



**CUSTOMER SERVICE AS IT AFFECTS PATRONAGE OF BANKING SERVICES IN
FEDERAL CAPITAL TERRITORY, ABUJA**

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Abstract

The study seeks to examine the effect of customer service on the patronage of banking services with focus on residents of Area 1, Garki, Abuja. The study used survey design with simple random sampling method to select a sample size of 300 respondents of the study area who are bank customers. The choice of the method is to allow every resident in Garki equal chance of inclusion in the survey. Data for this study was analyzed using descriptive statistic and chi-square to test the formulated hypotheses which revealed that indeed, customer service has significant effect on patronage of banks. A major finding revealed that quality customer services have positive effects on the bank's image thereby increasing its profitability. It was concluded among others that quality customer service indeed increases banks patronage and makes the customer to be a bank brand loyalist and publicize good image among current and potential customers of banks. Recommendations were made among which is that there is need for financial institutions to adopt the practice of quality customer service delivery and provide effective and reliable network service that will enhance efficiency of services provided by financial institutions not only in the Federal Capital Territory, but throughout Nigeria.

Keywords: *Customer service; Affect; Patronage; Financial services; Federal Capital Territory.*

Introduction

Customers are the life wires of any business organization, especially in the service industry. This is because the growth of the service organization depends on customer's patronage and their perception of the organization, therefore there is need for quality customer service to be offered. The scope of this study will be limited to financial institutions (Deposit Money Banks) and effort will be made to analyze how effective customer service leads to increase in patronage of financial services especially, in the Federal Capital Territory Abuja (Aregbeyen, 2011).

The banking sector is the most prominent and pertinent sector of the economy; it determines to a large extent the overall growth of the economy. The financial institutions comprise of various banks put together which consist of the "Central bank" being the apex bank, commercial bank, merchant bank, development bank, and savings bank. Though are classified according to their function, a detailed study of their function showed that they have a common function but with slight and important distinction. The distinguishing feature of a commercial bank is that it holds: itself out as prepared to accept deposit of money from members of the public on current or deposit account, to honor Cheques drawn by customers, granting credit facilities to individuals, firms and government by means of loans and overdraft, act as a guarantor to its customers in servicing credits, keeping of valuable items like will, gold, precious stones etc. These services rendered to the customers go a long way in fetching profitable revenue to the commercial bank, therefore banks must understand that customers are the ultimate target of banks revenue. Banking as a service must adopt to the changing environment requirement of the economy which is service and this it can do through effective marketing of its services (Zeithmal and Bitner, 2019).

The Nigerian banking environment lacks behind in the application of modern marketing principles in it's service offerings. The banking image in the country is considered bad because of the deterioration of the banking service over the years and the very poor trend in banker customer relationship which us largely due to poor marketing. The major problem is that existing services are not being provided efficiently. There is a common believe that service rendered to customers is a favor given and privilege. A visit to any branch office will reveal long guess and struggle for the customers to get served.it can take an hour or more to reach the customers and sometimes customers get the impression that counter staff is proud of the long lines of people queries for their favor. They believe its right to deliberately delay customers as a result of their nonchalant attitude to work.it is always a daily occurrence to hear abuses flowing from customers to bank staff over the delay in counter bank transactions (Roger, 2018).

Today Nigerians attitude toward the idea of keeping their money in the bank as opposed to keeping them at home due to this, banking institution face unusual marketing challenges. The level of competition between banks is increasing as the level of financial competition also increase. Therefore, customers go for banks that offer the best service in a fast and orderly manner (Aregbeyen, 2011).

Statement of the Problem

This study is aimed at examining the effect of customer service on the patronage of financial services with focus on residents of Area 1, Garki, Abuja and as well examine how it has reduced customer patronage in various banks in the study area.

Research Objectives

The objectives of the study are as follows:

1. To examine the significance of customer service to customer patronage of banking services.
2. To determine the extent of dependability of bank profitability on customer service delivery and promotion of bank image.

Research Questions

The following research questions will be answered in the course of the study:

1. Does customer service have significant effect on patronage of banking services?
2. To what extent does bank profitability depend on customer service delivery and promotion of bank image?

Research Hypotheses

- H₁: Customer service does not have significant effect on patronage of banking services
- H₂: Bank profitability does not depend on customer service delivery and promotion of bank image.

Contribution to Knowledge

Considering the uniqueness of the problem identified in this research, findings are expected to be of great value to the satisfaction of customers' needs through qualitative customer service. The earlier the problems hindering effective services delivery in financial institutions are identified, the better for both customers and the banks. Also, since banks are a part of financial institutions that also determine the growth of individual and corporate financial base, any attempt to disrupt this fact will make the customers lose their confidence in the Nigerian financial sector. This study will also throw more light on some unsatisfactory customer services in banks. Banks managements will find this work useful and customers will also benefit from the study. The study helps identify the correct form of motivation for workers in the financial institutions.

Literature Review

A Company's first task is to create customers, it is a challenging task for a company to create its own customers which are the purchasers of its products and services. In the service industry customers expect quality from companies who provide this service. This part undertakes review of both conceptual and empirical literature on the construct of customers as a tool for increasing banks patronizing

A bank is a financial institution which deals with deposits. And advances and other related services, it receives money from those who want to save in the form of deposits and. Lend money to those who need it. Banking refers to the business of receiving money and collecting draft for customer's subject to the obligation of borrowing cheques drawn used on them time to time by the customers to the extent of the amount available in their current account (Colgate and Norris, 2018).

The Concept of Service

Although the services provided by an organization are very diverse, they have accounted for the performance of the organization (Kotler and Keller, 2019.)

In the view of Kotler (2019), service is defined as any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Service excellence helps improve the organizations performance. This is the era of customers for the success and survival in the competitive market, organizations should emphasize on quality service and this should be integrated into the company strategy. (Aliyu and Tasmin, 2018).

Services are vital segment of all economies and they become increasingly more in everyday life as the economy develop, this is so especially in developing countries like Nigeria. In the era of globalization and border less market, responsiveness, quality and productivity are essential for the survival and growth of any organization. (Potlari and Mangnale, 2018).

Customer Service

Turban, Hank, and Zeng (2019) opined that customer service is a series of activities designed to enhance the level of satisfaction.it is a feeling that a product or service has met the customer expectation. Customer service is the provision of service to customers before, during and after a purchase. Customer service can be provided by a person or by automated means called self-service. From the point of view of an overall sales process and engineering effort, customer service plays important roles in organizations' ability to generate income. A customer service experience can change the entire perception a customer has of the organization. It is a requirement for the corporation survival, profitability and growth if that service wants to hold its own in competition (Rehman and Ahmed, 2018).

According to Oyeniyi and Abiodun (2018), Customer service is defined as the ability of knowledgeable, capable and enthusiastic employees to deliver products and services to their internal and external customers in a manner that satisfies identified and unidentified needs of customers and ultimately result in positive word of mouth. Customer service is one of the most important ways to keep customers coming back. Customer service is one of the most effective ways to keep customers coming back (Gronrose, 2019). Once customers are satisfied with the services of a particular organization the propensity to stay and lure other potential customers is high. Customer service includes responding to customer's questions and complaints, in a thorough and timely manner and interacting with customers through face to face meetings, telephone, fax, email and so on.

Methodology

The study used survey design and the population is made up of the residents of Area 1, Garki Abuja who patronize the various banks in the area. Simple random sampling method was used to select a sample size of 300 residents. The choice of the method is to allow every resident in Garki equal chance of inclusion in the survey. The study used data obtained from observation, personal interview, and questionnaire as primary data then, journals and textbooks as secondary data sources. The test re-test

method of reliability was adopted out of all the various types of methods. Descriptive statistic method was adopted for analysis and interpretation of the data collected. Chi-square was used in testing the hypotheses formulated. The writers are of the opinion that the method of statistical analysis will bring to bear the subject matter of the study and invariably guarantee users of the recommendations certain degrees of confidence.

The chi-square(x²) techniques involves using observed and expected data to compute the value x² as follows:

$$x^2 = \frac{\sum(Oi - Oe)^2}{Oe}$$

Where oi = observed data

Oe= expected data

The computed x² would then be compared with its critical value determined at 5% significance level and an appropriate degree of freedom (df) Decision rule

Reject Ho and accept Hi if the computed value if x² is more than its critical value and vice versa.

While the correlation is calculated using the following formula

$$r = \frac{n\sum xy - \sum x \cdot \sum y}{\sqrt{n\sum x^2 - (\sum x)^2 \times (n\sum y^2 - (\sum y)^2)}}$$

Decision

There is correlation between the variables if the figure gotten is less than one then accept Hi otherwise reject Hi if vice versa.

Test of the Hypotheses

Here, the writers validate the stated hypotheses of the research work. As stated above, Chi-square statistical tool was used to test the formulated hypotheses.

Decision Rule: Accept the formulated hypothesis if the calculated Chi-square value (Z_{cal}) is less than the critical value of the Chi-square distribution table (Z_t) otherwise, reject the stated hypothesis. That is, reject H₁ if P value ≤ 0.05, otherwise do not reject.

Hypothesis One

Examining the effect of customer service on the patronage of financial services

H₁: Customer service does not have significant effect on patronage of banking services

Customer service does not have significant effect on patronage of banking services

Options	Frequency	Percentage
Strongly Agree	3	1.1
Agree	20	7.6
Disagree	60	23
Strongly Disagree	180	68.4
Total	263	100

Source: Survey, 2022

1. Degree of freedom (df)

$$Df = (C-1) (R-1)$$

Where C = number of columns

R = number of Rows

$$Df = (4-1) (3-1) = 3*2 = 6$$

2. Level of significance = 5%

3. Critical value of χ^2 at 5% significance level and 6 degree of freedom is 12.59

4. Determination of $F_e = 263/4 = 65.7 \sim 66$

O _i	O _e	(o _i -o _e)	(o _i -e) ²	(o _i -o _e)/o _e
3	66	-63	3969	60.1
20	66	-46	2116	32.1
60	66	6	36	0.5
180	66	114	12996	197
263				289.7

Tabulated value is 289.7

Decision: Reject H₁ because tabulated data 289.7 is higher than critical value 12.59 and conclude that customer service does not have significant effect on patronage of banking services

Hypothesis Two

H₂: Bank profitability does not depend on customer service delivery and promotion of bank image.

Bank profitability does not depend on its customer service delivery

Option	Frequency	Percentage
Strongly Agree	23	9
Agree	30	11.4
Indifferent	40	15.2
Disagree	80	30.4
Strongly Disagree	90	34.2
Total	263	100

Source: Survey, 2022

Using chi square

1. Degree of freedom

$$(C-1) (R-1)$$

$$(2-1) (5-1) = 4$$

2. Level of significance = 5%

3. Critical level of $\chi^2 = 9.49$

4. Expected value o_e = 53

O _i	O _e	O _i -o _e	(o _i -o _e) ²	(o _i -o _e) ² /o _e
23	53	-30	900	17
30	53	-23	529	10

40	53	-13	169	3.1
80	53	34	1156	22
90	53	37	1369	26
Total				78.1

Decision: Reject H_2 since tabulated value is higher than critical value and conclude that bank profitability depends on customer service delivery and promotion of bank image.

Findings

Based on the data gathered through distribution of questionnaires, interview and observation carried out, indication shows the impact of quality customers service in banks patronage and image. Findings revealed that quality customer services have positive effects on the bank's image thereby increasing its profitability. From the findings many bank customers have more than one bank account and one of the reasons is lack of quality customer service with 64% of the respondents attesting to this.

Conclusion

It was recognized that quality customer service indeed increase banks patronage and makes the customer to be a bank brand loyalist and publicize good image among current and potential customers of banks. This implies that quality customer service delivery in banks can attract more customers, banks can use it as a medium to advertising its services to other customers without spending much on adverts. It can also be used as a tool for gaining high percentage of market share in the industry by attracting customers from other bank to your bank, that is, it serves as a competitive strategy to be in business especially in the service sector.

It is also concluded that bank profitability depends on customer service delivery and promotion of bank image and customer service can be used to keep and grow the financial sector through customer relationship management. Keeping and growing long term relationship will foster customer loyalty and thereby improving profit margin of financial institutions in the long run.

Recommendations

From the foregoing conclusion, the following are recommended:

There is need for financial institutions to adopt the practice of quality customer service delivery and provide effective and reliable network service that will enhance efficiency of services provided by financial institutions not only in the Federal Capital Territory, but throughout Nigeria.

Banks should improve on their services delivery to customers. Every unit of the banking sector must serve as a point of customer service so the customers will always feel satisfied when leaving the bank. Training on Customer Relationship Management (CRM) should not be restricted to customer service unit personnel alone.

Financial institutions should embark on integrated marketing communication system which offers customers the confidence and trust that their banks can perform as expected. The idea of designating a lone staff to handle numerous customer complaints/enquiries should be totally eliminated if not, the pressure in handling customers' demands will cost the bank the ability to satisfy their customers. Banks should make sure their internet facility is fast and reliable 24 hours. Finally, queue management should be effective in the banking halls so that customers will not be frustrated and potential customers will be attracted to their business.

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