workforce, reaching out to customers and making use of new technology in their daily operations (Kipkemboi, 2007). These strategies lead to significant number of factors that can tilt customers towards certain banks. It is therefore essential to determine the impact such factors have on customer preference for commercial banks.

1.1.2 Kenya Commercial Banks

The following important pieces of legislation serve as the main guidelines for the regulation of the Kenyan banking industry: The Companies Act establishes the legal foundation for Kenyan banks as well as other businesses' incorporation, administration, and regulation. The Central Bank of Kenya (CBK) is established under the Central Bank of Kenya Act (Cap 491), which also describes its duties, which include monetary policymaking and banking industry supervision. The Banking Act (Cap 486): This law outlines capital sufficiency, license criteria, and other operational norms that expressly control the activities of banks and financial organizations. Prudential recommendations: Published by the CBK, these recommendations provide additional information about risk management procedures, operational standards, and compliance needs for banks in order to maintain financial stability. Together, these principles guarantee that the banking industry runs effectively, safely, and in a way that safeguards both customers and the overall economy.

. The work of the regulator revolves around the creation and maintenance of the monetary policies that will make the system serve its purpose. Another important function of the regulatory bank is the publication of the data on number of banks in Kenya and interest rates on the facilities in them especially in the context of the new Amendment Bill, 2015 which was enacted into law on August 24, 2016, by the then president Hon Uhuru Kenyatta. For instance, the bill sets the maximum interest on loans at 4% above the Central Bank of Kenya (CBK) reference rate which bring them down.

In Kenya banks play a very important role by implementing monetary policies and offering a medium that facilitates payments for goods and services in both internal and external trade deals that originates either domestic or international trade agreements (Lancer, 2011). Kenya presently has 28 Kenyan based commercial banks and 14 foreign multinational banks with branches, agencies, or other outlets across within the country. It is evident that almost all banks in Kenya have tremendously partner with Kenya's telco companies especially partnering with Safaricom which has the highest growing network in doing customers financial transactions from the customers' accounts held in banks and vice versa. (Liu & Mithika 2009). Most Kenyan local banks in Kenya have embraced the establishment of agency banking models where perspective agents with already running business are recruited, trained, licensed by CBK, and commissioned to offer a given set of banking services. For instance, KCB Bank (K) Limited – KCB Bank Agent, Equity Bank – Equity Agents, Co-operative Bank – Coop Kwa Jirani among others. Alternative channels in the banking sector are widely used globally and hence the need to study its effects on customer preference for commercial banks using the case study of commercial banks in Kilifi County.

1.1.3 Alternative Banking Channels

This refers to as a set of alternative models which the banking sector has implemented to help bank customer have access to banking products and services. This simply means that customers interact with the banking products and services electronically as opposed to the conventional system of visiting and interaction with bank staff at the branches. In a broader perspective this is referred e-banking, online banking virtual, direct, or home banking.

Customers are now willing and able to do banking transactions from the comfort of their homes, even without physically visiting brick and mortar bank branches, thanks to advancements in information and communication technology and improvements in literacy levels in the industry. In an effort to reach the unbanked, banks have launched a spectacular revolution in the banking industry, as evidenced by the recent surge in online transactions recorded on several alternative banking platforms. Nearly all banks have made investments in alternative banking channels, which are regarded as the most up-to-date methods of carrying out banking activities. These channels include ATMs, IB, mobile banking, agency banking, and card issuance (Chebii 2013).

1.1.4 Internet Banking

Usage of internet banking has revolutionized the entire banking system (Vimala 2016). People can bank anytime and anywhere without visiting the bank physical branches. This has really helped customers in saving time by completing work at a click of a button from the comfort of their zones. This platform is seen as being the most convenient way of customers conducting their day-to-day banking transactions but again its faced with severe security concerns. Important to note is that several banking institutions have taken several measures to be followed both by the banks and the customers to ensures that the IB are mitigated.

Developments in Technology- Because of platforms like M-Pesa where Kenya is acknowledged and recognized as a leader in mobile financial services. For millions of Kenyans who might not otherwise have access to traditional banking services, this ground-breaking service has established a standard for the use of mobile banking. In addition to increasing accessibility, this move to digital banking has spurred banks to expand their service offerings through a number of other channels.

Expectations of Customers Customer expectations have changed as banking services have become more widely available. Consumers increasingly want their banking transactions to be quick, easy, and secure. The need for effective and user-friendly banking solutions has increased due to the development of tech-savvy consumers, especially among younger generations.

The Competitive Environment: The banking industry in Kenya is now more competitive than ever, with both long-standing banks and recent arrivals vying for customers. One important tactic to improve client loyalty and happiness is the use of alternate banking channels. Banks frequently obtain a competitive advantage when they successfully incorporate these channels into their service offerings.

Effect on Client Contentment: Customer satisfaction and the adoption of alternative banking channels are correlated, according to earlier research. However, there is still a lack of knowledge regarding the precise elements that lead to this pleasure and the ways in which various demographics view these channels. Customer experiences are greatly influenced by elements including perceived ease of use, transaction security, and service quality.

Geographical Background Kenya's distinct for banks, Kenya's distinct socioeconomic environment offers both opportunities and challenges. Rural locations may encounter obstacles

like poorer digital literacy and restricted internet connectivity, whereas urban areas have easier access to technology. Comprehending these geographic differences is crucial for creating focused tactics that satisfy a range of client demands.

To bridge the empirical gaps in the current literature, this study intends to investigate how Kenyan banks' alternative channels affect customer satisfaction. This study looks at the elements that influence consumer perceptions and experiences in an effort to give banks useful information for improving service delivery in a market that is becoming more and more digital.



1.2 Statement of the problem

Customers' interactions with their banks have changed in the quickly changing banking landscape of today due to the rise of alternative channels including online banking, mobile applications, and automated teller machines (ATMs). Despite the accessibility and convenience these channels provide, there is rising concern about how they affect customer happiness. Even with large technological investments, many banks find it difficult to satisfy consumer demands for responsiveness, service quality, and overall user experience across these alternate channels.

Profit is the primary goal of all commercial banks (Hannsens & Schultz, 2001). Alternative banking channels are therefore regarded as one of the most important strategies to optimize services while reducing expenses. Additionally eager to change their business practices so they can offer services around-the-clock are commercial banks. Alternative banking channels are thought to be the greatest way to achieve this and set themselves apart from their rivals (Park & Weber, 2002). Therefore, any commercial bank must use all available channels and skills to improve their financial performance, maintain their competitiveness, and gain a competitive edge considering the introduction of new technologies, processes, markets, and rival banks (Parasuman et al., 2001).

Alternative banking channels offered by banks currently confront several difficulties, raising questions about how these obstacles may affect customer satisfaction. Alternative banking channel obstacles are a lack of trust from customers, worries about security, malfunctioning systems, instances of transaction errors, and network issues (Maungu, 2015). Furthermore, bank halls remain crowded even with the availability of other banking channels, as reported by EBL (2014). This is happening even though over-the-counter cash withdrawal fees have doubled over time. This clearly shows that even with the advent of other banking methods, customers still want services from bank locations. Additionally, this pattern raises questions about the impact of

alternative banking channels on customer preference for commercial banks in Kenya, given that customers still flock to banks despite their availability.

(Musiime & Malinga, 2011) carried out a global study on internet banking, client acceptance, and customer satisfaction. The study's findings demonstrated a statistically significant positive correlation between customer happiness and home banking. (Okun, 2012) investigated how deposit levels affected Kenyan commercial banks' financial performance within the nation's economy. The findings show a strong and positive correlation between ROE and the deposits ratio. A study on the impact of financial innovations on Kenyan commercial banks' financial performance was conducted by (Kamau, 2014). The results of the study showed that financial innovations had a major effect on banks' financial performance.

The goal of this study is to find out how the effectiveness and utilization of alternative banking channels impact consumer satisfaction. In particular, it aims to address the following questions.

In comparison to traditional banking techniques, how do consumers view the level of service quality offered by alternative banking channels? Which aspects of these channels—such as usability, dependability, and service accessibility—have a major impact on consumer satisfaction? What effects do demographic factors like age and technological proficiency have on consumers' happiness with these alternate channels?

For banks looking to improve service delivery and keep a competitive edge in the market, it is essential to comprehend the connection between alternative banking channels and consumer happiness. Banks may better match their plans with the demands of their customers and increase customer happiness and loyalty by evaluating the advantages and disadvantages of these channels.

1.3 The purpose of the study

The purpose of this study is to examine how customer satisfaction in Kenya is affected by banks' alternative channels, specifically internet, mobile, and automated teller machines. The study's specific objectives are as follows:

1.4 Objectives of the Study

- i. To evaluate the effect of customer satisfaction in regard to mobile banking customer preparedness for Kenyan commercial bank customers.
- ii. To analyze the effect of internet banking's perception of the level of service towards customer satisfaction for Kenyan commercial bank customers.
- iii. To assess the influence agency banking agent's readiness on customer satisfaction for Kenyan commercial bank customers.
- iv. To examine the effects of automated teller machines on customer satisfaction for Kenyan commercial bank customers.

1.5 Research hypotheses

To achieve the goals of this investigation, the following research questions were created and are meant to be tested:

- i. **H01** As an alternative banking channel, agency banking has a significant influence on satisfaction for Kenyan commercial bank customers, coast region, Kenya
- ii. **H02** As

an alternative banking channel, mobile banking has a significant influence on customer satisfaction for Kenyan commercial bank customers, coast region, Kenya **iii. H03** As an alternative banking channel, internet banking has a significant influence on customer satisfaction for Kenyan commercial bank customers, coast region, Kenya **iv. H04** Automated teller machines have a significant influence on customer satisfaction for Kenyan commercial bank customers, coast region, Kenya

1.6 Research study significance

Researchers in the banking industry and other fields with a financial focus need to use the findings as a basic foundation for further study. To the bank management policy makers, this information will be a decision-making tool to assist bank managers to increase their profit margins through customer retention and attraction strategies. To potential investors willing to establish commercial banks it will be an insight of what customers expect in terms of bank products and services under alternative banking channels. Banks can also utilize the information gathered to institute models that will change the preference of customers towards them. It is also hoped that the findings will be instrumental in reducing the number of dormant and inactive accounts in banks. Lastly, to the government the result will provide a basis for establishing a policy towards regulation of banks that should enable them to operate within a framework where they are able to institute models to attract their customers.

1.7 Research scope

The impact of alternative banking channels on consumer satisfaction in Kenya's banking industry will be the focus of this study. These channels include online banking platforms, mobile banking applications, ATMs, and agent banking.

To gather a wide variety of experiences and viewpoints, the study will be carried out in the coastal region of Kenya with a focus on Kenya Commercial Bank clients.

The study will focus on bank customers who actively use alternative banking channels. This includes individuals from a range of demographic backgrounds (age, gender, educational achievement, and socioeconomic status) in order to assess variations in satisfaction levels.).

Alternative Banking Channels: The research will look at particular alternative banking channels that banks provide, such as: Internet-based financial systems Applications and SMS services for mobile banking ATMs, or automated teller machines Banking services offered by third-party agents are known as agency banking.

On customer Satisfaction aspects: The research will look into a number of customer satisfaction aspects, including Quality of service (responsiveness, dependability, and usability) User experience (accessibility, interface design) Total contentment with banking services

Techniques for Gathering Data In order to collect information on client views and satisfaction levels, the study will use quantitative methodologies via surveys and questionnaires. To learn more about the experiences of customers, qualitative interviews can also be performed.

With a market value of 122 billion and a balance sheet of 1.55 trillion, KCB Bank (K) Limited is the largest bank in the study. Under the four primary brands TMB, NBK, BPR, and KCB, it conducts business in eight countries. With 11,098 employees, KCB Bank (K) Limited provides services to 32 million clients via a network of 603 branches, 1,270 automated teller machines, and 28,834 agents and merchants. By uplifting families, communities, villages, towns, cities, new and established businesses, nations, and economies, KCB Bank (K) Limited has evolved during its 127-year existence from a regional bank to a regional powerhouse. Since it is

all about people and creating a sustainable future for future generations, the bank is dedicated to improving the lives of all Africans. The study will focus on the use of alternative banking channels by KCB Bank (K) Limited clients in Kenya's banking sector. The study will target customers and employees at all levels and segments, and it will cover a period of one fiscal year for secondary data reference.

1.7 Study limitations

This study's primary limitations were the low response rate, respondents' failure to return completed surveys, bias, and data privacy and confidentiality. Low response rate in this research was mitigated by introducing letters to instill confidence, constant follow-up via phone calls and physical visits. The utilization of informants with prior experience in customer experience management helped to reduce the bias inherent in the study. Concerns regarding respondents providing sensitive information for research purposes were addressed by guaranteeing respondents' anonymity throughout data collection and treating them as independent agents. The research mitigated the restriction on data confidentiality by providing respondents with an introduction letter from Mount Kenya University and the National Council for Science, Technology, and Innovation permit, which increased their confidence in providing the necessary information.

Although the study intends to offer thorough insights, it will only focus on the viewpoints of Kenyan consumers utilizing alternative banking channels and could not be transferable to other situations or areas.

1.8 Delimitations

This research was narrowed down to commercial bank customers in Kenya and in particular Mombasa and Kilifi County branches. This mainly because the two counties have heterogenous population which will ensure a wide spread of potential respondents for the purposes of this study.

1.9 Assumptions of the research study

The fundamental premise of the study that participants would be able and willing to devote some time to answering the questionnaire's questions or concerns in order to supply crucial data for the investigation.

1.10 Key terminology' operational definitions

This part explains how certain terminology has been utilized specifically for this study topic.

Bank Position: The process of crafting the Bank's products and brand to hold a specific position in the minds of potential clients about value, capabilities, pricing, and quality to sway their decisions.

Bank: Enterprise providing financial services: an enterprise that manages funds for private individuals or corporations, converts currencies, extends loans, and provides more financial services

Cost: Amount incurred or attributed to a specific bank service or products

Customer: A person who maintains an account in a commercial bank

Behavior: Decision-making, procedure, and tangible actions that bank clients take when assessing, purchasing, utilizing, or getting rid of bank goods and services.

- Loyalty:** A state of intense engagement in the recurring process of clients seeking financial services from a specific bank. Additionally described as the drive to maintain the relationship, promote a bank, and grow the relationship.
- Product Diversity:** Refers to the range of products that are offered/provided by a Commercial bank.
- SERVQUAL:** Service quality measurement tool as proposed by (Parasuraman & Zeithaml, 1988)
- Service Quality:** the entirety of a product or service's attributes that have the capacity to meet or suggest a customer's demands. Additionally described as what the client claims it to be.
- (TQM):** To attain the intended result, the bank's approach sought to control both people and material resources as efficiently as possible.
- Satisfaction:** This is the whole of a consumer's opinions, perceptions of efficacy, perceptions of brands, and assessments of cost-effectiveness after utilizing a product or service.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The theoretical literature review and empirical literature review on the banking sector, customer loyalty, and elements of consumer behavior that has been published in unpublished papers, articles, and books was reviewed in this area. The theoretical review, the elements

influencing consumer preference, and the empirical literature review by other researchers are the main subjects discussed in this chapter. Determining relevance to study and avoiding duplication of other researchers' work are the main objectives of this section.

2. Theoretical literature

Theoretical examination of the study's topic is given in this section, along with an analysis of various theoretical frameworks that are closely related to it. In addition to giving the researcher a general overview of the subject, a theoretical literature review is primarily useful in pointing out research gaps that have been noted by other scholars who have already studied related topics. The primary fields of research are financial intermediation theory and cost agency theory. Numerous theoretical frameworks can be used to analyze how alternative banking channels affect client satisfaction. In the context of Kenya, this section examines important theories that shed light on the connection between alternative banking channels and client satisfaction.

1.2. Technology Acceptance Model (TAM)

(Davis',1989) Technology Acceptance Model states that users' acceptance of technology is influenced by two main factors:

Perceived usefulness is the degree to which an individual thinks that utilizing a specific technology would improve their performance or offer advantages. Clients are more inclined to use online and mobile banking services if they think they would simplify or expedite their banking chores.

The degree to which a person thinks that utilizing a technology would be effortless is known as perceived ease of use. Customers are more likely to use internet and mobile banking channels

if they find them user-friendly and intuitive. Customer perceptions and their readiness to use alternative financial services are greatly influenced by these elements taken together. Banks can effectively increase client adoption rates if they can show that their digital channels are both practical and user-friendly. Research shows that customers are more satisfied when they find these channels useful and easy to use (Chau & Hu, 2001). TAM can help explain why consumers in Kenya, where mobile banking has become popular, are becoming more and more satisfied with online banking services.

2.2. Expectancy Disconfirmation Theory (EDT)

Anticipation According to the disconfirmation theory, the difference between perceived and expected service has an impact on consumer satisfaction. Customers report positive disconfirmation and increased satisfaction when the service meets or beyond their expectations (Oliver, 1980). Customers may have specific expectations about the dependability, timeliness, and accessibility of alternate channels when it comes to Kenyan banks. Banks' customer satisfaction is likely to increase if they fulfill or surpass these expectations.

3.2. Customer Experience Theory

The holistic perspective of a client's contacts with a service provider is emphasized by customer experience theory. According to (Lemon & Verhoef, 2016), it implies that every connection, whether it be online or off, adds to total pleasure. The growth of alternative banking channels in Kenya provides a variety of consumer connection touchpoints. While bad experiences might result in discontent, pleasant ones across different channels increase overall contentment.

4.2. Unified Theory of Acceptance and Use of Technology (UTAUT)

Several important aspects that affect technology adoption are included in the Unified Theory of adoption and Use of Technology (UTAUT) paradigm, which was put forth (Venkatesh et al., 2003)

Performance Expectancy: This is the extent to which consumers think that utilizing a technology would improve their ability to do their jobs. Customers are more inclined to use alternative banking channels, such as internet and mobile banking, if they believe that doing so increases their efficacy or efficiency in handling their money.

Effort Expectancy: This refers to the technology's perceived usability. Customers are more likely to use online or mobile banking if they find it easy to use.

Social Influence: This indicates how much people think significant others think they ought to utilize the new technology. Peer recommendations or cultural trends can have a big influence on acceptance.

Facilitating Conditions: These include the tools and assistance that users can use to make advantage of the technology. Access to dependable internet, customer service, and tools to assist with navigating digital banking platforms can greatly improve customer happiness and encourage use in the Kenyan banking system.

Banks may enhance consumer happiness and boost the uptake of alternative banking channels by attending to these factors, which will result in a more successful integration of digital banking solutions.

5.2. Diffusion of Innovations Theory

Everett Rogers' Diffusion of Innovations Theory offers a helpful foundation for comprehending Kenya's quick uptake of mobile banking. There are numerous contributing aspects to this phenomenon:

Relative Advantage: Compared to traditional banking, mobile banking has several advantages, including ease of use, accessibility, and less transaction fees. Many Kenyans, particularly those living in rural areas, find that mobile banking removes the need to travel great distances to visit bank locations.

Compatibility: Mobile banking fits quite nicely with users' demands and current habits. Because mobile phones are so widely used in Kenya, the switch to mobile banking was easier because people were already used to utilizing them for information and communication.

Trialability: A lot of mobile banking services let customers test out features without having to pay for them or sign long-term agreements. Because prospective customers can test out the service, this reduces the barrier to entry and promotes acceptance.

Complexity: Kenyan mobile banking apps are made to be easy to use, which lessens the complexity that comes with new technology. More people feel at ease utilizing the technology because of its ease of use.

Observability: The apparent success of mobile banking among peers and its incorporation into day-to-day activities (like making payments for products and services) serve as further motivators for others to follow suit. Positive word-of-mouth and success stories are essential for proving its worth.

All things considered, Kenya's quick embrace of mobile banking shows how these elements combine with social and economic considerations to improve customer happiness and financial inclusion.

6.2. Financial Intermediation Theory

(Gurley & Shaw, 1960) work are based on the theories of information asymmetry, transactional cost, and agency (Bert & Dick, 2003). The process by which organizations with surplus funds deposit their funds with financial institutions, which subsequently lend to organizations with insufficient funds, is known as financial intermediation, according to financial intermediation theory (Bisignano, 1992). According to the theory of financial intermediation, banks exist as a result of information asymmetry, high transaction costs, and governmental rules and regulations. As a result, intermediaries are seen as a means of bridging the financial asymmetry gap and lowering transaction costs by pooling customer resources and utilizing the economies of scale principle (Alexandra et al., 2009). Optimal distribution and flow of money from units of surplus to units of deficit is the central concept in the theory of financial intermediation.

The theory of financial intermediation will be used in this study since it aims to explain the main rationales behind bank investments in alternative banking channels. Investment in alternative channels is seen to be a long-term growth path that is mainly geared to maintain liquidity and sustain movement of funds from units of surplus to units of deficit. The main role of financial intermediaries is to create specialized financial products and they mainly exist to market imperfections since they will not exist in a perfect market situation which is not a real situation in all the available form of markets. (Scholtens & Van Wensveen, 2003).

1.6.2. Agency Theory

The Agency Theory, first presented by (Jensen & Meckling, 1976), examines the interactions that take place in a business setting between principals (like shareholders) and agents (like managers or financial intermediaries). The difficulties that occur when these two parties' interests diverge are addressed by the theory. Important elements consist of:

Agency Relationship: The agent is expected to behave in the principal's best interests when the principal gives them decision-making authority.

Information Asymmetry: Agents frequently have access to more information than principals about their behavior and the business environment, which could be abused.

Moral Hazard: Knowing that the principal cannot readily keep an eye on their activities, agents may behave contrary to the principal's interests after entering into a contract.

Agency Theory helps explain the dynamics of trust and accountability in financial transactions, emphasizing the need for effective governance structures to mitigate risks associated with these relationships.

In the context of financial intermediaries, principals may incur costs to monitor agent behavior and ensure compliance, which can impact overall efficiency and profitability. Principles can also create incentive mechanisms, such as performance-based compensation, to align interests and motivate agents to act in ways that benefit the principal.

In order to optimize the firm's utility, a firm (the principal) assigns permission to an intermediary (the Agent) to conduct business on the firm's behalf. When the firm and the agent have different objectives, this theory's primary flaw is that the main firm may not be able to fully

manage and supervise the agents without paying any costs related to their actions. This is at the heart of agency difficulties.

Individual and other institutional shareholders now own a variety of shares in the banking industry. Institutional investors dominate the modern banking business, and the number of individual investors in the sector is thought to be declining. A legal organization that has been hired by an institution and authorized by the central banks to perform the institution's activities on its behalf in the way outlined in the central bank guidelines is known as an agent.

Agent banking is when a bank contracts with third parties that have been screened and approved by the central bank to handle banking services on the bank's behalf, according to certain rules and guidelines. When coordination between the principal/firm, which in this case is described as the bank, and the agents, which refers to alternative channels, is poorly managed, the agency banking theory emphasizes the potential for an emergency or several difficulties.

2.6.2. Marketing in Banking

In banking and marketing, services are managed to meet predetermined objectives. As a result, bankers must convince clients to trust them with their money, take their advice on investments, and even deal with their clients' bossiness.

There has always been little interest in services because fundamental management concepts apply to both product and service management. (Bitran & Lojo, 1993) ascribe this to a lack of understanding between product and service management. Six distinctions were identified by (Bitran & Lojo, 1993), (Parasuraman et al.,1993), and (Zeithaml,1996): services are typically perishable, variable, simultaneous, intangible, heterogeneous, and not owned by the customer.

According to Mwaura (2002), service opportunities are unique and cannot be duplicated, hence providers of perishable services must make sure that demand and capacity patterns are in line.

According to (Kotler,2000), services vary greatly depending on who provides them, when they are provided, and where they are generated. Customers are compelled to establish ideas and attitudes based on prior experiences since the production and consumption of services happen simultaneously, making consumer engagement crucial if performance in providing quality service is to be felt or scented before purchase (Berry, 1980). To receive feedback on services, businesses need to ask clients for their comments. Because clients have individualized perspectives, it can be challenging to maintain a good level of service. Therefore, it's crucial to track how customers respond to services daily (Cannon, 1980). Additionally, a lack of ownership is likely to make services seem less valuable to customers and less appealing than products.

Because it results in client satisfaction, which affects repeat business, the assessment of service quality is important in deciding consumer preference. Banks ought to implement Total Quality Management (TQM), just like any other corporate firm. As a result, banks will attain operational efficiency by replacing subpar services and cutting down on time and resource waste. Consumers will observe the enhancement in the services provided and will likely want to keep using them.

Perceived quality is highlighted since quality is deduced from experiences. Customers evaluate products and services based on a variety of significant factors, including product aspects, hence it is impossible to measure perceived quality objectively (Aaker, 1996). Consumer perceptions of service quality typically have an impact on consumers' attitudes toward items (Paliwoda, 1993).

The perceived quality of a product or service is the extent to which it is perceptually different from its component elements and in a unique position. They base their opinions about the quality of goods and services on a range of extrinsic and intrinsic informational signals that they connect to the product (Schiffman & Kanur, 1997).

SERVQUAL was utilized by Parasuraman's research marketing team to measure service quality (Berry & Zeithaml, 1988). It consists of 22 test items with a seven-point rating system. Respondents assess the service provider first according to their expectations and then according to their actual service delivery, indicating their perception rate. For all criteria, the SERVQUAL score was the average difference between expectations and perceptions; a negative SERVQUAL score indicated poor service quality. The team defined the difference between the expectations or wants of consumers and their assessment of the quality of the services as the perception of service quality. SERVQUAL developed into five dimensions: assurance, responsiveness, tangibility, empathy, and reliability.

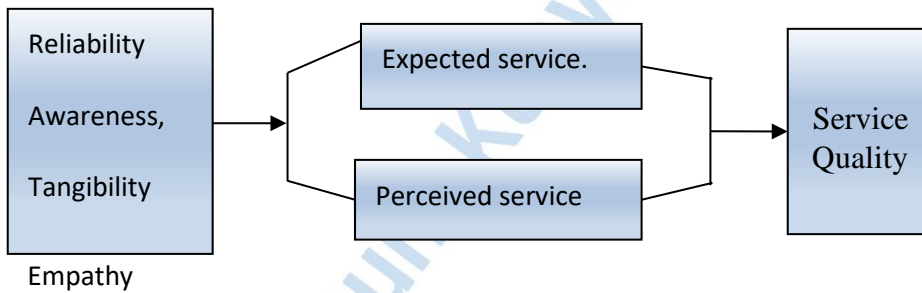


Figure 1: Parasuraman, Zeithaml and Berry (1988).

Source: Parasuraman, Zeithaml and Berry (1988).

SERVQUAL has outperformed all other instruments, despite a number of critiques directed at it. It was challenged by (Buttle,1996) for not making any assumptions based on accepted psychology and economic theories. As a result, it provided scant evidence that consumers use the

discrepancy between expectations and perceptions to gauge the quality of services. Because its proponents were unable to provide a precise, attitudinal definition of perceived service quality, (Cronin & Taylor, 1992) criticized the instrument. SERVQUAL was supported by (Robinson, 1999), who said that SERVQUAL's scale development was more scientific. The SERVQUAL tool may be required for assessing customer preferences in order to bridge the gap between consumer perception and expectation.

3.6.2. Nature and Characteristics of a Service

There are four characteristics of a service, which a marketer of any service must consider, when developing a marketing program. Intangibility, inseparability, variability, and perishability (Kotler, 2001). Some marketers argue that heterogeneity, perishability, and inseparability are also present in tangible goods and not present in every service (Jones, 1989). Before being purchased, services cannot be seen, tested, felt, heard, or smelled. Making the service tangible in one or more ways is the responsibility of the service provider. Service marketers attempt to make their ethereal offers more concrete. When a service is purchased, no tangible possession is produced.

One could consider services to be doubly intangible. They are abstract and very challenging to understand conceptually, in addition to the fact that they cannot be "touched" in the physical sense. This intangibility allows for the suggestion of solutions. First, there isn't a concrete or obvious offer to convey to the potential customer who wants to acquire the service. As a result, promotion becomes a process that mostly involves outlining the advantages of the service. Second, the pricing is frequently arbitrary because there is no concrete basis for determining the service's cost. When it comes to allocating costs to other cost centers, the price is ultimately arbitrary, even when the product is involved.

Lastly, the issue of shifting supply and demand arises since there is no tangible good to carry and store. The customer must be brought to the service delivery system; services cannot be moved. This indicates that when multiple customers need something, the system is "flooded," and when there is no demand, the capacity is idle. Therefore, by installing 24-hour-accessible ATMs, banks may devise strategies to balance supply and demand while controlling the flow of clients.

4.6.2. Inseparability

Services are created and consumed simultaneously, and they are inextricably linked to their providers—whether they be machines or human beings. The service outcome is influenced by both the client and the supplier. Services are first sold, then produced and consumed concurrently with the consumer fully or partially participating in the manufacturing process, in contrast to products, which are first made, then sold and consumed.

The consumer interacts with physical and technical resources in a significant way, with "contract personnel" in a significant way, and with his own unique traits in a significant way. Customers influence one another, particularly through word-of-mouth and other social relationships, because of this direct interaction with the process. Additionally, this interaction implies that the service is not provided if the customer is not there (Jones, 1989).

5.6.2. Variability

Who offers services, as well as when, how, and where they are delivered, determine their quality. It is impossible to standardize services (Mountinho, 1991). Because consumers are conscious of this diversity, they often consult with others before choosing a service provider.

Service quality can differ between producers (because of people orientation), between customers (because of human nature's quirks), and occasionally (because of unrelated reasons).

6.6.2. Customer Purchasing Behavior and Loyalty

Relationship marketing and customer satisfaction greatly aid in understanding consumer behavior, especially about a brand, store, or supplier. (Lewin, 1936) asserts that the foundation of both trust and loyalty is the satisfaction that is acquired over time. Consequently, customer pleasure from market transactions is linked to trust and repurchase decisions. High levels of satisfaction, however, might not always result in high levels of customer loyalty due to other impacting factors.

The most enduring and stable relationships also exhibit commitment, stability, interaction, power influence, reciprocity, cooperation, and dependency in addition to trust. The enduring desire to keep up a significant connection is called commitment. (Morgan & Hunt, 1994) identified a number of factors that influence commitments, including trust, the degree of shared values between customers and businesses (value congruence), the level of shared goals in a relationship (goal congruence), the value of the benefits derived from the relationship, and the costs associated with ending the relationship. (Gruen, 1995) linked commitment and enjoyment to the process exchange's perceived equality.

These theoretical frameworks offer a strong basis for comprehending how alternative banking channels and client satisfaction relate to one another in Kenya. Researchers and practitioners can better understand the processes at work and create plans to improve customer satisfaction in the changing banking environment by combining insights from TAM, EDT, SERVQUAL, Customer Experience Theory, UTAUT, and the Diffusion of Innovations Theory.

3. Conceptual framework

Customers' preferences force banks to pay attention to elements that impact their capacity to draw in new business and keep existing clients. This entails having a large number of products

made for the same customer, luxury goods where price is not the primary determining factor, and extremely distinctive products that set them apart from rivals. Since banking is a channel through which customers receive money-related products and services, trust, customer satisfaction with bank services, and perceived value of products and services provided by the bank, the firm image should work together to influence customers' decision to prefer a bank and engage in repeat transactions with that bank.



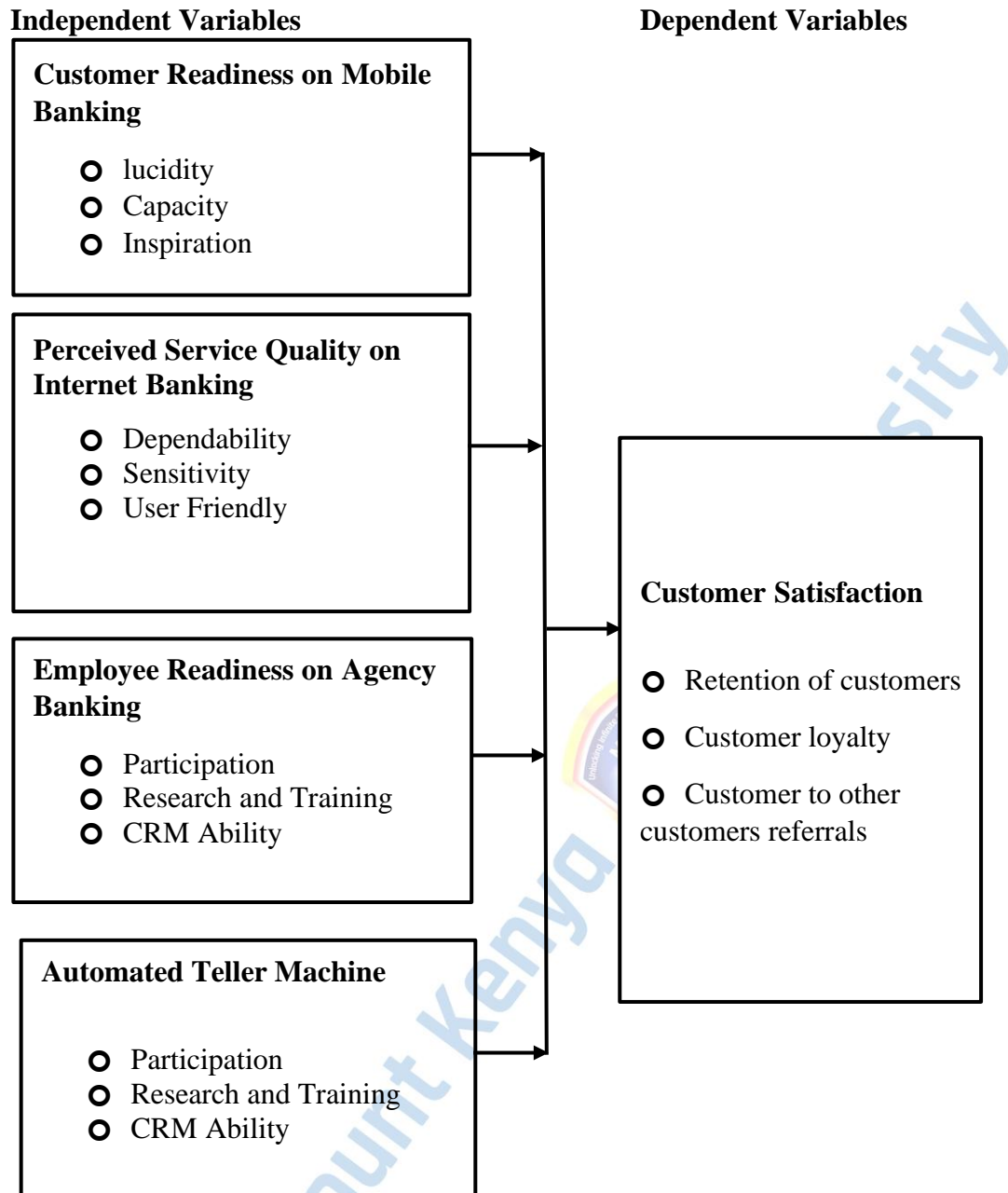


Figure 2: Conceptual framework

Source: (Researcher, 2024).

How products are presented to clients is determined by the quality of the services provided, which can either make the customer happy or unhappy. By requesting each customer's personal evaluation of the service and product supplied, management obtains input that it may utilize to

improve the service or modify the products offered, thereby changing the preferences of the customers. This leads to a client favoring a particular bank. Agent, staff, and customer readiness for ABCs are the independent variables shown in Figure 1.2. The directional arrows demonstrate how independent variables may have an impact on the dependent variable, customer satisfaction, in a particular direction.

Customer readiness on mobile banking includes measured clarity, capacity, and inspiration to ascertain how ready customers are to embrace new ABCs and how that affects their customer satisfaction levels. The method of identifying perceived service quality that needs to be measured includes assessing dependability, sensitivity, and user-friendliness as well as how their changes affect ABC's perceived service quality on internet banking and customer satisfaction.

Bank agents' readiness comprises participation, research and training and CRM ability will be tested to see how changes to these factors may affect ABC's Bank Agent readiness and, in turn, influence customer satisfaction. Measuring participation, research and training and CRM ability and how their alterations impact on ATMs services and in turn, influence on customer satisfaction is all part of the process of determining perceived service quality that has to be measured.

2.1 Empirical literature

Regarding the subject of the study and the context of the investigation, this refers to the examination of existing research data. The major goal is to show that you have a solid grasp of the subject being studied. Furthermore, it identifies the issue that needs to be investigated that has never been done before. It is noteworthy that numerous research, both domestic and foreign, have been carried out on the impact of alternative channels on Kenyan commercial banks' customers' satisfaction.

2.2.1 Empirical Studies

Despite the benefits, there are still issues like security worries and disparities in digital knowledge. Research shows that consumers may not fully utilize digital banking services due to concerns about online security (Zhou, 2018). Furthermore, differences in digital literacy can result in varying degrees of pleasure for various clientele groups (Ngugi, 2021).

Accessibility and Convenience: Several studies highlight how crucial convenience is for financial services. For example, mobile banking greatly increases customer satisfaction by enabling transactions to be made at any time and from any location (Rogers, 2019). Additionally, accessibility is important, especially in rural areas where there may not be as many traditional banking options (Mugambi, 2020).

User Experience: Alternative channels' usability is essential to ensuring client happiness. Positive opinions of financial services are promoted by a smooth user experience. According to research by (Alalwan et al., 2017), dependable service delivery and user-friendly interfaces are essential for keeping clients.

A study looked at the user preferences, demographic factors, and causes that influence the uptake of mobile banking in Bangladesh (Khan et al., 2017). The findings showed that customer satisfaction was significantly predicted by perceived utility and convenience of use. Due to mobile banking's accessibility and convenience, customers expressed greater levels of pleasure.

(Adetunji, 2013) conducted a study in Nigeria, and asserted that gender, age, education level, piloting, compatibility, and complexity are very important factors that determine customers' use of alternative banking channels. **Alternative Banking Channels:** A number of studies emphasize how important alternative banking channels are becoming as instruments for improving client interaction. Because of its convenience

and capacity to reach a wider audience, mobile and internet banking have become especially popular (Omondi & Kihoro, 2018).

(Mwandikwa, 2003) found out that 17.6% of his respondents continued receiving bank services in their respective banks in more than eleven (11) years without changing them. This proved that the old saying that “you only pick your bank once then stay with it for a lifetime” does not apply. Banks must work just as hard to retain customers as they do to attract them through the development of better products and services. Technology advancement (automation) seems to be the most important feature of bank customers.

The degree to which a client's expectations are met or exceeded is a common way to define the complicated concept of customer satisfaction. Research indicates that satisfied customers are more likely to remain loyal to and refer others to their banks (Kotler & Keller, 2016).

According to (Koech, 2007) research, factors that influence a client's loyalty include perceived value, corporate image, performance completion, customer satisfaction, trust, and influence from close friends. This is true even if their contributions to the degree of patronage at Kenyan financial institutions have been uneven.

(Kirimi,2011) established that there were challenges in enforcing appropriate management of bank agents and customer engagements that was seen to be inconsistent with the bank regulatory prudential guidelines. The research recommended the importance of agents regular training in banking operations procedures to mitigate on risks and mistakes that are seen to be the impediment challenges in the growth of agency banking in Kenya.

According to (Tchouassi ,2012), low-income and impoverished households in Sub-Saharan

Africa faced substantial transaction costs while executing fundamental financial activities and lacked access to bank accounts. In this sense, the unbanked population's use of mobile phones as a factor gave a good opportunity to provide financial services. According to (Kithuku, 2012) findings, Kenyan banks' adoption of the agency banking model was significantly impacted by factors such as transaction cost, convenience, support, and secure system. This was taken from a Kwale County case file and the results of a study of 100 Equity bank agents.

Online banking significantly affects the financial development and profitability of Kenya's commercial banks, according to (Munyoki, 2013). This was mainly attributed to the low transactions cost, increased non-funded income, reduced human resources and its associated costs and making it more convenient for customers to conduct their transactions. (Saddik et al., 2014) from Bangladesh concluded that transaction cost, associated risk and norms are the main factors that influence customers' preference and intention in adopting or continuing use of online or mobile banking.

(Omondi et al., 2014) found out that Kenyan commercial banks should try to invest and embrace modern alternative banking channels which should be service designed to be user friendly and convenient to customers. Also, bank customers should embrace the use of alternative banking channels' services since this will go a long way to save their resources in terms of time and money where many customers will be able to perform transactions from the comfort of their zones without necessary travelling to brick-and-mortar bank premises.

The Kenyan Context: The financial landscape in Kenya has changed due to the quick expansion of mobile banking, especially through services like M-Pesa. Research indicates that

these alternative channels significantly affect consumer satisfaction, especially among younger and more technologically literate generations (Karanja, 2020).

In conclusion, research indicates that although alternative banking channels provide substantial chances to improve consumer happiness, banks must resolve security issues and encourage digital literacy in order to fully reap these rewards. The changing dynamics of client expectations in the age of digital banking require more investigation.

2.1 Recap of literature review

The theories of alternative banking channels and their connection to Kenyan commercial banks are presented in this chapter. (Gurley & Shaw, 1960) financial intermediation theory provides enticing forecasts and suggestions regarding crucial middlemen in the process of guaranteeing a consistent flow of money from surplus to deficit units. The primary focus of agency theory is the presence of sufficient market mechanisms that allow agents to act in a way that optimizes the utility of a company with clearly defined ownership and control. These hypotheses are based on bank growth, financial performance, and alternative banking channels.

Several studies that were reviewed studied on growth and performance of commercial banks and this include (Adetunji, 2013), (Kandie, 2003), (Mwandikwa, 2003), (Murigi, 2003), (Koech ,2007), (Kirimi, 2011), (Tchouassi,2012), (Kithuku, 2012), (Munyoki, 2013), (Saddik et al., 2014) and (Omondi et al., 2014). This studies in a broader sense did not examine the influence of alternative banking channels on customer preference for commercial banks in Kenya. However, this research provided vital and important insight into alternative banking channels, very few research studies have attempted to examine alternative banking channels as an important factor that influence customer preference for commercial banks in Kenya. Additionally, some researchers

examined either agency banking or mobile banking as sole case files and hence this study will seek to fill the gap by examining various alternative banking channels as factor that influence customer preference for commercial banks in Kenya in totality.

The chapter also examines empirical studies on how customer satisfaction with alternative banking channels is impacted by personnel readiness, consumer readiness, and perceived service quality. The degree to which customers are willing to accept alternative banking channels in terms of role clarity, motivation, and ability has been shown to have an impact on customer satisfaction through empirical research. Additionally, the empirical literature shows that perceived service quality—which was examined in terms of tangibles, empathy, and reliability—influences customer satisfaction as measured by perceived efficiency, brand perception, and cost effectiveness. Furthermore, the empirical literature shows that employee readiness, as measured by engagement, assurance, training, and customer relationship management abilities, has a major impact on customer satisfaction.

2.2 Knowledge Gap

In Kenya's dynamic banking industry, the analysis highlights the increasing importance of alternative banking channels in improving customer satisfaction and emphasizes the necessity for thorough research to completely comprehend their effects.

Numerous studies have been conducted in a variety of institutional and worldwide contexts regarding employee readiness, customer readiness, and perceived service quality. Guo and (Bouwman,2016) examined the role of consumer readiness on the rate of merchants' adoption of mobile payments in China; (Poushneh & Vasquez-Parraga, 2018) examined the influence of customer readiness on customer participation in service delivery in non-technology-based

companies in the United States; and (Shim, et al., 2021) examined the impact of customer readiness on the adoption of self-service technology (SST) among South Korean firms. However, because of differences in organizational structures, technology regulatory frameworks, and the macroeconomic environment, the findings of these research cannot be broadly applied.

Additionally, (Mehdi et al.,2013) explored the relationship between perceived service quality and customer satisfaction in the Iranian hospitality industry; (Mang'unyi & Govender, 2018) examined the effect of perceived service quality on customer satisfaction in Kenyan private universities; (Mwangi et al.,2018) examined the relationship between perceived service quality and consumer satisfaction among Kenyan dairy milk processors; and (Mehdi et al., 2013) examined the relationship between perceived service quality and customer satisfaction in the Iranian hospitality sector. However, (Mehdi et al., 2013) was limited to Iran, whereas (Mwangi et al.,2018) and (Mwangi et al., 2018) were limited to dairy milk processors; therefore, the findings from their studies could not be applied to the banking sector.

(Workeneh & Abebe, 2019) investigate the factors influencing employee readiness to change in administrative staff at Bahir Dar University in Ethiopia; (Sadeghi et al., 2015) investigate the relationship between employees' readiness to provide service and customer satisfaction in Pasargad Bank; and (Rahi,2020) investigates the impact of employee readiness to change on the successful implementation of organizational change among Indian firms. These studies, however, were not limited to other countries with different macroeconomic and business settings from Kenya, nor were they exclusive to the use of technology in commercial banks.

Research Design Methodological Gaps: A lot of research use qualitative methods, which restricts how broadly the results can be applied. To draw findings that are statistically sound, more

quantitative study is required. Diversity and Sample Size: Small, homogeneous samples are frequently used in existing research. A deeper comprehension of consumer segments and their varied preferences may be possible with larger and more varied samples. Longitudinal Studies: The majority of studies are cross-sectional, documenting just one moment in time. As technology and services advance, longitudinal studies could be used to evaluate how customer happiness has changed over time.

Theoretical Gaps include Absence of Integrated Frameworks: A thorough theoretical framework that takes into account different aspects of customer satisfaction and alternative banking channels is lacking in many studies. Deeper insights might be obtained by combining theories from customer experience, technology adoption, and service quality and Insufficient Attention to Customer Behavior: Behavioral theories that could explain how customers use alternate channels and how this impacts their satisfaction have not received enough attention.

Gaps in Concept include definitions of Satisfaction: Research findings may be inconsistent due to the use of disparate definitions and measurements for consumer satisfaction. Improved comparability requires a consistent conceptualization and Context-Specific Factors: A lot of research ignores Kenyan cultural and socioeconomic elements that could affect how satisfied customers are with alternative banking methods.

Limited Regional Focus and Geographical Gaps: Although some studies concentrate on urban areas, little study has been done on customer satisfaction in rural areas, where access to banking services may vary greatly. Comparative Studies: Not many studies examine how Kenya's banking system differs from those of other African countries or areas. Such analogies could highlight particular difficulties and possibilities in the Kenyan setting.

In conclusion, there are notable gaps in methodology, theory, concept, and geography even though the literature currently in publication emphasizes the value of alternative banking channels in raising customer satisfaction in Kenya. Future studies that fill in these gaps could yield more thorough understandings and improve banking procedures

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Sections of this chapter include research design, study location, target population, sampling techniques and procedures, sample population, tool construction, validity and reliability/trustworthiness testing, methods and procedures for data collection, suggested methods and procedures for data analysis, and ethical considerations.

3.2 Research design

The research design used in this study was descriptive. Findings intended to address questions like "why," "what," "when," "where," "which," "to whom," and "how" of a phenomenon are the primary focus of descriptive research (Kothari, 2004). The descriptive research methodology was deemed convenient for this study because it allowed the researcher to identify the existing status of the phenomenon being studied without modifying any of the variables that would be the subject of the investigation. Additionally, the researcher was able to investigate how alternative banking channels affected the preference of KCB Bank (K) Limited customers in Mombasa and Kilifi Counties County, which are located on the coast region of Kenya, thanks to the descriptive research methodology. Additionally, the researcher was able to determine the link between the study variables with the use of the descriptive research design. Consequently, this

accepted design established the impact of internet, agency, and mobile banking on customer satisfaction.

3.3 Study Location

Customers of commercial banks in Kenya's Mombasa and Kilifi Counties participated in this survey. When Kenya's 2010 constitution was enacted, 47 counties were created, including Mombasa and Kilifi Counties (CoK, 2010).

Mombasa town serves as the capital of Mombasa County. It ranks second after Nairobi in terms of the economy. It was once one of Kenya's districts, but in 2013, it was reorganized into a county within the same borders. With a total size of 229.7 km², excluding 65 km² of water mass, it is the smallest county in Kenya. The county is in the former Coast Province's southeast region. It shares borders with the Indian Ocean to the east, Kwale County to the southwest, and Kilifi County to the north. In terms of administration, the county is separated into thirty sub-locations, eighteen locations, and seven divisions.

Malindi is Kilifi's largest town, and Kilifi Town serves as its capital. The Kenyan Coast is composed of five counties, including Kilifi County.[2] According to the 2019 census, the county, which has a total area of 12,245.90 km² (4,728.17 sq mi), is home to 1,453,787 people (KNBS, 2019). North and northeast of Mombasa is where the county is situated. While there is some tourism in Kikambala, Watamu, Malindi, and Kilifi, Kilifi has less visitors than Mombasa County. The county is well-known for the Gedi Ruins, which comprise tombs and mosques from the eleventh to the seventeenth centuries. Because Kilifi County is so close to the Indian Ocean, its main economic activities are tourism and fishing. The Ruins of Gedi, Watamu Marine National Park, the Rabai and Malindi Museums, Matungu Beach, and the Kaya Forest are the main tourist

destinations in Kilifi County. The Mnarani remains, which were built during the fourteenth and seventeenth centuries, are also located there.

The county boasts a robust industrial sector, with the Mabati Rolling Mill and the Athi River Cement Factory playing a significant role in creating jobs and generating revenue for the area's economy. As a result, they are key clients of the majority of the local commercial banks. Of the 1,453,787 people living in Kilifi County, 704,089 are men, 749,673 are women, and 25 are intersex (KNBS, 2019).

3.4 Target population

There are a total of fifteen KCB branches in Kilifi and Mombasa Counties. They include KCB Watamu, KCB Malindi, KCB Mariakani, KCB Mtwapa, KCB Kilifi, KCB Treasury Square, KCB Kilindini, KCB Mvita, KCB Town Centre, KCB Kisauni, KCB Kengeleni, KCB Nyali, Kcb Mwembe Tayari, KCB Mombasa High Court, KCB Changamwe As such, the study will target different segments of customers in each of the KCB Bank Kenya Limited branches in Kilifi County targeting both business and individual customers from both corporate and ordinary business segment levels who will be given research instruments.

3.5 Sampling procedures and techniques

The process of choosing a selection of cases in order to make inferences about the full set is known as sampling (Orodho, 2004). Purposive sampling will be used by the researcher to choose a suitable sample from the target population. A reasonable representative sample that was proportionately representative of the entire population was chosen by the researcher.

Simple stratified random sampling was also used in this investigation to choose the appropriate sample. Because there aren't many KCB branches in the county, the researcher used

all four branch managers. Furthermore, 10% of the clients on the day the data was gathered were included in the sampled population. In any given study, a sample of 10% to 30% of the entire population is appropriate (Kothari, 2009). Simple random selection was used to choose both corporate and individual clients, ensuring that there was no prejudice of any kind.

3.6 Data Collection Instruments

A structured questionnaire that assisted in gathering primary data from the respondents served as the research strategy for this study. There were both open-ended and closed-ended questions on the survey. Additionally, in order to determine customer satisfaction ratings on the bank's alternative channels, this study gathered secondary data on customer service from commercial bank customers in Mombasa and Kilifi Counties. The bank's customer feedback reports for the period ending December 31, 2023, will be the source of this information.

Since questionnaires help determine people's knowledge, behaviors, and potential courses of action and so they are advised as study instruments. The present study included multiple questionnaire-based data gathering phases as recommended by Kumar et al. (2013). The researcher seek consent from the bank respondents, they were asked whether they would be willing to sign consent papers that will include a synopsis of the planned study. To ensure that the respondents are knowledgeable about the subjects, the researcher clarified and discussed the goal of the study. Additionally, the researcher included the NACOSTI authorization to facilitate the collecting of data from participants. Subsequently, the respondents received the surveys from the researcher and research assistants in person. Ultimately, the respondents were given the questionnaires within a fair time range and at their convenience allowed to give their feedback. A phone follow-up was employed in cases where the respondents didn't provide their data within the required time frame.

3.7 Testing for validity and reliability/trustworthiness

Validity in research is explained to mean the level of accuracy the research instruments exhibit when measuring outcomes. The research supervisors played a very important role when helping to establish the validity of the research instruments applied by reviewing the research questionnaires and will be required to give feedback on the basis of their scholarly expertise. The researcher consulted the immediate supervisors and lectures in Mount Kenya School of business studies so as to ascertain the validity of the research instruments. This actually helped the researcher develop valid research instruments to achieve face and content validity which ascertained clarity and simplicity whereas face validity will ascertain to show the nature, look and feel of the instruments.

Instrument reliability is explained to refer to the event the recallability measures the level research instrument in this case the research questionnaires provided the same outcome after several trials (Crowther & Lancaster, 2012). In this research the test-retest method was used to test instrument reliability, and this will use the same scale to the same respondents at different times. This technique was done after Ten days from the first test.

3.8 Data Analysis Techniques and Procedures

Evaluating the impact of alternative banking channels on customer satisfaction is the main goal. A thorough grasp of this link might be possible with a mixed-methods approach, which combines quantitative and qualitative techniques.

Quantitative and qualitative analysis techniques will be employed to analyze the data that was collected and summed up to reflect the final findings and interpretation of the research. The frequency percentiles were used to measure the central tendencies and provide a report of the data

obtained in the descriptive statistics that were presented. The relationship between the dependent and independent variables was explained using data analysis methods like regression analysis and other formats like ANOVA.

A mixed-methods approach is warranted for examining the impact of banks' alternative channels on customer satisfaction in Kenya because it can offer both depth and breadth of knowledge, is in line with the goals of the study, and can be tailored to the particular circumstances of the Kenyan banking sector. This approach will provide banks seeking to improve customer satisfaction through other channels with deep, useful insights.

3.9 Correlation Analysis

The idea of correlation analysis is mostly used to ascertain the degree or degree of association between variables (Cooper & Schindler, 2014). This serves as the primary basis for creating statistical models that determine the relationships between different dependent and independent variables. In addition to helping with the creation of prediction models, this study created a correlation matrix for the analysis of independent variables. According to statistical understanding, a correlation value of zero (0) makes it evident that there is no relationship between the applied dependent and independent variables, and correlation analysis will always reveal any potential for multi-collinearity. A perfect link, whether positive or negative, between the variables used is implied if the correlation value is + 1.0. The correlation index will be interpreted between -ve 1 (negative one) and +ve 1 (Positive one) where -ve 1 will present a perfect negative association of the applied variables, zero (0) will present no association of the variables as applied and +ve will illustrate a perfect positive association among the variables applied.

The table below illustrates the range and meaning in terms of the association.

Table 3.1. Correlation Analysis

Definition	Weak	Medium	Strong
Range	± 0.1 to ± 0.29	± .30 to ± 0.49	± 0.5 to ± 1

Source: Researcher (2024)

3.10 Multiple Regression Analysis

To determine whether there is a significant association between the research variables, multiple linear regression analysis was used (Lategan, 2010). Automated Teller Machines, Agency Banking, Internet Banking, and Mobile Banking were the independent factors of consumer choice for commercial banks in this study, which employed a multiple linear regression analysis.

$$Y = n_0 + n_1B_1 + n_2B_2 + n_3B_3 + n_4B_4 + \epsilon$$

Where: Y stands for customer satisfaction; n_0 for intercept; B_1 for automated teller machines; B_2 for agency banking; B_3 for internet banking; and B_4 for mobile banking; the regression's coefficients are n_1 , n_2 , n_3 , and n_4 . ϵ represents error term.

3.10 Ethical considerations

Neumann (2013), ethics are proper and appropriate standard actions in a profession.

Additionally, it is defined as a field of philosophy that deals with human behavior or conduct. Three related topics were taken into consideration in this study: the participants, the individual researchers, and the methodology.

The researcher made sure the National Commission for Science, Technology, and Innovation (NACOSTI) had given permission for the study to be conducted. Along with an introduction letter from Mount Kenya University that was attached to the surveys, the research also requested permission from the banks in Mombasa and Kilifi Counties.

The study tried to handle human subjects with the utmost honesty. Understanding the goal of the study, the information or data needed from the respondents, the significance of the data, and other relevant questions about how they were chosen for this study, as well as how the research will directly or indirectly impact them, will be crucial for the human subjects. Important to note is that the research will not misuse to subjects under study whether legal, intellectual, authority or expertise that will subject the respondents to activities that will jeopardize their well-being or lead to stigmatization.

Respondents were informed by this study of the academic justifications for data collection and the guarantee of confidentiality for human subjects. Although the human subjects' identities will remain confidential, the study will use pseudonyms to identify the participants. By avoiding physical or psychological injury and avoiding awkward questions that could elicit shock or disgust from the respondents during the data collection process, this study will pledge not to induce anxiety in the participants. The supervisor will be consulted for advice on appropriate or inappropriate questions for the study participants.

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results of a study on how alternative banking channels, including internet, agency, mobile, and ATM banking, affect customer satisfaction among commercial bank customers in Kenya's coastal region. The chapter begins by summarizing the fundamental features of the data and highlighting significant trends in consumer views using regression, correlation, and descriptive analysis approaches. Correlation analysis is then used to examine the direction and intensity of the associations between customer satisfaction and alternative banking channels. Lastly, regression analysis provides a thorough understanding of how these banking options contribute to client satisfaction by quantifying the effect of each channel on overall satisfaction.

4.2 Descriptive Statistics

This summary statistics provided an overview of the key variables, including the central tendencies and dispersion, which help to summarize and describe the basic features of the dataset. The means offer a glimpse into the average values of each variable, providing an understanding of typical responses. Meanwhile, the standard deviations highlight the degree of variation within the sample, showing how much the data points deviate from their respective means. Through examination of the minimum and maximum values, we get a sense of the full range of the data, identifying any extreme values that may exist. These descriptive statistics lay the foundation for more detailed regression analysis and offer a clear picture of the data's distribution, setting the stage for interpreting how alternative banking channels relate to customer satisfaction.

4.2.1 Demographic Information

Table 4.1 Summary Statistics on demographic information

Variable	Category	Frequency	Percent
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Age	18 to 25	187	18.83
	26 to 35	237	23.87
	36 to 45	75	7.55
	46 to 55	216	21.75
	Above 55	278	28.00
	Total	993	100

Source: *Author's computation from customer responses*

Table 4.1 presents the age distribution of respondents in the study. The largest age group is above 55 years, comprising 28.00% of the sample, followed by those aged 26 to 35 years at 23.87% and 46 to 55 years at 21.75%. Younger age groups, 18 to 25 years and 36 to 45 years, make up 18.83% and 7.55% of the respondents, respectively. This distribution indicates a higher representation of older individuals, particularly those over 46 years of age, within the sample of 993 participants.

4.3 Descriptive Statistics

The summary statistics provide an overview of key variables, including the central tendencies and dispersion, which help to summarize and describe the basic features of the dataset. The means offer a glimpse into the average values of each variable, providing an understanding of typical responses. Meanwhile, the standard deviations highlight the degree of variation within the sample, showing how much the data points deviate from their respective means. Through examination of the minimum and maximum values, we get a sense of the full range of the data, identifying any extreme values that may exist. These descriptive statistics lay the foundation for more detailed regression analysis and offer a clear picture of the data's distribution, setting the stage for interpreting how alternative banking channels relate to customer satisfaction.

4.2.2 Mobile Banking

To understand Mobile Banking's impact on customer satisfaction, it was important to look at its different aspects. Mobile Banking in this study was divided into three main parts: clarity, functionality, and motivation. The following descriptive statistics showed the average values, variations, and range of these aspects within the data. Tables 4.2, 4.3, and 4.4 present the findings.

Table 4.2 Lucidity

Statements	N	Mean	Std. Deviation
I_am_confident_about_how_to_effectively_use_alternative banking channels	993	4.41	.638
I_am_NOT_sure_how_to_use_alternative_banking_channels properly	993	1.60	.650
I_understand_what_is_expected_when_using_alternative_banking channels	993	4.35	.720
The_process_steps_of_using_alternate_banking_channels_are clear to me	993	4.50	.850
I_believe_there_are_only_vague_directions_regarding_how_to_use alternative banking channels	993	1.56	.898
Valid N (listwise)	993		

Source: *Author's computation from customer responses*

High Confidence and Understanding: Respondents express a strong sense of confidence in their ability to effectively use alternative banking channels, as evidenced by a high mean score of

4.41 (standard deviation = 0.638) for the statement "I am confident about how to effectively use alternative banking channels." This high rating indicates that most participants feel assured in their competence regarding these services. Additionally, the statement "I understand what is expected when using alternative banking channels" received a mean score of 4.35 (standard deviation = 0.720), suggesting that respondents have a clear understanding of what is required when engaging with these channels.

Clarity of Process: The highest mean score of 4.50 (standard deviation = 0.850) was given to "The process steps of using alternative banking channels are clear to me." This result highlights that respondents find the procedures and steps involved in using alternative banking channels to be particularly transparent and easy to follow.

Low Perception of Uncertainty: On the other hand, the low mean score of 1.60 (standard deviation = 0.650) for the statement "I am NOT sure how to use alternative banking channels properly" indicates that respondents do not experience significant uncertainty about using these channels. This low score reinforces the confidence users have in their ability to navigate alternative banking services.

Perception of Directions: Similarly, the statement "I believe there are only vague directions regarding how to use alternative banking channels" received a very low mean score of 1.56 (standard deviation = 0.898). This suggests that respondents do not perceive the directions for using these services as vague or unclear, further supporting the notion of clarity and effective communication.

Table 4.3 Capacity

Statements	N	Mean	Std. Deviation
I am fully capable of adopting alternative banking channels	993	4.39	.733
I am confident in my ability when adopting alternative banking channels	993	4.25	.805
Adopting alternative banking channels is within the scope of my capacity	993	4.32	.742
I DONT feel qualified to transact when adopting alternative banking channels	993	1.70	.626
My previous experiences increase my confidence to successfully adopt alternative banking channels	993	4.39	.684
I feel that there are more Alternative Banking Channels difficulties involve than I am capable	993	2.77	1.813
Valid N (listwise)	993		

Source: Author's computation from customer responses

Respondents display a strong sense of self-efficacy regarding their ability to adopt alternative banking channels. With a mean score of 4.39 (standard deviation = 0.733) for the statement "I am fully capable of adopting alternative banking channels," it is evident that participants feel confident about their ability to embrace these technologies. This is further supported by a mean score of 4.25 (standard deviation = 0.805) for "I am confident in my ability when adopting alternative banking channels," illustrating that confidence in their skills is prevalent among users.

The statement "Adopting alternative banking channels is within the scope of my capacity" received a mean score of 4.32 (standard deviation = 0.742), indicating that respondents generally believe that the adoption of these channels is well within their capabilities. Additionally, the high mean score of 4.39 (standard deviation = 0.684) for "My previous experiences increase my confidence to successfully adopt alternative banking channels" underscores the role of prior experience in enhancing users' confidence and ability to engage with alternative banking services.

On the contrary, respondents do not feel particularly unqualified to use alternative banking channels, as evidenced by a low mean score of 1.70 (standard deviation = 0.626) for "I don't feel qualified to transact when adopting alternative banking channels." This low score indicates that feelings of inadequacy or lack of qualification are minimal among the respondents.

The statement "I feel that there is more alternative banking channel difficulties involved than I am capable of handling" received a mean score of 2.77 (standard deviation = 1.813), suggesting that while some respondents may perceive difficulties, this is not a predominant view. The relatively moderate score reflects that while challenges exist, they are not overwhelming for most users.

Table 4.4 Inspiration

Statements	N	Mean	Std. Deviation
If I put a little effort I will successfully transact with ABC	993	4.63	.503
If I tried to use alternative banking channels transactions are often completed successfully	993	4.44	.753
When I make an effort to use alternative banking channels, results in a transaction being completed successfully	993	4.29	.784
Using alternative banking channels to request for a transaction provides me with added convenience.	993	4.48	.679
Using alternative banking channels to request a transaction more quickly	993	4.36	.628
Using alternative banking channels to initiate a transaction whenever I want	993	4.39	.679
Using alternative banking channels to initiate a transaction gives me more control over the transaction I order.	993	4.33	.807
Using alternative banking channels to initiate a transaction provides me with a personal feeling of worthwhile accomplishment	993	4.31	.739

Using_alternative_banking_channels_to_initiate_a_transaction provides me with feelings of enjoyment from using the digital space.	993	4.34	.884
Using_alternative_banking_channels_to_initiate_a_transact_ provides me with feelings of independence.	993	4.21	.910
Using_Alternative_banking_channels_to_start_a_transaction allows me to feel innovative in how I interact with a service provider.	993	4.18	.800
Using_Alternative_banking_channels_to_start_a_transaction_allows me to have increased confidence in my skills	993	4.28	.936
Valid N (listwise)	993		

Source: *Author's computation from customer responses*

Respondents exhibit a high level of motivation and confidence regarding the use of alternative banking channels. With a mean score of 4.63 (standard deviation = 0.503) for "If I put a little effort, I will successfully transact with ABC," it is clear that users feel confident that their efforts will lead to successful transactions. This is further supported by the mean score of 4.44 (standard deviation = 0.753) for "If I tried to use alternative banking channels, transactions are often completed successfully," highlighting that users frequently experience successful outcomes with these channels.

The perceived convenience of alternative banking channels is high, with a mean score of

4.48 (standard deviation = 0.679) for "Using alternative banking channels to request a transaction provides me with added convenience." Additionally, respondents appreciate the control these channels offer, as evidenced by the mean score of 4.33 (standard deviation = 0.807) for "Using alternative banking channels to initiate a transaction gives me more control over the transaction I order." This sense of control and convenience is a strong motivational factor.

The sense of personal achievement and enjoyment derived from using alternative banking channels is also notable. The statement "Using alternative banking channels to initiate a transaction provides me with a personal feeling of worthwhile accomplishment" received a mean score of 4.31 (standard deviation = 0.739), while "Using alternative banking channels to initiate a transaction provides me with feelings of enjoyment from using the digital space" scored 4.34 (standard deviation = 0.884). These scores indicate that users not only value the functionality but also derive a sense of personal satisfaction and pleasure from their interactions.

The data also reflects a positive perception of independence and innovation associated with alternative banking channels. With a mean score of 4.21 (standard deviation = 0.910) for "Using alternative banking channels to initiate a transaction provides me with feelings of independence," and 4.18 (standard deviation = 0.800) for "Using alternative banking channels to start a transaction allows me to feel innovative in how I interact with a service provider," it is evident that users appreciate the autonomy and modernity these channels offer.

Finally, respondents feel that using alternative banking channels enhances their confidence and skill levels. The mean score of 4.28 (standard deviation = 0.936) for "Using alternative banking channels to start a transaction allows me to have increased confidence in my skills" indicates that users feel more capable and confident in their abilities as a result of engaging with these channels.

4.2.3 Internet Banking

To understand Internet Banking's impact on customer satisfaction, it was important to examine its different aspects. Internet Banking in this study was divided into three main parts: dependability, sensitivity, and user-friendliness. The following descriptive statistics showed the average values, variations, and range of these aspects within the data. The results are presented in Tables 4.5, 4.6, and 4.7.

Table 4.5 Dependability

Statements	N	Mean	Std. Deviation
Alternative_banking_channels_provide_services_that_are_done correctly the first time.	993	4.42	.935
With_alternative_banking_channels_the_promised_services_are rendered on time	993	4.10	.861
Alternative_banking_channels_fail_to_fulfill_the_promises	993	1.83	1.010
Alternative_banking_channels_provide_guidance_on_usage_and education usage	993	4.18	.890
Internet_banking_provides_graphics_and_adverts_of_bank_service	993	4.23	.849
When_alternative_banking_channels_break_down_the_y_are_quickly rectified	993	4.19	.872
Alternative_banking_channels_easily_respond_to_inquiries	993	4.11	.913
Valid N (listwise)	993		

Source: *Author's computation from customer responses*

The data on the dependability of alternative banking channels reveals a generally positive user perception. Respondents rated the statement "Alternative banking channels provide services that are done correctly the first time" with a high mean score of 4.42, indicating that users strongly agree that these services are reliable on the initial attempt. This positive perception is supported by a standard deviation of 0.935, which, while showing some variation, still suggests a strong consensus on the reliability of initial service delivery.

Similarly, the mean score of 4.10 for the statement "With alternative banking channels, the promised services are rendered on time" underscores that users believe these services are typically delivered as promised and in a timely manner. The relatively low standard deviation of 0.861 indicates that this belief is consistent among respondents, reflecting a general trust in the punctuality of service.

Conversely, the statement "Alternative banking channels fail to fulfill the promises" received a notably low mean score of 1.83, which implies that users seldom experience issues with unmet promises. Although the standard deviation of 1.010 suggests some variability in individual responses, the overall sentiment is that failures in fulfilling promises are infrequent.

The data also shows strong agreement on the adequacy of support provided by alternative banking channels, with a mean score of 4.18 for "Alternative banking channels provide guidance on usage and education on usage." This high score indicates that users feel well-informed and supported in using these channels, with a low standard deviation of 0.890 reflecting consistent positive feedback. The mean score of 4.23 for the statement "Internet banking provides graphics and adverts of bank services" suggests that users find the visual and advertising aspects of internet

banking effective. The low standard deviation of 0.849 indicates widespread agreement on the usefulness of these features.

When it comes to issue resolution, the mean score of 4.19 for "When alternative banking channels break down, they are quickly rectified" highlights that users believe problems are addressed promptly. This is supported by a low standard deviation of 0.872, indicating a high level of agreement on the efficiency of problem resolution. Finally, the statement "Alternative banking channels easily respond to inquiries" received a mean score of 4.11, reflecting users' satisfaction with the responsiveness of these channels. The low standard deviation of 0.913 further indicates that this positive view is consistent among users.

Table 4.6 Sensitivity

Statements	N	Mean	Std. Deviation
I_have_trust_and_confidence_in_the_security_of_ABC	993	3.63	1.126
I_have_confidence_in_the_security_of_my_personal_data	993	4.17	.847
I_am_safe_while_doing_transactions_using_ABC	993	4.17	.892
The_alternative_banking_channels_system_is_easy_to_understand and use	993	4.10	.902
Alternative_banking_channels_are_designed_to_make_future transactions easier	993	4.17	.923
It_is_easy_to_customize_the_use_of_alternative_banking channels	993	4.20	.883
The_bank_does_not_share_my_personal_information_in_the alternative banking channels with other digital sites	993	4.19	.923

Source: *Author's computation from customer responses*

The analysis of sensitivity towards alternative banking channels presents a view of user perceptions, particularly regarding security, usability, and customization. Firstly, the statement "I have trust and confidence in the security of ABC" received a mean score of 3.63 with a standard deviation of 1.126. This score indicates a moderate level of trust and confidence in the security measures of alternative banking channels. The higher standard deviation suggests that users' perceptions of security vary more widely, reflecting differing levels of concern about security.

In contrast, the statement "I have confidence in the security of my personal data" scored higher, with a mean of 4.17 and a standard deviation of 0.847. This indicates that users generally feel confident about the protection of their personal data, with relatively little variation in responses. The positive perception is reinforced by the relatively low standard deviation, suggesting a consensus among users regarding the security of their personal information.

The mean score for "I am safe while doing transactions using ABC" is also 4.17, indicating strong user confidence in the safety of transactions conducted through alternative banking channels. The standard deviation of 0.892 shows some variability, but overall, users feel secure during transactions. When considering the ease of use, the statement "The alternative banking channels system is easy to understand and use" scored 4.10 with a standard deviation of 0.902. This suggests that users generally find these systems user-friendly, although there is some variability in individual experiences with the system's usability.

The perception that "Alternative banking channels are designed to make future transactions easier" received a mean score of 4.17, which indicates that users believe these channels are effectively designed for future convenience. The standard deviation of 0.923 reflects some

variation in this perception, but the high mean score suggests a general agreement on the future benefits of using these channels.

The ease of customization was rated slightly higher, with a mean score of 4.20 and a standard deviation of 0.883 for "It is easy to customize the use of alternative banking channels." This suggests that users find the customization options to be straightforward and effective, with a consensus around the ease of tailoring the services to individual needs. Finally, the statement "The bank does not share my personal information in the alternative banking channels with other digital sites" received a mean score of 4.19 and a standard deviation of 0.923. This indicates a strong belief among users that their personal information is kept confidential and not shared with thirdparty digital sites, though there is some variability in this perception.

Table 4.7 User Friendly

Statements	N	Mean	Std. Deviation
The_alternating_banking_channels_websites_are_easy_and_conveniently accessed	993	4.23	.838
Transactions_are_submitted_in_safe_medium	993	4.11	.762
It_is_easy_to_log_in_and_logout_of_the_ABC portals	993	4.41	.874
Alternative_banking_channels_provide_fast_and_convenience services	993	4.19	.917
The_alternative_banking_channels_wait_time_and_service_time acceptable	993	4.20	.855
The_bank_provides_clear_steps_and_instructions_on_usage	993	4.21	.812

The_banks_alternative_banking_channels_personnel_are_available to address challenges	993	4.24	.815
Valid N (listwise)	993		

Source: *Author's computation from customer responses*

The data on the user-friendliness of alternative banking channels highlights several positive aspects of their usability and convenience. Firstly, the statement "The alternative banking channels websites are easy and conveniently accessed" received a mean score of 4.23 with a standard deviation of 0.838. This high mean suggests that users find the websites to be accessible and userfriendly, and the relatively low standard deviation indicates a strong consensus on this ease of access.

Transactions being conducted in a "safe medium" scored a mean of 4.11 and a standard deviation of 0.762. This score reflects a high level of confidence among users in the safety of their transactions, with the low standard deviation indicating consistent agreement on this point. The ease of logging in and out of the ABC portals was rated even higher, with a mean score of 4.41 and a standard deviation of 0.874. This suggests that users find the login and logout processes to be particularly straightforward and efficient, although there is a bit of variation in individual experiences.

Regarding the speed and convenience of services, the mean score for "Alternative banking channels provide fast and convenient services" was 4.19, with a standard deviation of 0.917. This indicates that users generally experience these services as quick and convenient, with some variation in perceptions about the speed and convenience of the services provided. The acceptability of wait times and service times received a mean score of 4.20, and a standard

deviation of 0.855. This suggests that users find the wait times and overall service times to be reasonable and acceptable, with a relatively consistent view on the timeliness of service.

The clarity of instructions provided by the bank was rated with a mean of 4.21 and a standard deviation of 0.812 for "The bank provides clear steps and instructions on usage." This high mean score indicates that users appreciate the clear guidance provided, and the low standard deviation suggests that this view is widely shared. To finish with, the availability of personnel to address challenges received a mean score of 4.24, with a standard deviation of 0.815. This score reflects users' strong satisfaction with the availability and support provided by personnel, although there is some variation in individual experiences regarding the accessibility of assistance.

4.2.4 Agency Banking

To understand Agency Banking's impact on customer satisfaction, it was important to examine its different aspects. Agency Banking in this study was divided into three main parts: participation, research and training, and CRM ability. The following descriptive statistics showed the average values, variations, and range of these aspects within the data. The results are presented in Tables 4.8, 4.9, and 4.10.

Table 4.8 Participation

Statements	N	Mean	Std. Deviation
I feel that the personality of bank agents service provide matches that of the bank's image	993	4.20	.887
I am proud to refer family members relatives and friends to use the product	993	4.19	.895
The Bank agents are easy and conveniently located	993	4.19	.899
The bank provides clear steps and instructions on usage on how to do transactions at the agent outlets	993	4.23	.807
Valid N (listwise)	993		

Source: Author's computation from customer responses

The analysis of the participation component of agency banking shows a generally high level of satisfaction among customers. The statement, "I feel that the personality of bank agents matches that of the bank's image", had a mean score of 4.20, indicating that most respondents strongly agree with this sentiment. The standard deviation of 0.887 suggests that while the majority feel positively, there is some variation in opinion, although not significant.

Similarly, the statement, "I am proud to refer family members, relatives, and friends to use the product", received a mean score of 4.19. This reflects a strong sense of pride among respondents in recommending agency banking services to others, suggesting that customers have a favorable perception of the product. The standard deviation of 0.895 reveals a consistent trend in responses, though with slight differences in how strongly customers agree.

When it comes to convenience, the statement “The Bank agents are easy and conveniently located” also scored a mean of 4.19. This demonstrates that respondents generally agree that bank agents are accessible, contributing positively to their participation in agency banking. The standard deviation of 0.899 is slightly higher than the others, indicating a bit more diversity in customer opinions on the convenience of agent locations.

Finally, the highest mean score of 4.23 was observed in the statement, “The bank provides clear steps and instructions on how to do transactions at the agent outlets”. This suggests that clear communication and guidance from the bank play a crucial role in encouraging customer participation in agency banking. With a standard deviation of 0.807, responses to this statement show the least variation, indicating strong agreement among most customers.

Table 4.9 Research and Training

Statements	N	Mean	Standard Deviation
The_bank_cultivates_agents_readiness_to_embrace_new_tasks and structure from the start of implementing the Agency banking	993	4.22	.851
The_Agency_banking_system_is_easy_to_understand_and_to use	99 3	4.22	.838
Agency_banking_channels_provide_guidance_on_usage_and_education usage	99 3	4.12	.999
The_banks_alternative_banking_channels_personnel_are_available to address any challenges	99 3	4.14	.921

Source: *Author's computation from customer responses*

Analysis of the Research and Training component within agency banking highlights a generally positive perception among customers regarding the readiness and ease of use of agency banking services. The statement, “The bank cultivates agents' readiness to embrace new tasks and structure from the start of implementing the Agency banking”, achieved a mean score of 4.22. This suggests that respondents strongly agree that banks effectively prepare their agents to handle new responsibilities from the outset of agency banking implementation. The standard deviation of 0.851 indicates that while most customers agree with this statement, there is a moderate level of variation in responses.

Similarly, the statement, “The Agency banking system is easy to understand and to use”, also had a mean of 4.22, reflecting a strong consensus among respondents that the system is userfriendly. With a slightly lower standard deviation of 0.838, it shows that customers largely share this positive view, with minimal deviation in responses.

The third statement, “Agency banking channels provide guidance on usage and education”, received a slightly lower mean score of 4.12. While respondents generally agree that adequate guidance and education are provided, this score is marginally lower compared to the previous two items. The standard deviation of 0.999, the highest in this group, indicates a greater variability in opinions, suggesting that some customers may have had different experiences in receiving guidance and education.

Lastly, the statement, “The bank’s alternative banking channels personnel are available to address any challenges”, earned a mean of 4.14. This reflects a positive perception that bank

personnel are available to assist customers when needed. The standard deviation of 0.921 indicates that responses are relatively consistent, though there is some variation in customer experiences.

Table 4.10 CRM Ability

Statements	N	Mean	Std. Deviation
As_a_customer_I_believe_the_level_of_service_provision is better in a branch than over the telephone, agent or Internet	993	2.42	1.417
As_a_customer_I_find_it_difficult_to_remember_passwords and security questions	993	2.29	1.383
As_a_customer_I_believe_that_the_level_of_service_is the same irrespective of what communication channel I use	993	4.24	.819
As_a_customer_I_find_banking_opening_hours_to_be inconvenient and no need to visit a branch	993	4.20	.893
As_a_customer_I_would_only_use_alternative_banking_channels if necessary	993	4.20	.927
As_a_customer_if_alternative_banking_channels_were_offered by the bank, I would be the first to try it	993	4.18	.901
Some_financial_transactions_are_too_important_to_be_done through channels	993	4.20	.836
Valid N (listwise)	993		

Source: *Author's computation from customer responses*

The analysis of the CRM (Customer Relationship Management) Ability component provides insights into customers' perceptions of service levels and their preferences for different

banking channels. The statement, “As a customer, I believe the level of service provision is better in a branch than over the telephone, agent, or Internet”, had a mean score of 2.42, suggesting that respondents tend to disagree with this sentiment. The high standard deviation of 1.417 indicates significant variation in opinions, showing that while some customers may prefer branch services, others find alternative channels just as satisfactory.

In contrast, the statement, “As a customer, I find it difficult to remember passwords and security questions”, had a mean of 2.29, reflecting a similar level of disagreement. Respondents generally do not struggle with remembering passwords or security questions, though the standard deviation of 1.383 again suggests a wide range of experiences. Interestingly, the statement, “As a customer, I believe that the level of service is the same irrespective of what communication channel I use”, received a high mean score of 4.24. This indicates that most customers feel confident that service quality is consistent across different communication channels. The low standard deviation of 0.819 shows strong agreement and minimal variability in responses.

The statement, “As a customer, I find banking opening hours to be inconvenient and no need to visit a branch”, had a mean score of 4.20, indicating that customers largely agree that traditional banking hours are inconvenient, and they prefer alternative channels to visiting a branch. The standard deviation of 0.893 shows that opinions on this matter are fairly consistent. Similarly, “As a customer, I would only use alternative banking channels if necessary” also scored a mean of 4.20, indicating that while customers generally prefer alternative channels, they still see them as a necessity rather than a primary option. The standard deviation of 0.927 suggests some variation in how strongly customers feel about this.

The statement, “As a customer, if alternative banking channels were offered by the bank, I would be the first to try it”, had a mean of 4.18. This reflects a positive attitude toward trying new

banking services, with customers generally open to adopting new technologies. The standard deviation of 0.901 shows that most customers share this view, though there is some variation in their willingness to adopt new channels. Lastly, “Some financial transactions are too important to be done through channels” received a mean of 4.20, indicating that many customers still prefer inperson services for high-stakes transactions. The standard deviation of 0.836 shows relatively consistent responses, with most customers agreeing that certain transactions should not be completed through alternative channels.

4.2.5 ATM Banking

To understand ATM Banking’s impact on customer satisfaction, it was important to examine its different aspects. ATM Banking in this study was divided into three main parts: participation, research and training, and CRM ability. The following descriptive statistics showed the average values, variations, and range of these aspects within the data. The results are presented in Tables 4.11, 4.12, and 4.13.

Table 4.11 Participation

Statements	N	Mean	Std. Deviation
I_feel_that_ATMs_services_match_that_of_the_banks_image	993	4.25	.801
I_am_proud_to_refer_family_members_relatives_and_friends to use debit and credit cards in ATMs	993	4.13	.833
The_ATMs_are_easy_and_conveniently_located	993	4.15	.914
The_bank_provides_clear_steps_and_instructions_on_usage on how to do transactions at the ATMs	993	4.20	.827
Valid N (listwise)	993		

Source: *Author's computation from customer responses*

The analysis of the participation aspect in relation to Automated Teller Machines (ATMs) reveals positive customer perceptions. The statement, "I feel that ATM services match that of the bank's image", had a high mean score of 4.25, indicating that most customers strongly agree that the service quality provided by ATMs aligns with their overall expectations of the bank. The relatively low standard deviation of 0.801 suggests that there is consistency in this sentiment across respondents, with few outliers.

Similarly, the statement, "I am proud to refer family members, relatives, and friends to use debit and credit cards in ATMs", had a mean score of 4.13. This reflects a positive attitude toward recommending ATM services, with customers generally feeling confident in the reliability of the service. The standard deviation of 0.833 indicates a reasonable level of agreement among respondents, with some minor variation in responses.

Regarding convenience, the statement, "The ATMs are easy and conveniently located", received a mean score of 4.15. This suggests that customers largely agree that ATMs are easily accessible, contributing to their satisfaction with ATM services. However, the slightly higher standard deviation of 0.914 indicates that there is more variability in customer perceptions of ATM location convenience, suggesting that while many find ATMs accessible, others may experience challenges depending on their location.

Lastly, the statement, "The bank provides clear steps and instructions on usage on how to do transactions at the ATMs", had a mean score of 4.20. This shows that most customers feel that the bank provides adequate instructions for using ATM services, which is a key factor in encouraging participation. The standard deviation of 0.827 suggests a fair degree of consistency in responses, with most customers agreeing that the instructions are clear and helpful.

Table 4.12 Research and Training

Statements	N	Mean	Std. Deviation
The_bank_cultivates_agents_readiness_to_embrace_new_tasks and structure from the start of installation of the ATMs	993	4.14	1.028
The_ATM_system_is_easy_to_understand_and_to_use	993	4.10	.983
ATMs_provide_guidance_on_usage_and_education_usage	993	4.23	.833
The_banks_ATMs_personnel_are_available_to_address_any challenges	993	4.29	.812
Valid N (listwise)	993		

Source: Author's computation from customer responses

The analysis of the Research and Training aspect related to ATMs shows that customers generally hold favorable views about the bank's efforts in preparing agents and providing guidance for ATM use. The statement, "The bank cultivates agents' readiness to embrace new tasks and structure from the start of installation of the ATMs", had a mean score of 4.14. This suggests that respondents generally agree that the bank effectively prepares its agents for the deployment of ATMs. However, the standard deviation of 1.028, the highest in this category, indicates a wider range of opinions, implying that while many customers perceive agent readiness positively, there are some who may not share this view.

For the statement, “The ATM system is easy to understand and to use”, the mean score is 4.10, reflecting that most customers find the system user-friendly. The standard deviation of 0.983 shows that while the majority agree, there is a slightly higher variability in responses, suggesting that a few customers may experience challenges in using the system. The statement, “ATMs provide guidance on usage and education usage”, had a mean score of 4.23. This indicates that customers are generally satisfied with the level of guidance and educational support provided for ATM usage. The standard deviation of 0.833 suggests that the majority of respondents agree, with relatively little variation in their responses.

Finally, the statement, “The bank’s ATMs personnel are available to address any challenges”, scored the highest mean of 4.29, reflecting strong agreement that bank personnel are readily available to assist with any issues related to ATMs. The standard deviation of 0.812 indicates a high level of consistency in customer perceptions on this matter.

Table 4.13 CRM Ability

Statements	N	Mean	Std. Deviation
As_a_customer_I_believe_the_level_of_service_provision is better in a branch than over the ATM	993	1.43	.873
As_a_customer_I_find_it_difficult__to_remember_my_debit or credit card PIN	993	2.42	1.406
As_a_customer_I_believe_that_the_level_of_service_is the same irrespective of what transaction channel I use	993	4.57	.664
As_a_customer_I_find_banking_opening_hours_to be inconvenient and no need to visit a branch	993	4.54	.715

As_a_customer_I_would_only_use_the_ATM_channels_if_necessary	993	4.60	.875
As_a_customer_if_ATMs_were_offered_by_the_bank_I_would be the first to try it	993	4.66	.750
Some_financial_transactions_are_too_important_and_large to be done through ATMs	993	4.44	.951
Valid N (listwise)		993	

Source: *Author's computation from customer responses*

The analysis of the CRM (Customer Relationship Management) Ability component for ATMs reveals a range of customer perceptions regarding service quality, convenience, and trust in ATM usage. The statement, “As a customer, I believe the level of service provision is better in a branch than over the ATM”, received a mean score of 1.43. This low score indicates that the majority of customers strongly disagree, showing that they believe ATM services are either on par with or better than branch services. The relatively low standard deviation of 0.873 suggests a consistent agreement among customers.

The statement, “As a customer, I find it difficult to remember my debit or credit card PIN”, had a mean score of 2.42, indicating moderate disagreement. Most customers do not have significant issues with remembering their PINs, although the higher standard deviation of 1.406 reveals some variation in responses, suggesting that a subset of customers may face challenges in this area.

Conversely, the statement, “As a customer, I believe that the level of service is the same irrespective of what transaction channel I use”, had a high mean score of 4.57. This demonstrates that customers overwhelmingly agree that the service quality remains consistent, whether they are

using ATMs or other banking channels. The low standard deviation of 0.664 reflects strong consensus among respondents.

Similarly, the statement, “As a customer, I find banking opening hours to be inconvenient and no need to visit a branch”, had a mean of 4.54. This shows that customers find ATM usage more convenient than branch visits, with a standard deviation of 0.715 indicating a high level of agreement on this matter. The statement, “As a customer, I would only use the ATM channels if necessary”, received a mean score of 4.60, suggesting that customers generally prefer to use ATMs when needed but may still rely on other channels for certain transactions. The standard deviation of 0.875 indicates some diversity in customer views.

Interestingly, the statement, “As a customer, if ATMs were offered by the bank, I would be the first to try it”, had an even higher mean of 4.66. This reflects strong enthusiasm among customers to adopt ATM services. The standard deviation of 0.750 shows a relatively consistent positive sentiment, although there are minor variations in customer eagerness to try new ATM services.

The last statement, “Some financial transactions are too important and large to be done through ATMs”, had a mean score of 4.44. While customers have confidence in ATMs, this score suggests that they still believe certain transactions require more secure or personal handling. The standard deviation of 0.951, the highest in this category, shows greater variability in customer opinions, with some being more cautious than others.

4.2.6 Customer Satisfaction

To understand Customer Satisfaction descriptive statistics was done to show how respondents gave their views. The analysis of the Customer Satisfaction variable provides insights

into customer perceptions regarding the bank's strategies, policies, and initiatives related to alternative banking channels. Results are shown below in Table 4.14.

Table 4.14 Customer Satisfaction

Statements	N	Mean	Std. Deviation
The_bank_has_a_customer_satisfaction_strategy_related_to alternative banking channels	993	4.44	.778
The_bank_has_a_customer_satisfaction_policy_and_guideline for the use by the bank branch	993	3.95	1.073
Network			
The_bank_promotes_feedback_on_alternate_banking_channels from customers	993	4.49	.859
Bank_staff_support_customers_by_providing_training_and resources for alternative banking channels	993	4.44	.727
I_feel_that_the_bank_committed_and_is_in_charge_of_ monitoring alternate banking channels quality and performance	993	4.34	.786
The_bank_has_set_given_motivation_incentives_for_exceptional customers adopting alternative banking channels.	993	4.55	.731

The_bank_can_follow_up_the_nature_and_kind_of_customer adopting alternative banking channels	993	4.53	.746
Valid N (listwise)	993		

Source: *Author's computation from customer responses*

The statement, “The bank has a customer satisfaction strategy related to alternative banking channels”, received a high mean score of 4.44, indicating that customers generally agree that the bank has a well-defined strategy for ensuring customer satisfaction with alternative banking channels. The relatively low standard deviation of 0.778 suggests a strong level of agreement among respondents.

For the statement, “The bank has a customer satisfaction policy and guideline for use by the bank branch network”, the mean score is 3.95. This slightly lower score reflects more neutral opinions on whether the bank’s branch network is aligned with customer satisfaction policies for alternative banking channels. The higher standard deviation of 1.073 shows greater variability in customer views, suggesting that perceptions of the branch network’s role in customer satisfaction are more mixed.

The statement, “The bank promotes feedback on alternate banking channels from customers”, had a mean score of 4.49, indicating that customers feel the bank actively encourages their input on the performance of alternative banking channels. The standard deviation of 0.859 indicates a reasonable level of agreement, though with some diversity in opinions. For “Bank staff support customers by providing training and resources for alternative banking channels”, the mean score of 4.44 reflects strong agreement that the bank provides adequate support to help customers use alternative channels effectively. The low standard deviation of 0.727 shows consistent satisfaction with this aspect of service.

Regarding the statement, “I feel that the bank is committed and in charge of monitoring alternate banking channels' quality and performance”, the mean score of 4.34 suggests that customers believe the bank takes responsibility for ensuring the quality of its alternative banking channels. The standard deviation of 0.786 indicates a fair level of agreement, with minimal variation in responses. The statement, “The bank has set given motivation incentives for exceptional customers adopting alternative banking channels”, had a high mean score of 4.55, indicating that customers are aware of and appreciate incentives provided for the use of alternative banking channels. The standard deviation of 0.731 shows consistent positive responses.

Finally, for the statement, “The bank can follow up on the nature and kind of customer adopting alternative banking channels”, the mean score of 4.53 reflects a strong belief that the bank has the capability to monitor and follow up with customers who adopt these channels. The standard deviation of 0.746 suggests a high level of agreement.

4.3 Correlation Analysis

To better understand the relationships between the variables in this study, the study examined the correlation matrix. This matrix helps to identify and quantify the strength and direction of associations between each pair of variables, providing a preliminary view of how alternative banking channels and customer satisfaction are interconnected. Results are shown below in Table 4.15.

Table 4.15 Correlation

		Mobile Banking	Internet Banking	Agency Banking	ATM Banking	Customer Satisfaction
Mobile Banking	Pearson Correlation	1	.509**	.462**	.414**	.047
	Sig. (2- tailed)		.000	.000	.000	.136
	N	993	993	993	993	993
Internet Banking	Pearson Correlation	.509**	1	.970**	.880**	.005
	Sig. (2tailed)	.000		.000	.000	.878
	N	993	993	993	993	993
Agency Banking	Pearson Correlation	.462**	.970**	1	.891**	.043
	Sig. (2tailed)	.000	.000		.000	.178
	N	993	993	993	993	993

ATM	Pearson	.414**	.880**	.891**	1	.307**
banking	Correlation					
	Sig. (2tailed)	.000	.000	.000		.000
	N	993	993	993	993	993
Customer	Pearson	.047	.005	.043	.307**	1
Satisfaction	Correlation					
	Sig. (2tailed)	.136	.878	.178	.000	
	N	993	993	993	993	993

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Author's computation from customer responses

Mobile Banking exhibits a moderate to strong positive correlation with Internet Banking ($r = 0.509$), indicating that customers who use Internet Banking are also likely to use Mobile Banking. Similarly, Mobile Banking shows a moderate positive correlation with Agency Banking ($r = 0.462$) and ATM Banking ($r = 0.414$), suggesting that while there is some level of association between Mobile Banking and these other channels, it is less pronounced. Notably, the correlation between Mobile Banking and Customer Satisfaction is very weak ($r = 0.047$), showing that Mobile Banking does not have a significant impact on overall customer satisfaction.

Internet Banking demonstrates very strong positive correlations with both Agency Banking ($r = 0.970$) and ATM Banking ($r = 0.880$). This indicates that customers who engage with Internet Banking are almost equally likely to use Agency Banking and ATM Banking. However, the

relationship between Internet Banking and Customer Satisfaction is minimal ($r = 0.005$), suggesting that Internet Banking alone does not significantly influence customer satisfaction levels.

Agency Banking has a similarly strong positive correlation with ATM Banking ($r = 0.891$), reflecting that customers who use Agency Banking are highly likely to use ATM Banking as well. The correlation between Agency Banking and Customer Satisfaction is weak ($r = 0.043$), indicating that Agency Banking does not have a notable impact on customer satisfaction. ATM Banking stands out with a moderate positive correlation to Customer Satisfaction ($r = 0.307$). This suggests that while ATM Banking is somewhat associated with higher customer satisfaction, the effect is moderate compared to the correlations observed among different banking channels.

4.4 Regression Analysis

Regression analysis was conducted to investigate the impact of alternative banking channels on customer satisfaction. This analysis aims to determine the strength and nature of the relationships between the independent variables—Mobile Banking, Internet Banking, Agency Banking, and ATMs—and the dependent variable, customer satisfaction. By examining the regression coefficients, statistical significance, and overall model fit, this study assesses how each banking channel contributes to customer satisfaction and identifies areas for improvement. This step provides a deeper understanding of the causal relationships and helps in formulating strategic recommendations for enhancing customer experiences.

Table 4.16 Regression

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.646 ^a	.417	.415	.5119449

ANOVA						
Model		Sum of Squares	of Df	Mean Square	F	Sig.
1	Regression	185.548	4	46.387	176.991	.000 ^b
	Residual	258.943	988	.262		
	Total	444.491	992			

Coefficients ^a					
Model		Unstandardized Coefficients	Std. Error	Standardized t	Sig.
1	(Constant)	.976	.349	2.793	.005
	Mobile				

Banking	.426	.105	.116	4.059	.000
Internet Banking	-1.081	.104	-1.106	-10.433	.000
Agency Banking	-.161	.101	-.172	-1.597	.111
ATM	1.727	.067	1.385	25.608	.000

Dependent Variable: Customer Satisfaction

. Predictors: (Constant), Mobile Banking, Internet Banking, Agency Banking, ATM

Source: *Author's computation from customer responses*

The regression model provides valuable insights into the influence of alternative banking channels on customer satisfaction among Kenyan commercial banks. The model used in this study is:

$$Y = 0.976 + 0.426B_1 - 0.081B_2 - 1.161B_3 + 1.727B_4 + \epsilon$$

where Y represents Customer Satisfaction, and B₁, B₂, B₃, and B₄ are the independent variables representing Mobile Banking, Internet Banking, Agency Banking, and ATM, respectively. The coefficients for each variable indicate the strength and direction of its effect on customer satisfaction, with 0.976 as the intercept

The model summary reveals a moderately strong positive relationship between the independent variables and customer satisfaction, with an R value of 0.646. This is further supported by an R Square of 0.417, meaning that 41.7% of the variation in customer satisfaction is explained by these banking channels. This substantial percentage implies that the alternative banking channels play a key role in shaping customer experiences, although it also suggests that other unaccounted factors outside this model may contribute to overall satisfaction. The Adjusted R

Square of 0.415 further confirms the model's stability, and the standard error indicates a reasonable accuracy in the predictions.

The ANOVA table further supports the significance of the model, with an F-statistic of 176.991 and a p-value of .000, indicating that the overall model is highly statistically significant. This means that at least one of the alternative banking channels has a meaningful effect on customer satisfaction. The large difference between the mean square for regression (46.387) and the mean square for residuals (.262) highlights that the predictors contribute substantially to explaining customer satisfaction.

When analyzing the coefficients, ATM Banking stands out as the most influential channel, with a large positive effect on customer satisfaction. The unstandardized coefficient ($B = 1.727$) suggests that increased use of ATMs leads to a significant improvement in customer satisfaction, and the standardized Beta (1.385) indicates that ATM usage is the strongest driver of satisfaction among the channels. This implies that customers highly value the convenience and accessibility of ATMs, making it a crucial area for banks to continue investing in.

Mobile Banking, though less impactful than ATMs, still has a positive and significant effect on customer satisfaction. The unstandardized coefficient ($B = .426$) and standardized Beta (.116) indicate that mobile banking contributes moderately to customer satisfaction. While this channel is valued, its influence is comparatively smaller, suggesting that banks may need to enhance mobile banking features to increase its effectiveness and further boost customer satisfaction.

In contrast, Internet Banking has a substantial negative impact on customer satisfaction, as evidenced by the unstandardized coefficient ($B = -1.081$) and standardized Beta (-1.106). This strong negative relationship suggests that the more customers use Internet Banking, the less

satisfied they become. The reasons for this dissatisfaction could range from technical difficulties and security concerns to a lack of user-friendliness. This finding highlights the need for banks to address these issues to enhance the Internet Banking experience.

Agency Banking, while also showing a negative effect, is not statistically significant, as indicated by its p-value of .111. The unstandardized coefficient ($B = -.161$) suggests a slight negative impact, but the lack of statistical significance means that agency banking does not have a reliable influence on customer satisfaction. However, the negative trend might indicate potential issues with agent training, service quality, or network efficiency that could be addressed to improve its contribution to customer satisfaction.

4.5 Discussion of Findings

The findings in this study align with several existing empirical studies while also presenting some notable contrasts. ATM Banking emerges as the most influential channel for customer satisfaction, with a substantial positive impact. This is consistent with Mwandikwa (2003), who emphasized the importance of technological advancements like automation in retaining customers. Similarly, Omondi et al. (2014) encourages investment in alternative banking channels such as ATMs for their convenience. Both this study and these empirical findings highlight the significant role of ATM Banking in enhancing customer satisfaction, particularly due to its ease of use and reliability.

In contrast, Mobile Banking shows a moderate positive influence on customer satisfaction, which, while less significant than ATMs, still contributes positively. This is in line with Tchouassi (2012), who underscores the mobile phone as a crucial tool in delivering financial services to underserved populations in Sub-Saharan Africa. Omondi et al. (2014) also points out that alternative banking channels like mobile banking save customers time and money, enhancing

convenience. The agreement between this study and the literature suggests that while mobile banking has a positive effect, there is potential for further enhancement to increase its impact on satisfaction.

However, Internet Banking presents a point of divergence between the findings in this study and some existing literature. In this research, Internet Banking has a significant negative effect on customer satisfaction, potentially due to technical challenges or poor user experience.

This contrasts with Munyoki (2013), who concludes that online banking positively influences the financial performance of banks, although without directly addressing customer satisfaction. This indicates that while banks may benefit from online banking in terms of cost efficiency and performance, customers may not be experiencing the same level of satisfaction due to usability issues or lack of adequate support.

Similarly, Agency Banking is found to negatively impact customer satisfaction in this study, although to a lesser extent than Internet Banking. The findings suggest that issues related to agent training and service quality may be contributing factors. This aligns with Kirimi (2011), who identifies the need for regular agent training to mitigate operational risks. However, these findings contrast with Kithuku (2012), who finds that transaction costs, convenience, and system security positively influence the adoption of agency banking. The discrepancy between this study and Kithuku's findings may reflect differing customer expectations or variable quality of agent services across different regions.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a thorough overview of the main conclusions, findings, and suggestions derived from the examination of how alternative banking channels affect client satisfaction. It examines the data, emphasizing how consumer happiness is significantly impacted by mobile banking, internet banking, agency banking, and ATM banking. It analyzes the consequences for Kenyan commercial banks and makes judgments regarding the relative significance of each banking channel. The chapter concludes with practical suggestions for improving customer satisfaction through the resolution of difficulties and the utilization of alternative banking channels' advantages.

5.2 Summary of the findings

Profit is the primary goal of all commercial banks. Alternative banking channels are therefore regarded as one of the most important means of maximizing services and reducing expenses. Additionally eager to change their business practices so they can offer services aroundthe-clock are commercial banks. Alternative banking channels are thought to be the greatest way to achieve this and set themselves apart from their rivals. Therefore, any commercial bank must use all available channels and skills to improve their financial performance, maintain their

competitiveness, and gain a competitive edge in light of the introduction of new technologies, processes, markets, and rival banks. Therefore, this study aimed to explore the impact of various alternative banking channels on customer satisfaction among Kenyan commercial bank customers. Specifically, it sought to evaluate how customer readiness for mobile banking affects their satisfaction, analyze the influence of perceived service quality in internet banking, assess the role of agency banking agents' readiness on customer satisfaction, and examine the effects of automated teller machines (ATMs) on overall customer satisfaction.

On the effect of Mobile Banking Customer Readiness on Customer Satisfaction, the study found that Mobile Banking has a positive, although moderate, impact on Customer Satisfaction. This suggests that while Mobile Banking contributes to customer satisfaction, its effect is less pronounced compared to other channels like ATM Banking. Enhancing mobile banking features and user experience could improve its impact on satisfaction.

According to the study's findings on the second goal, which examined the impact of perceived service quality in Internet banking on customer satisfaction, Internet banking significantly lowers customer satisfaction. This suggests that greater usage of Internet banking is linked to decreased satisfaction ratings, maybe because of problems like usability or technical difficulties. Resolving these problems might enhance Internet banking users' experiences.

The third objective, on influence of Agency Banking Agent's Readiness on Customer Satisfaction, the findings show that Agency Banking also negatively affects Customer Satisfaction. Although the negative impact is less significant compared to Internet Banking, it suggests that Agency Banking may not be fully meeting customer expectations. Improving agent training, service quality, and overall agency efficiency could enhance satisfaction in this channel. The fourth

goal of the study was to determine how Automated Teller Machines (ATMs) affected customer satisfaction. The results showed that ATM banking significantly improved customer satisfaction. This suggests that greater customer satisfaction is closely linked to increased ATM use, most likely because of its practicality and simplicity. Investing in ATM technology and infrastructure could increase consumer satisfaction even further.

5.3 Conclusions

The study underscores the significant role that alternative banking channels play in shaping customer satisfaction among Kenyan commercial bank customers. ATM Banking stands out as the most influential channel, with a notable positive impact on customer satisfaction due to its convenience and ease of use. Mobile Banking also contributes positively, though to a lesser extent, indicating room for enhancement in its features and user experience. Conversely, Internet Banking and Agency Banking are associated with lower customer satisfaction, pointing to potential issues such as technical challenges and service quality concerns. These findings suggest that while ATM Banking is a key driver of satisfaction, banks should focus on addressing the deficiencies in Internet and Agency Banking to improve overall customer experiences. Strategic investments and targeted improvements in these areas could enhance customer satisfaction and strengthen the effectiveness of alternative banking channels.

5.4 Recommendations

Several suggestions are made to improve customer satisfaction with alternative banking channels in light of the study's findings. First, banks should prioritize enhancing their ATM infrastructure and technology, as ATM Banking has the most substantial positive impact on customer satisfaction. This can be achieved by expanding the number of ATMs, strategically placing them for greater convenience, and incorporating advanced technology to improve

functionality and security. Additionally, mobile banking platforms should be improved by focusing on user experience and adding intuitive, feature-rich applications. Regular updates based on user feedback will ensure these platforms meet customer expectations and address any usability concerns.

For Internet Banking, the negative impact on customer satisfaction highlights the need for banks to address technical and usability issues. Simplifying the online platform, conducting regular system maintenance, and providing clear instructions and user support will help alleviate customer frustrations. In addition, to improve Agency Banking, banks should invest in comprehensive agent training and provide ongoing support, ensuring that agents are well-prepared and able to deliver high-quality service.

Furthermore, banks should implement robust systems to monitor and evaluate customer feedback across all alternative banking channels. Through identifying areas for improvement, banks can promptly address customer concerns and enhance satisfaction. Finally, promoting integration and consistency across all channels will ensure that customers enjoy a seamless and unified banking experience, regardless of the platform they choose.

5.5 Areas for Further Study.

Building on the results of this study, several research topics could be investigated in order to better understand customer satisfaction in alternative banking channels. One potential area is the impact of emerging technologies such as artificial intelligence, blockchain, and biometric authentication on customer satisfaction. Investigating how these innovations might enhance or disrupt banking practices could provide valuable insights for the industry. Another area worth exploring is customer segmentation analysis, which would focus on how different demographic

groups, such as those defined by age or income level, perceive and use alternative banking channels. This would help banks tailor their services more effectively to meet the diverse needs of their customer base.

Longitudinal studies on channel usage trends are also important for tracking changes in customer satisfaction over time, especially as banking technology evolves. This type of research would offer insights into shifting usage patterns and satisfaction levels. A comparative analysis of alternative banking channels across different regions or countries could reveal regional differences and best practices that could be adapted to improve service in various contexts. Additionally, investigating the impact of non-traditional banking channels, such as fintech apps and digital-only banks, would broaden the perspective on how these emerging players influence customer satisfaction and compete with traditional banks.

Further research could also examine the role of customer service quality across different channels, particularly how responsiveness, problem resolution, and personalized service affect overall satisfaction. Behavioral factors influencing channel preference, such as customer motivations and psychological barriers, should also be studied to understand the reasons behind channel choice. Lastly, exploring economic and social factors, including financial literacy and socio-economic status, could provide insights into how these elements affect the usage and satisfaction of alternative banking channels. These areas of further research could guide the continuous improvement of banking services and help meet evolving customer needs.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Date:

Dear Respondent,

REQUEST TO PARTICIPATE IN THE RESEARCH QUESTIONNAIRE

I am a postgraduate student at Mount Kenya University presently working on a research project for my Master of Business Administration (MBA) degree.

I am hereby requesting you to answer the questions on the enclosed survey. It will take you ten to twenty minutes to complete the questionnaire.

Every piece of information submitted in the survey will be kept completely private. The report will present the results and findings in a general manner, without identifying any specific persons. As a result, in order to help this research succeed, I kindly ask that you respond to the questions in the most sincere and impartial manner possible. The study's conclusions will be applied to raise customer satisfaction levels in Kenya's banking industry among alternative banking channels

I sincerely appreciate you taking the time to respond to this survey.

Mr. Nyakundi, Albert Nyauma

Contact Information: nyakundialbert85@gmail.com

+254 723 096 142

APPENDIX II: CONSENT FORM FOR PARTICIPATION IN RESEARCH

INFLUENCE OF BANKS ALTERNATIVE CHANNELS ON CUSTOMER SATISFACTION IN KENYA (CASE STUDY OF COMMERCIAL BANK CUSTOMERS - COAST REGION)

Dear Participant,

I invite you to participate in a research study entitled “Influence of Banks Alternative Channels on Customer Satisfaction in Kenya (Case Study of Commercial Bank Customers - Coast Region)”. I am currently enrolled in the master’s degree in business administration (marketing option) of Mount Kenya University. I am in the process of writing my Master’s project. The purpose of the research is to determine:

- v. To evaluate the effect of mobile banking customer readiness on customer satisfaction for Kenyan commercial bank customers.
- vi. To analyze the effect of internet banking perceived service quality towards customer satisfaction for Kenyan commercial bank customers.
- vii. To assess the influence agency banking agent’s readiness on customer satisfaction for Kenyan commercial bank customers.
- viii. To examine the effects of automated teller machines on customer satisfaction for Kenyan commercial bank customers in the coast region.

The enclosed questionnaire has been designed to collect information on:

- i. customer readiness on customer satisfaction for Kenyan commercial bank customers in the coast region.
- ii. perceived service quality towards customer satisfaction for Kenyan commercial bank customers in the coast region.
- iii. Bank agent's readiness on customer satisfaction for Kenyan commercial bank customers in the coast region.
- iv. effects of automated teller machines on customer satisfaction for Kenyan commercial bank customers in the coast region

Your participation in this research project is completely voluntary. You may decline altogether or leave blank any questions you don't wish to answer. There are no known risks to participation beyond those encountered in everyday life. Your responses will remain confidential and anonymous. Data from this research will be kept under lock and key and reported only as a collective combined total. No one other than the researchers will know your individual answers to this questionnaire. There are no direct benefits to you for participating in this research. However, you may find it interesting to talk about the issues addressed in the research and it may be beneficial to the field and to future clients or individuals who have experienced similar concerns.

If you agree to participate in this project, please answer the questions on the questionnaire as best you can. It should take approximately Two days to complete. Please return the questionnaire as soon as possible to enable me to complete the project report.

If you have any questions about this project, feel free to contact Albert Nyauma Nyakundi on cell number +254 723 096 142 AND Dr. Peary Kilei cell number +254 725 551 110. If you have

questions about your rights as a research participant, please be in touch with the Chairman, Mount Kenya University, Ethical Review Committee, P.O Box 342-01000, Thika.

Thank you for your assistance in this important endeavor.

CONSENT

I have read, and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary and that I am free to withdraw at any time, without giving a reason and without cost. I understand that I will be given a copy of this consent form. I voluntarily agree to take part in this study.

Participant's signature _____ Date _____

Investigator's signature  _____ Date **May 17, 2024**

APPENDIX III: QUESTIONNAIRE

The purpose of this survey is to gather information about customer satisfaction about Alternate Banking Channels in Kenya's banking industry. Please set aside some time to fill out this

survey. All provided information is kept completely private and will only be utilized for academic purposes.

PART A: General Information

Please tick (✓) appropriately within the box provided.

1. Gender
 Male Female

2. Age
 18 to 25 years 26 to 35 years 36 to 45 years 46 to 55 years
 Above 55 years

3. How long have you been banking?
 Less than a year 1 – 3 years 4 – 6 years 7 – 9 years
 10 years and above

4. Are you multi-banked?
 Yes No

5. Are you registered Alternative Banking Channels?
 Yes No

6. If yes in 5 above which ABC in your bank have you registered (More than one section if applicable)?
 ATM Mobile Banking Internet Banking Agency Banking

7. How often do you do transactions an ABC in your bank?
 Daily Weekly Monthly Rarely

PART B: Questions on influences of ABC on Customer Satisfaction Indicate with a tick (✓) your view, the extent to which Agency Banking influences on customer satisfaction across the banks?

	1	2	3	4	5
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Customer Readiness on Mobile Banking Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Clarity					
1	I am confident about how to effectively use alternative banking channels					
2	I am NOT sure how to use alternative banking channels properly.					
3	I understand what is expected when using alternative banking channels.					
4	The process steps of using alternate banking channels are clear Me					
5	I believe there are only vague directions regarding how to use alternate banking channels.					
	Capacity					
1	I am fully capable of adopting alternative banking channels					
2	I am confident in my ability when adopting alternative banking channels.					
3	Adopting alternative banking channels is within the scope of my capacity					
4	I DON'T feel qualified to transact when adopting alternative banking channels.					
5	My previous experiences increase my confidence to successfully adopt alternative banking					

	channels.					
6	I feel that there are more Alternative Banking Channels difficulties involved than I am capable.					

	Inspiration					
1	If I put a little effort, I will successfully transact with alternative banking channels.					
2	If I tried to use alternative banking channels, transactions are often completed successfully.					
3	When I make an effort to use alternative banking channels, results in a transaction being completed successfully					
4	Using alternative banking channels to request for a transaction provides me with added convenience.					
5	Using alternative banking channels to request a transaction allows me to complete a transaction more quickly.					
6	Using alternative banking channels to initiate a transaction allows me to do a transaction whenever I want					
7	Using alternative banking channels to initiate a transaction gives me more control over the transaction I order.					

8	Using alternative banking channels to initiate a transaction provides me with a personal feeling of worthwhile accomplishment.					
9	Using alternative banking channels to initiate a transaction provides me with feelings of enjoyment from using the digital space.					
10	Using alternative banking channels to initiate a transaction provides me with feelings of independence.					
11	Using Alternative banking channels to start a transaction allows me to feel innovative in how I interact with a service provider.					
12	Using Alternative banking channels to start a transaction allows a me to have increased confidence in my skills.					

Indicate with a tick (✓) your view, the extent to which the Internet Banking perceived service quality influences on customer satisfaction at Commercial Banks?

		1	2			5
Perceived Service Quality on Internet Banking Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Dependability					
1	Alternative banking channels provide services that are done correctly the first time.					

2	With alternative banking channels, The promised services are rendered on time.					
3	Alternative banking channels fail to fulfill the promises they make					
4	Alternative banking channels					

	provide guidance on usage and education usage					
5	Internet banking provides graphics and adverts of bank services					
6	When alternative banking channels break down, they are quickly rectified.					
7	Alternative banking channels easily respond to inquiries					
	Sensitivity					
1	I have trust and confidence in the security of alternative banking Channels					
2	I have confidence in the security of my personal data					
3	I am safe while doing transactions using alternative banking channels transactions					
4	The alternative banking channels system is easy to understand and to Use					
5	Alternative banking channels are designed to make future transactions easier					

6	It is easy to customize the use of alternative banking channels					
7	The bank does not share my personal information in the alternative banking channels with other digital sites					
	User Friendly					
1	The alternating banking channels websites are easy and conveniently accessed					
2	Transactions are submitted in safe medium					
3	It is easy to log in and logout of the Alternative Banking Channels portals					
4	Alternative banking channels provide fast and convenience services					
5	The alternative banking channels wait time and service time acceptable					
6	The bank provides clear steps and instructions on usage					
7	The bank's alternative banking channels personnel are available to address any challenges					

Indicate with a tick (✓) your view, the extent to which Bank Agents readiness influences on customer satisfaction at Commercial Banks?

	1	2	3	4	5
Bank Agents Readiness on agency banking Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

Participation						
1	I feel that the personality of bank agents service providers matches that of the bank's image					
2	I am proud to refer family members, relatives and friends to use the product					
3	The Bank agents are easy and conveniently located					
4	The bank provides clear steps and instructions on usage on how to do transactions at the agent outlets					

Research and Training						
1	The bank cultivates agents' readiness to embrace new tasks and structure from the start of implementing the Agency banking					
2	The Agency banking system is easy to understand and to use					
3	Agency banking channels provide guidance on usage and education usage					
4	The bank's alternative banking channels personnel are available to address any challenges					
	CRM Ability					

1	As a customer, I believe the level of service provision is better in a branch than over the telephone, agent or Internet.					
2	As a customer, I find it difficult to remember passwords and security questions					
3	As a customer, I believe that the level of service is the same irrespective of what communication channel I use					
4	As a customer, I find banking opening hours to be inconvenient and no need to visit a branch					
5	As a customer, I would only use alternative banking channels if it is necessary					
6	As a customer, if alternative banking channels were offered by the bank, I would be the first to try it					
7	Some financial transactions are too important to be done through channels					

Indicate with a tick (✓) your view, the extent to which automated teller machines influences on customer satisfaction at Commercial Banks?

	1	2	3	4	5
--	---	---	---	---	---

Bank Agents Readiness on agency banking Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	Participation					
1	I feel that ATMs services match that of the bank's image					
2	I am proud to refer family members, relatives and friends to use debit and credit cards in ATMs					
3	The ATMs are easy and conveniently located					
4	The bank provides clear steps and instructions on usage on how to do transactions at the ATMs					
	Research and Training					

1	The bank cultivates agents' readiness to embrace new tasks and structure from the start of installation of the ATMs					
2	The ATM system is easy to understand and to use					
3	ATMs provide guidance on usage and education usage					
4	The bank's ATMs personnel are available to address any challenges					

	CRM Ability					
1	As a customer, I believe the level of service provision is better in a branch than over the ATM					
2	As a customer, I find it difficult to remember my debit or credit card PIN					
3	As a customer, I believe that the level of service is the same irrespective of what transaction channel I use					
4	As a customer, I find banking opening hours to be inconvenient and no need to visit a branch					
5	As a customer, I would only use the ATM channels if it is necessary					
6	As a customer, if ATMs were offered by the bank, I would					
	be the first to try it					
7	Some financial transactions are too important and large to be done through ATMs					

Indicate with a tick (✓) your view, the extent to which customer satisfaction as ABC adoption strategy is integrated at Commercial Banks?

		1	2	3	4	5
Customer Satisfaction Statements		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The bank has a customer satisfaction strategy related to alternative banking channels					
2	The bank has a customer satisfaction policy and guideline for the use by the bank branch Network					
3	The bank promotes feedback on alternate banking channels from customers					
4	Bank staff support customers by providing training and resources for alternative banking channels					
5	I feel that the bank committed and is in charge of monitoring alternate banking channels quality and performance.					
6	The bank has set given motivation incentives for exceptional customers adopting alternative banking channels.					

7	The bank can follow up the nature and kind of customer adopting alternative banking channels.					
---	-----------------------------------------------------------------------------------------------	--	--	--	--	--

Thank you for your participation



APPENDIX IV: ERC CERTIFICATE



REF: MKU/ISERC/4294

TO: NYAKUNDI, ALBERT NYAUMA

Date: 23 August 2024

REG: MBA/2019/56626

Dear Sir/Madam,

RE: INFLUENCE OF BANKS ALTERNATIVE CHANNELS ON CUSTOMER SATISFACTION IN KENYA(CASE STUDY OF COMMERCIAL BANK CUSTOMERS -COAST REGION)

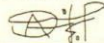
This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3036**. The approval period is **23/08/2024 - 22/08/2025**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,



Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC



APPENDIX V: NACOSTI LETTER OF INTRODUCTION



DIRECTORATE OF GRADUATE STUDIES

MBA/2019/56626

26th August, 2024

National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA

Dear Sir/Madam,


RE: NYAKUNDI ALBERT NYAUMA - REGISTRATION NO. MBA/2019/56626

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**

The title of the research is **"Influence of Banks Alternative Channels on Customer Satisfaction in Kenya (Case Study of Commercial Bank Customers -Coast Region)."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **September 2024, and November 2024.**

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, Ph.D.
Director, Graduate Studies
Enc.

Mount Kenya University
P. O. Box 342 - 01000, THIKA
Office of the Director
Graduate Studies

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Cell: +254 709 153 000 / +254 709 153 200
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I: TURNITIN REPORT

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ALBERT NYAUMA

INFLUENCE OF BANKS ALTERNATIVE CHANNELS ON CUSTOMER SATISFACTION IN KENYA (A CASE STUDY OF CO...

RESEARCH PROJECT
BCOM
Mount Kenya University

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II: NACOSTI RESEARCH LICENSE

REPUBLIC OF KENYA
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 297955

Date of Issue: 11/October/2024

RESEARCH LICENSE




This is to Certify that Mr. Albert Nyauma Nyakundi of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kilifi on the topic: **INFLUENCE OF BANKS ALTERNATIVE CHANNELS ON CUSTOMER SATISFACTION IN KENYA (CASE STUDY OF COMMERCIAL BANK CUSTOMERS - COAST REGION)** for the period ending : 11/October/2025.

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Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

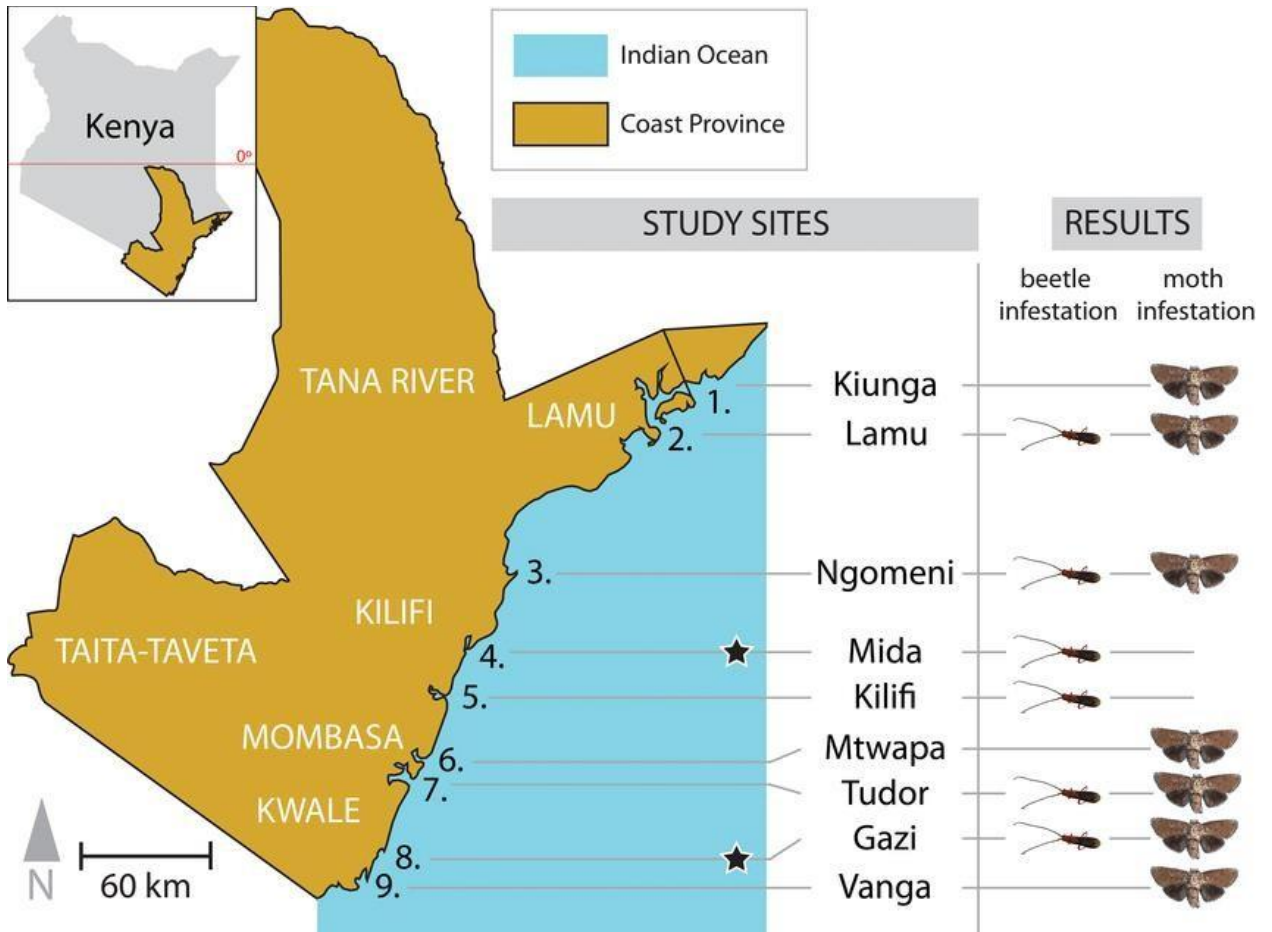
CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way:
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke

II: RESEARCH SITE MAP

APPENDIX V



Email to students

Dear Albert,

You have been cleared to submit your final project by **7th November 2024**. In this regard, you are expected to submit the following;

- i. A Softcopy of the thesis/project in both MS word and PDF using the attached template
- ii. A duly filled **Template** for submission of abstracts and publication(s). If the publications don't apply to you, just write N/A
- iii. A separate approval and declaration page signed by the student and supervisor(s) in PDF

Notes

- i. It is an academic **MALPRACTICE** to submit work without the approval of your supervisor(s)
- ii. All PhD students **MUST** publish or show proof of acceptance of at least **TWO** research publications from their thesis work in **INDEXED** University recommended journals. A list of the recommended journals can be accessed using the link; <https://cgsr.mku.ac.ke/list-of-peer-reviewed-index-journals/>
- iii.

The documents above should be emailed to post.graduate@mku.ac.ke and copied to the Editorial Officer: hmwambeo@mku.ac.ke with subject; FINAL THESIS/PROJECT FOR (STUDENT'S NAME, REGISTRATION NUMBER).

Kind regards,

Directorate of Graduate Studies

Mount Kenya University

P. O Box 342 - 01000

THIKA.

Offices: Alumni Plaza 6th Floor