EFFECTS OF NON-FINANCIAL FACTORS ON CUSTOMER SWITCHING BEHAVIOUR AMONG COMMERCIAL BANKS IN NAIVASHA SUB COUNTY, KENYA

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ABSTRACT

Customer switching behaviour is an important element of banking strategy in today's increasingly competitive business environment. Bank management must identify and improve upon factors that affect customer switching behaviour. Since CBK regulates the rate of interest, account charges and loaning, the basis of competition among commercial banks has been on non-financial offers. As a result, banks have designed customized non-financial offers to attract and retain customers. However, despite such strategies, it remains unclear why customers continue to switch from one commercial bank to another. Therefore, the study examined the effect of non-financial factors on customer switching behaviour among commercial banks in Naivasha Sub County in Kenya with a view retaining customers through reduced customer defection rate among the commercial banks in Kenya. The study adopted the SERVQUAL Model of service quality. The study adopted descriptive research design. Proportional stratified sampling technique was used to select the sample. Data was collected by use of questionnaires which was administered by the researcher in the commercial banks' banking halls. Proportional stratified sampling method will be used in selecting the questionnaire respondents. Data was coded and analyzed using descriptive statistics especially multiple regression analysis. Hypotheses were tested using the p-value approach at 95% level of confidence. Data analysis was done with the aid of SPSS version 22.0 statistical software. Results were presented in tables, pie charts and graphs. The average response rate was 86%. The study sample was made up of 56.2% Male and 43.8% Female. The study concluded that product offering was not a significant determinant of customer switching behaviour among commercial banks in Naivasha Sub-County, Kenya while physical facilities and customer service were indeed significant determinants. The study recommends that banks management should train their employees on stellar customer service and also increase the number of branches and service outlets. The study is significant in helping commercial banks in formulation of policies to address customer switching behaviour and reduce defection rates. Further, the study may serve as industry analyses to enable them know how consumers make their choices for banks. Customers will benefit as the banks make attempts to improve their customer services through offering unique toiler services