CUSTOMER RELATIONSHIP MANAGEMENT STRATEGIES AND PROFITABILITY OF COMMERCIAL BANKS IN KENYA

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS AND ECONOMICS IN PARTIAL FULFILMENT FOR THE AWARD OF MASTERS DEGREE IN BUSINESS ADMINSTRATION (STRATEGIC MANAGEMENT OPTION), THE COOPERATIVE UNIVERSITY OF KENYA

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DECLARATION

This project is my original work and has not been presented for award of a degree in any other University or for any other award.

Signature

Date….02/12/2024 ONCHIRI MORAA NANCY

MBAC02/0020/2018

We confirm that the work reported in this project was carried out by the candidate under our supervision and has been submitted with our approval as University supervisors.

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DEDICATION

This project is dedicated to my dear daughter Pendo

ACKNOWLEDGEMENT

First and foremost, I thank God Almighty for the grace and mercies that have enabled me to reach this far. Gratitude to my dear parents Dr James Okwoyo and Linet Onchiri for the immense support they have accorded me, a life full of love and affection beyond measure. You have kept me alert throughout the entire session and for instilling in me the passion for academics. To my siblings I cannot forget to appreciate your support. To my mentor and dear friends Prof E.Akuno, J.Katei-CFE, P.Korir, please accept my sincere gratitude for endless encouragement and wise counsel. A great thank you to my customer experience industry mentors to mention but a few P.Kitemu, P.Githinji. I wish to convey sincere gratitude to my supervisors, Dr. Michael Ngala and Dr Grace Okello for sparing time to offer me constructive guidance through this Research Project.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

CBK: Central Bank of Kenya

CMA: Capital Markets Authority

CRM: Customer Relationship Management

CRMS: Customer Relationship Management Strategies

IT: Information Technology

SFA: Sales Force Automation

SPSS: Statistical Package for Social Science

RBV: Resource Based View

ROI: Return On Investment

DEFINITION OF TERMS

Key customer focus; - A customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement CRM successfully

CRM organization: - CRM means essential changes in the way that firms are organized and business processes conducted.

Knowledge management: - According to the knowledge-based view of the organization, the creation, the transfer, and the purposes of knowledge is the primary rationale for a firm's existence

Technology-based CRM: - Accurate customer data is necessary to successful CRM performance consequently; the technology has an important role in CRM in adding to firm intelligence

Profitability: - Profitability in the case of CRM is determined in the light of the lifetime value of the customer to the organization, taking account the income and expenses associated with each customer and their respective transactions over time

Services culture -an environment where employees are obsessed with providing superior customer service to clients.

Servqual-is a multi-dimensional research instrument designed to capture consumer expectations and perceptions of a service along five dimensions that are believed to represent service quality.

ABSTRACT

Customer Relationship Management (CRM) is a business strategy focused on building and maintaining long-term relationships with customers. CRM strategies can be implemented through various techniques, including data mining, customer segmentation and customer service. This research investigates the effects of CRM strategies on the profitability of commercial banks, focusing on three specific aspects: the technological aspect of CRM, the SERVQUAL aspect and the service culture aspect. The study adopted a descriptive research design and targeted employees in the customer service and finance departments of 42 commercial banks in Kenya. A purposive sampling technique was employed to select two senior employees from each organization, resulting in a total of 84 respondents. Data was collected using a survey questionnaire administered to the selected respondents. Both quantitative and qualitative methods of data analysis were used, with data analyzed using the Statistical Package for Social Sciences (SPSS). The results were presented in tables and figures. Multiple regression analysis was conducted to establish the relationships between the study variables. The findings indicated that the profitability of commercial banks is significantly influenced by CRM dimensions. Notably, service culture and service quality emerged as the most dominant factors affecting profitability. A limitation of the study was the use of purposive sampling, which, while ensuring relevant expertise, may limit the generalizability of the results to a broader population. To mitigate this, the sample was selected from a diverse range of commercial banks across Kenya to enhance representativeness. The study recommends that commercial banks prioritize the development of a strong customer-centric service culture and invest in continuous improvements in service quality while leveraging technological tools to gain customer insights and streamline service delivery.

CHAPTER ONE

INTRODUCTION

This chapter presents the background study regarding the effects of customer relationship strategies on profitability of commercial banks in Kenya. It describes the background of the study; statement of the problem; research objectives and questions; significance, limitations and organization of the study.

1.1 Background of the Study

The competitive nature of the banking sector has driven institutions to focus on customer-centric strategies to enhance profitability. Recent studies reveal that retail commercial banks face significant challenges in meeting elevated customer expectations while maintaining profitability and market share (Chironga, Mugo, & Tallam, 2021). The growing significance of Customer Relationship Management (CRM) is evident in its widespread adoption across industries. Companies like IBM, Apple, and Coca-Cola have prioritized CRM investments to build stronger customer relationships and improve loyalty, leading to increased revenue and reduced costs (Kumar & Reinartz, 2016).

CRM strategies emphasize a differentiated service approach rather than merely offering differentiated products (Yim, Anderson, & Swaminathan, 2004). Banks that adopt these strategies can better manage customer interactions and foster long-term relationships. CRM integrates people, processes, and technology to deliver value to customers and generate profit (Zhang & Chen, 2017). In the Kenyan banking sector, CRM has been identified as a critical tool for enhancing customer satisfaction and retention, ultimately driving profitability (Ngumi, 2013).

Globally, CRM systems have evolved, with advanced technologies such as artificial intelligence (AI) and big data analytics transforming customer interactions (Verhoef, Kannan, & Inman, 2017). Regionally, banks in Sub-Saharan Africa face unique challenges, including dynamic customer needs and turbulent market environments, making CRM a strategic priority (O'Connor & Rice, 2014). Locally, Kenyan banks are increasingly leveraging CRM to address customer demands for personalized services and to stay competitive in a rapidly changing industry (Gitau, 2011).While many studies, such as those by Ngumi (2013) and Mugane (2015), have explored the impact of technological innovations like mobile and agency banking, this research focuses on CRM strategies, including the dimensions of people, processes, and technology, and their effect on the profitability of commercial banks in Kenya.

1.1.1 Customer Relationship Management Strategies

CRM strategies are essential for fostering customer loyalty and retention. They encompass three key dimensions: people, processes, and technology. People: Successful CRM depends on skilled personnel who can manage customer interactions effectively, fostering trust and loyalty (Greenberg, 2002).Processes: Streamlining internal processes ensures seamless service delivery, enhancing customer satisfaction and retention (Mokhtar & Ismail, 2019).**Technology:** Modern CRM systems, enabled by IT, integrate data to create personalized customer experiences, driving loyalty and profitability (Zhang & Chen, 2017).Studies highlight the interplay between these dimensions. For instance, Mokhtar and Ismail (2019) argue that measurable returns from IT investments are realized when technology is combined with well-organized teams and optimized processes. Furthermore, CRM’s role extends beyond service delivery; it is a strategic approach to managing customer retention and profitability by addressing behavioral intentions, satisfaction, and loyalty (Bashir et al., 2022).

1.1.2 Profitability

Profitability in the context of CRM is determined by the lifetime value of the customer, considering the income and expenses associated with transactions over time (Pérez & de la Torre, 2022). Banks measure profitability through ratios such as Return on Assets (ROA) and Return on Equity (ROE), which reflect their efficiency in generating profits (Kumar & Reinartz, 2016). Customer loyalty, influenced by satisfaction and service quality, plays a pivotal role in achieving long-term profitability (Rose, 1999).The service-profit chain framework links customer satisfaction, loyalty, and financial performance, suggesting that banks must enhance their service offerings to achieve sustained growth and profitability. In Kenya, commercial banks have adopted strategies such as partnerships with mobile service providers and government agencies to improve service accessibility and operational efficiency (PWC, 2012).

1.1.3 Commercial Banks in Kenya

Kenya's banking sector operates under the regulation of the Central Bank of Kenya (CBK) and has undergone significant transformation, including liberalization and the adoption of new technologies. The sector comprises 42 commercial banks categorized into three tiers based on market share, asset base, and customer deposits (CBK, 2023).Tier 1 Banks: Large banks, controlling 49.9% of the market, include KCB, Equity, and Barclays. Tier 2 Banks: Medium-sized banks, controlling 41.7% of the market. Tier 3 Banks: Smaller banks, controlling 8.4% of the market. Kenyan banks have increasingly embraced CRM as a strategy to build strong relationships with customers and maintain competitiveness. For instance, innovations like mobile banking and agency banking have enabled banks to expand their reach and improve service delivery. However, successful CRM implementation requires a holistic approach, integrating people, processes, and technology to enhance profitability and ensure long-term survival (Mithas et al., 2016).

1.2 Statement of the Problem

In the banking industry, acquiring customers is a critical step toward business success. However, customer acquisition alone does not guarantee long-term profitability, as retention and loyalty are equally vital. Scholars like Chothani (2010) have emphasized that private banks often regard themselves as customer-centric, offering what they perceive as personalized services. Despite such claims, many banks fail to effectively retain customers due to fragmented or ineffective Customer Relationship Management (CRM) strategies.

CRM strategies are typically implemented for two main reasons: offensive and defensive. Offensive strategies aim to increase profitability by reducing operational costs and improving customer loyalty. Defensive strategies focus on responding to competitive pressures to avoid losing customers (Buttle, 2009). Over the years, East African commercial banks have embraced various initiatives to improve customer relationships, including establishing customer care desks, replacing reception counters with service-focused offices, and integrating automated feedback systems (Hassan & Raza, 2018; Patel & Patel, 2018). However, these efforts have not always yielded the desired results in service quality and customer satisfaction (Olomi & Rutashobya, 2012).One significant oversight in existing CRM practices is the neglect of internal customers employees. Research highlights that satisfied employees deliver better customer service because they feel valued by their organization (Heskett, Sasser, & Schlesinger, 2014). In Kenya, many banks fall short in fostering a positive internal culture, resulting in employee dissatisfaction and, consequently, subpar external customer service.

The Kenyan banking sector, despite advancements in CRM technologies and processes, continues to grapple with challenges such as fragmented CRM implementation, inadequate service culture, and inconsistent service quality. Customers who perceive a gap between expected and delivered service levels are likely to develop negative attitudes toward the organization, affecting loyalty and profitability (Mohsan et al., 2011).

Although studies like those by Onditi et al. (2012) have explored the relationship between service quality and competitive advantage, limited research has investigated the comprehensive impact of CRM strategies—including the technical aspect, service quality, and service culture—on the profitability of commercial banks in Kenya. This study addresses this gap by examining the effects of CRM strategies on profitability, providing actionable insights to improve customer satisfaction, loyalty, and financial performance.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of this study is to determine the effects of customer relationship management strategies on profitability of commercial banks in Kenya.

1.3.2 Specific Objectives.

i. To examine the relationship between technical aspect of CRM and profitability of commercial banks in Kenya.
ii. To establish the effects of the Servqual on the profitability of commercial banks in Kenya.
iii. To assess the effects of the service culture on profitability of commercial banks in Kenya.

1.3.2 Research Questions

i. How does the technical aspect of CRM affect the profitability of commercial banks?

ii. What are the effects of the servqual on the profitability of commercial banks?

iii. What are the effects of the service culture on the profitability of commercial banks?

1.4 Significance of the Study

This study makes a significant contribution to the financial services literature by being among the few that examine the effects of Customer Relationship Management (CRM) strategies in the Kenyan banking sector. The findings will serve as a valuable resource for assessing the level of CRM implementation in the past and provide a basis for future improvements. The study will enable banks to identify specific CRM dimensions technical, service quality, and service culture that require enhancement to achieve optimal benefits from CRM implementation. By adopting these recommendations, banks can improve customer retention, loyalty, and overall profitability. Stable financial institutions are a key driver of investor confidence, economic growth, and sustainable development. The insights from this research extend beyond commercial banks to other financial institutions, including microfinance institutions, SACCOs and fintech companies. These organizations can adapt the findings to enhance their CRM strategies and improve service delivery in competitive markets. The study's findings also have broader applicability across various sectors, including telecommunications, retail, healthcare and hospitality, which rely heavily on customer interactions. These industries can use the recommendations to improve service quality, customer satisfaction and profitability. Regulatory bodies such as the Central Bank of Kenya can leverage the study findings to develop guidelines that promote customer-centric practices in financial institutions. Such regulations can enhance service delivery and foster a culture of innovation in the banking sector. In addition, the study adds to the growing body of knowledge on CRM strategies, particularly within the context of developing economies like Kenya. It provides a framework for future research to explore the relationship between CRM practices and organizational performance across various sectors. Customers will also benefit indirectly from this study as banks and other organizations adopt more effective CRM strategies. Improved service delivery, personalized experiences and value-driven interactions will enhance customer satisfaction and loyalty.

1.5 Scope of the Study

The study focused on assessing the effects of Customer Relationship Management (CRM) strategies on the profitability of commercial banks in Kenya. The research specifically targeted the 42 commercial banks operating within Nairobi County. This location was chosen because Nairobi, as the capital city of Kenya, serves as the hub for the headquarters and regional offices of all commercial banks, providing a comprehensive and accessible population for the study.

The unit of observation for the study comprised employees working in the customer service and finance departments of these banks, while the unit of analysis was the impact of CRM strategies specifically technical CRM, service quality (SERVQUAL) and service culture on bank profitability. A purposive sampling technique was employed to select two senior employees from each bank, resulting in a total of 84 respondents. This study's scope was defined by its focus on CRM dimensions and their influence on financial outcomes within the context of Kenyan commercial banks.

1.6 Limitation of the Study

The outcome of this study is influenced by several factors that could affect the authenticity and generalizability of the data collected and analyzed. One of the primary limitations is the reliance on individual responses, which can introduce personal biases. Respondents' answers may be shaped by their personal experiences, opinions, or interpretations, potentially affecting the accuracy and reliability of the data.

Additionally, the sample size for this study is relatively small, which limits the ability to draw broad conclusions. The purposive sampling technique, while useful for selecting participants with specific characteristics relevant to the research, restricts the findings to this particular group. As a result, the conclusions may not be generalizable to a larger or different population.

CHAPTER TWO

LITERATURE REVIEW

INTRODUCTION

This chapter reviews relevant literature on the study area. In particular, Theoretical Reviews and Empirical.

2.1 Theoretical Literature Review

A theory is a framework that provides a systematic understanding of phenomena and can be used to predict or explain various aspects of a particular subject. It consists of general propositions that have been tested and validated, offering principles for interpreting or forecasting outcomes (Babbie, 2020). This study is grounded in three key theories: the Open Systems Theory, the Resource-Based View (RBV), and the Theory of Organizational Excellence. Each of these theories is essential in understanding the dynamics of organizations, particularly in the context of commercial banks in Kenya, which need to harness resources to achieve their objectives. Additionally, these theories align with the concept that organizations operate as open systems, continually interacting with their environment to achieve outputs and sustain competitive advantages (Njoki, 2015).

2.1.1 Open Systems Theory

Open Systems Theory was developed to challenge earlier, more self-contained views of organizations, such as those proposed by Henri Fayol and Elton Mayo, who focused primarily on the internal mechanisms of organizations. Developed by Bertalanffy in the 1950s, the Open Systems Theory suggests that organizations are not isolated but instead interact with their environment. These interactions are necessary for the organization's survival and growth, as the environment provides critical resources and influences the organization's activities (Meyer & Zhao, 2014).

Scholars like Meyer and Zhao (2014) have emphasized how open systems theory allows organizations to adapt to external pressures from competitors, customers, and other stakeholders. In banking, for instance, commercial banks must constantly adjust to changes in the economic, social, and regulatory environment. The application of Open Systems Theory in this study will help examine how different departments within a commercial bank (such as customer service, treasury, and operations) interact with each other and the environment to implement customer relationship management (CRM) systems. This theory supports the idea that these subsystems, which rely on inputs from outside the organization, can be studied to understand their impact on the bank's financial performance.

While Open Systems Theory offers a robust framework for understanding organizational dynamics, it has been critiqued for its generalization and lack of focus on the unique internal characteristics of organizations (Meyer & Zhao, 2014). The theory has been criticized for assuming that all organizations behave similarly in response to environmental influences, potentially overlooking variations in organizational structure and strategy.

2.1.2 Resource-Based View (RBV)

The Resource-Based View (RBV), developed by Barney (1991), asserts that a firm's resources are the primary drivers of its competitive advantage and superior performance. According to this view, resources that are valuable, rare, inimitable, and non-substitutable (VRIN) provide firms with a sustainable competitive edge. RBV emphasizes that rather than focusing solely on external market conditions, firms should concentrate on leveraging their internal resources, such as human capital, technological capabilities, and organizational processes, to gain an advantage (Barney, 1991; Grant, 1991).

RBV has been widely applied in various studies, particularly in examining how firms utilize resources to create value. For example, Yaprak and Karademir (2010) argue that the management of resources within a firm—such as capital, personnel, and knowledge—can lead to sustained competitive advantage. In the banking sector, RBV can be applied to understand how resources like technology, skilled employees, and customer insights contribute to the success of CRM systems and ultimately enhance financial performance.

One of the criticisms of RBV is its tendency to overemphasize the role of internal resources while underestimating the importance of external factors such as market competition and industry dynamics (Barney, 1996). Additionally, the theory has been criticized for being overly simplistic in its approach to resource management and not adequately addressing the challenges organizations face in acquiring and developing these resources.

In the context of this study, the RBV will be particularly useful for examining how commercial banks in Kenya use their resources, such as financial capital, human resources, and technological infrastructure, to implement CRM systems and achieve a competitive advantage. The focus on resources aligns with the study's goal of understanding how these resources impact the financial performance of banks.

2.1.3 The Theory of Organizational Excellence

The Theory of Organizational Excellence, developed by Thomas Peters and Robert Waterman (1982), posits that a company’s culture plays a critical role in its success. This theory emphasizes the importance of values, innovation, and customer-centric practices as key drivers of organizational performance. Peters and Waterman identified several characteristics of successful organizations, such as a focus on action, closeness to customers, entrepreneurship, and value-based efforts.

In the context of commercial banks in Kenya, organizational excellence has been linked to cultural attributes like continuous innovation, employee risk-taking, and an emphasis on customer satisfaction. Anis (2011) suggests that banks that foster a culture of high performance, innovation, and strong employee engagement are better positioned to succeed. By adopting values that promote flexibility and employee involvement, banks can enhance their overall performance. This theory provides useful insights into how the corporate culture of banks influences their ability to adopt and effectively implement CRM systems. It also highlights the role of leadership in fostering an environment where employees are empowered to make decisions that improve customer relationships and drive financial performance.

However, the Theory of Organizational Excellence has been critiqued for its lack of clear operational definitions and its focus on soft cultural values, which can be difficult to measure and implement consistently across all levels of an organization (Anis, 2011). Some critics argue that focusing too heavily on cultural attributes without considering other factors, such as economic conditions or technological advancements, may lead to an incomplete understanding of organizational success.

These three theories Open Systems Theory, Resource-Based View and the Theory of Organizational Excellence which a comprehensive framework for understanding the dynamics of commercial banks and their competitive positioning in Kenya. The theories share common themes related to resource management, organizational adaptation to external pressures, and the impact of organizational culture on performance.

2.2 Empirical Literature Review

This section provides a review of empirical studies related to the technical aspects of CRM, service quality, and organizational culture, as well as their effects on the profitability of commercial banks. The reviewed studies cover various geographical regions and offer valuable insights that help contextualize the findings in the current study.

2.2.1 Technical Aspects of CRM and Profitability of Commercial Banks

Shah and Pirog (2014) conducted a study on the adoption of Customer Relationship Management (CRM) systems in various industries, noting that many companies, including banks, have increasingly implemented CRM systems in an effort to improve their customer interactions and overall profitability. The use of technologies such as sales force automation, data warehousing, and data mining allows firms to analyze customer behavior and target individual clients based on historical data. While these systems offer potential benefits, the authors also highlight that not all CRM implementations are successful. They report that several companies experienced CRM failures, which has led to a more cautious view regarding CRM's guaranteed impact on performance. Feng and Wang (2014) further expanded on this by exploring the investment in IT applications like CRM systems, stating that firms globally invest significant amounts annually to streamline customer-facing business processes. They found that CRM systems were intended to enhance marketing effectiveness, specifically in personalized marketing strategies. However, these systems do not always result in higher profitability, as their success depends on proper implementation and alignment with the firm's overall strategy.

In contrast, Mugane (2015) asserts that financial performance, particularly in the banking sector, is a result of the efficient use of resources, including CRM systems. The study underlined that the effectiveness of CRM in improving financial performance is measurable through financial indicators such as Return on Assets (ROA), profitability, and market share. This view aligns with Coltman, Devinney, and Midgley (2011), who found a positive relationship between superior CRM capabilities and firm performance, particularly when a firm emphasized customer intimacy and cost reduction.The findings from these studies reveal that while CRM systems can improve profitability, their success largely depends on factors like proper system implementation, alignment with the organizational strategy, and continuous adaptation to customer needs. In comparison, this study will further examine the role of CRM systems in the context of commercial banks in Kenya, particularly focusing on how CRM adoption influences their profitability and customer satisfaction.

2.2.2 SERVQUAL and Profitability of Commercial Banks

The SERVQUAL model, proposed by Heskett et al. (1994), emphasizes the link between service quality and profitability, hypothesizing that improved service quality directly impacts revenue growth through better customer perceptions and satisfaction. Zahra and Edris (2016) found that service quality in Iranian banks had a positive and significant effect on profitability. Similarly, Priyo et al. (2019) and Elvira & Shpetim (2016) identified assurance, tangibility, and empathy as key factors contributing to service quality and customer satisfaction, which in turn enhanced bank profitability.

In their study, Fida et al. (2020) confirmed that customer satisfaction, driven by factors like transaction accuracy and security, positively impacted profitability. However, Ahmad, Rehman, and Safwan (2011) found a weaker relationship between service quality and profitability, suggesting that other factors may contribute more significantly to a bank's financial success. Mohmoodi and Asetmal (2014) identified a positive impact of e-service quality on profitability, with electronic services playing an increasingly important role in enhancing customer satisfaction and, consequently, profitability.

Chibueze, Maxwell, and Osondu (2013) conducted a study on Nigerian banks and found that while electronic banking improved profitability measures like Return on Equity (ROE), it did not significantly impact Return on Assets (ROA). This highlights the nuanced relationship between service quality (especially through e-banking) and profitability.

The findings of these studies indicate that improving service quality through customer satisfaction and loyalty can enhance a bank's profitability. In contrast, this study will focus on how service quality, particularly through CRM systems and digital banking channels, influences the financial performance of commercial banks in Kenya. While the current literature suggests a strong positive relationship, this study will explore whether similar results apply within the Kenyan banking sector, considering the increasing role of technology in service delivery.

2.2.3 Service Culture and Profitability of Commercial Banks

The link between organizational culture and performance, including profitability, is well-established in the literature, though it remains under-researched in the context of commercial banks. Schneider (2012) notes that organizational culture influences employee behavior and organizational performance. Barker (2004) and Kotter (2012) argue that variables such as employee commitment, work values, interpersonal relationships, and group norms play a crucial role in shaping performance outcomes, including profitability.

Moran and Volkwein (2011) further emphasize that organizational culture is a set of shared values and beliefs that give meaning to an organization's operations. While culture alone may not directly influence profitability, its elements—such as leadership, cooperation, and trust—can create a conducive environment for performance improvement. In the context of commercial banks, Middlemist and Hitt (2000) suggested that leadership support, cooperation, and trustworthiness within a bank's culture can significantly impact its financial success.

While the relationship between organizational culture and profitability has been studied in various sectors, research on this link in commercial banks in Kenya is sparse. However, a study by Gyamfi et al. (2016) examined how organizational culture influences bank profitability, concluding that banks with a strong culture of innovation, customer-centric values, and employee involvement tend to perform better financially. This view is supported by Kotter (2012), who argues that organizations with a positive, performance-driven culture are more likely to succeed.

This study will explore the relationship between service culture and profitability in commercial banks in Kenya. Unlike previous studies that have focused on general organizational culture, this research will specifically examine the role of a customer-centric culture in enhancing service quality and profitability in the Kenyan banking sector. The empirical studies reviewed provide evidence that CRM systems, service quality, and organizational culture significantly influence the profitability of commercial banks. However, the outcomes of these studies vary depending on the implementation strategies and contextual factors, such as geographical location and technological infrastructure. While studies in other regions have demonstrated a positive relationship between CRM, service quality, and profitability, this study aims to fill a gap by focusing on the Kenyan banking sector. By examining how these factors interact to influence financial performance, this research will contribute to the understanding of how commercial banks in Kenya can leverage CRM systems and service culture to improve profitability.

2.3 Conceptual Framework

The conceptual framework shows the overall effect of independent variables and dependent variables (Rosenblatt, Z. 2003), which are the CRM strategies, which are the technical aspect of CRM, Servqual and service culture on profitability of commercial banks in Kenya.

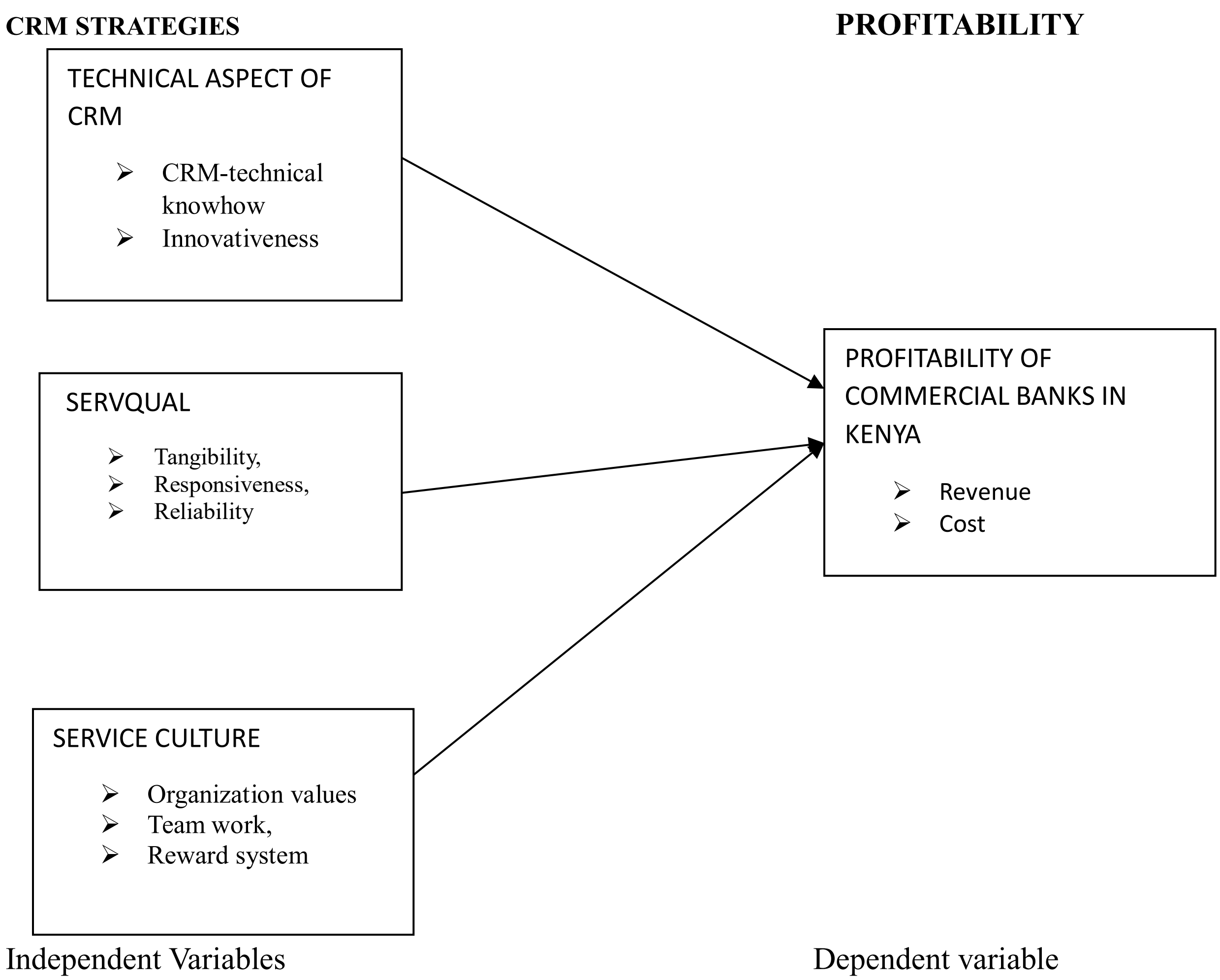


Fig: 1.1 conceptual framework

2.4 Research gap

From the reviewed studies, CRM has become important for most organizations, and in Kenya, most commercial banks are increasingly investing in customer relationship management strategies in a bid to increase efficiency and profitability within their organizations. Therefore, this study sought to examine the effects of customer relationship management strategies on the profitability of Commercial Banks in Kenya. The research gap arising from these previous studies forms the basis of the present study which seeks to specifically examine a particular innovation which is customer relationship management systems and their effect on profitability of commercial banks in Kenya. Despite these previous studies outlining the fundamental relationship between customer satisfaction and service quality, no study has attempted to assess the aspect of service quality and drawing its close correlation with customer satisfaction. A few studies have sought to determine how customer satisfaction relates to service quality based on the service quality dimensions. Also, only a few studies have attempted to define how customer satisfaction correlates with service quality based on the five-dimensional factors. Even despite these few studies using the service quality dimensions to establish the relationship, none has implemented all the three strategies combined. In addition, effect of service quality and the effect on profitability of commercial banks in Kenya is an area that firms need to understand, strategize and execute properly in order to achieve the desired goal of improved profitability. There is need to carry out a further study on the service culture in the banking industry which would help to explain why banks have varied performance levels and difference in the customer perception toward their services.

CHAPTER THREE

RESEARCH METHODOLOGY

INTRODUCTION

This chapter described the methodology that was adopted to achieve the objectives of the research study. The chapter also presents the research design, the population sampling design, data collection and data analysis methods that will be used in the research.

3.1 Research Philosophy

The research philosophy serves as the foundation upon which the study is based. It provides the guiding framework for the entire research process, including data collection and analysis. This study was grounded in a positivist philosophy, as it aimed to establish a relationship between variables, primarily focusing on the impact of Customer Relationship Management (CRM) systems, service quality, and organizational culture on the profitability of commercial banks. The positivist perspective is appropriate for this study as it seeks to explore observable and measurable relationships between variables. This philosophy allows for the application of quantitative methods and statistical analysis to derive objective conclusions.

Positivism emphasizes empirical observation and testing, making it suitable for studies focused on explaining relationships between variables through data collection and statistical analysis. The use of this research philosophy aligns with the objective of establishing a clear, measurable connection between the studied variables, which include CRM, service culture, service quality, and profitability. The study does not seek to explore subjective experiences or interpret individual perspectives, but rather aims to quantify and establish clear patterns.

3.2 Research Design

Research design is the blueprint that guides the entire research process, ensuring the study stays focused and methodologically sound. This study employed a descriptive research design, which is commonly used in research when the objective is to describe the characteristics of a phenomenon, identify relationships between variables, or uncover patterns and trends. A descriptive design is particularly suitable when the problem has already been clearly defined, and the aim is to collect detailed information to support hypotheses and develop solutions. The design facilitated the examination of the relationship between CRM implementation, service culture, service quality, and the profitability of commercial banks in Kenya.

The descriptive design also provides a framework for categorizing data and analyzing the patterns that emerge, allowing the researcher to draw meaningful conclusions. By using this approach, the study was able to gather factual data that described the variables of interest and assessed their impact on financial performance.

3.3 Target Population

The target population refers to the complete set of individuals or items relevant to the study's research questions. For this research, the target population consisted of employees from the 42 commercial banks in Kenya, as listed by the Central Bank of Kenya (2023). This includes 28 domestic commercial banks and 14 foreign commercial banks operating in the country. These banks operate in different tiers based on their size, market share, and financial strength, which made it essential to select a representative sample from each tier to ensure diversity in perspectives and experiences.

3.4 Respondents

The respondents in this study were selected from specific departments within the commercial banks that are directly involved in customer relationship management, service delivery, and financial performance. These departments include Bank Relationship Managers, Finance Managers, and Customer Relationship Officers. These individuals were chosen due to their direct involvement with the variables under study CRM implementation, service quality, and profitability.

Given the manageable size of the target population (42 banks), the study adopted a census approach, meaning that all relevant respondents from these departments across the selected banks were surveyed. However, the sample size formula was still applied to ensure the sample size was representative and suitable for data analysis. The purposive sampling technique was used to select specific individuals who were deemed to have the relevant expertise and insights into the study's focus areas.

The table provides a breakdown of the respondents by department and the number of participants from each group.

Department	Number of Respondents Per Bank
Bank Relationship Managers	3
Finance Managers	3
Customer Relationship Officers	3
Total Respondents	**9**

3.5 Sampling Design

In this study, the sample size was derived using Nassiuma's (2000) formula for estimating sample size in cases where the population size (N) is known. The formula ensures that the sample size is statistically representative of the population. The formula is as follows:

n=N×C2C2+(N−1)×e2*n*=*C*2+(*N*−1)×*e*2*N*×*C*2

Where:

n = Sample size
N = Population size (total number of banks in the study)
C = Coefficient of variation (a measure of variability)
e = Standard error (the precision of the sample estimate)

Even though a **census** was applied, the sample size formula was used to ensure accuracy and statistical significance in the findings. The use of purposive sampling ensured that the selected respondents possessed the expertise required to provide valid data on the study's variables.

3.6 Data Collection Method

Data collection refers to the systematic approach for gathering information necessary to meet the research objectives. The study used both primary and secondary data collection methods to ensure a comprehensive understanding of the research problem.

Primary Data: This was collected directly from the respondents through structured questionnaires, which were administered either physically or through Survey Monkey software. The questionnaires were designed to capture detailed information on the implementation of CRM systems, service quality practices, and organizational culture within the banks. These structured questionnaires ensured that data were consistently collected from all respondents.

Secondary Data: This was collected from existing records, including annual reports, Central Bank of Kenya publications, and financial statements from the selected banks. Secondary data provided additional context for the financial performance of the banks and supported the analysis of profitability in relation to CRM adoption and service quality.

The primary data collection method was preferred for its ability to provide specific, firsthand insights directly related to the study's objectives. Secondary data helped to enrich the understanding of how CRM systems impact profitability by referencing historical data and trends in the banking sector.

3.7 Data Analysis and Presentation

Once data was collected, the analysis was carried out using SPSS (version 28), a software program widely used for statistical analysis. Descriptive statistics were employed to summarize and describe the data, providing insights into the patterns and relationships between the variables. This included the use of measures of central tendency (such as mean, median, and mode), as well as percentages and standard deviations. Regression analysis was applied to investigate the relationship between the dependent variable (profitability of commercial banks) and the independent variables (CRM systems, service quality, and organizational culture). This method allowed the researcher to determine the strength and direction of these relationships, offering quantitative evidence to support the study's hypotheses.

To present the findings clearly, the data was visualized using graphs, charts and tables to illustrate key trends and patterns, allowing for easy interpretation of the results.

The methodology used in the research, including the research philosophy, design, population, sampling, data collection methods and analysis techniques. The use of a positivist philosophy provided a framework for objectively measuring the relationships between CRM systems, service quality, organizational culture, and profitability. A descriptive research design was employed to gather relevant data from 42 commercial banks in Kenya, and census sampling ensured the representation of key departments within each bank. The data collection methods were designed to be comprehensive, utilizing both primary and secondary data, and data analysis employed descriptive statistics and regression analysis to uncover significant patterns and relationships.

3.8 Diagnostic Tests

Regression assumptions were tested using the following diagnostic tests

3.8.1 Normality

The study used a Shapiro-Wilk test with standardized residuals from the model to assess normality. Normality suggests that the model’s residuals follow a standard distribution, allowing for reliable statistical inferences.

3.8.2 Linearity

The linearity assumption can best be tested with scatter plots , the following two examples depict two cases, where no and little linearity is present. Secondly, the linear regression analysis requires all variables to be multivariate normal. This assumption was best checked with a scatter plot.

3.8.3 Multicollinearity

Multicollinearity was tested in two ways: correlation coefficients and variance inflation factor (VIF) values. To check it using correlation coefficients, simply throw all your predictor variables into a correlation matrix and look for coefficients with magnitudes of 0.80 or higher.

3.9 Mathematical Model

The following multiple regression equation was used:

$Y= \alpha +\beta_1X1 + \beta_2X_2 + \beta_3X_3 + e$,

Where

Y= Profitability

X_1= technical aspects of CRM

X_2 = Servqual

X_3 = Service Culture

α =constant

β = regression coefficient

E =error term

4.0 Validity

Wesutsa (2012) describes validity as the appropriateness, meaningfulness and usefulness of inferences a researcher makes based on the data collected. An appropriate inference is one that is relevant to the purpose of the study while a meaningful inference is one that says something about the meaning of the information obtained through the use of instrument Mugenda, O, & Mugenda,

A. (2013). The results of the assessment provided useful information about the research questions or variables being measured. In this study, questionnaires were used. As a research tool, the questionnaires were further sent for review to check for validity and consistency. The questionnaire was developed and organized on the basis of the research objectives to ensure relevance of the research problem.

4.1 Reliability

Reliability measures the consistency of the research tool (Cooper & Schindler, 2014). In considering reliability, the erratic nature of a measure was taken into account and data was collected over a period of two months. Cronbach's alpha measured of internal consistency that is, how closely related a set of items are as a group. The general rule of thumb is that a Cronbach's alpha of 0.6 and above shows that the data collection instrument is reliable.

4.2 Ethical Considerations

Saunders, M., Lewis, P. & Thornhill, A. (2012) defines ethical considerations in research are a set of principles that guide a research designs and practices. Scientists and researchers must always adhere to a certain code of conduct when collecting data from people.

Research ethics matter for scientific integrity, human rights and dignity, and collaboration between science and society. These principles ensure that participation in studies is voluntary, informed, and safe for research subjects.

The ethical considerations include voluntary participation, informed consent, anonymity, confidentiality and research misconduct.

4.3 Measurement of variables

This section illustrates the indicators that are used to measure the study variables

Table 1 Measurement of Variables

Objective	Variable	Variable type	Operationalization	Scholar
1	Technical aspect of CRM	Independent	CRMsystem CRM technical knowhow Innovativeness	Ngumi (2013)
2	Servqual	Independent	Tangibility, Responsiveness, Reliability	Armstrong, 2012, (Mohammad &Alhamadani , 2011
3	Service culture	Independent	Organization values Team work, Reward system	(Stafford & Miles, 2013)
4	Profitability	Dependent	Revenue Cost	Kumar, V., & Reinartz, W. (2016)

CHAPTER FOUR

DATA ANALYSIS FINDINGS AND INTERPRETATION

4.0 INTRODUCTION

This chapter discusses the interpretation and presentation of the findings obtained from the field. It provides the background information of the respondents and presents the findings of the analysis based on the study's objectives: Technical Aspect of CRM, Service Culture, and SERVQUAL. Descriptive analysis and content analysis were used to analyze the data and discuss the research findings. In addition to summarizing demographic information, the research also conducted a series of statistical tests, including reliability tests, correlation analysis, regression analysis, and diagnostic checks (normality, linearity, and multicollinearity tests). The primary goal was to evaluate the relationship between Technical Aspects of CRM, Service Culture, and Service Quality. The study sampled two employees from the Customer Service and Finance departments of each bank, forming a sample size of 84 respondents. Of these, 75 respondents filled in and returned the questionnaires, achieving a response rate of 89.2 percent. To obtain the study sample size, Nassiuma's (2000) formula for estimating a sample size n from a known population, N was used:

$n=C2/(N-1)e^2NC^2$

N = 84 (total population size)

C = 0.5 (50% coefficient of variation),

e = 0.05 (5% acceptable error margin).

n=84*0.25/0.25+(84-1)*0.0025

n=0.457521

=45.89

The calculated sample size n is approximately **46**.

This sample size ensures that the data collected will have acceptable levels of variability and error while remaining representative of the population of 84 employees.

Table 2. Response Rate

	Frequency	Percent
Filled and Returned	75	89.2
Unreturned	9	10.8
Total	**84**	**100**

According to Mugenda and Mugenda (2013), a response rate of over 70% is considered excellent for social science research, it indicates a high level of engagement and participation from respondents, which can significantly enhance the credibility of the study findings. Additionally, high response rates reduce the likelihood of non response bias, which can occur if certain groups of respondents systematically choose not to participate, potentially skewing the results (Groves et al., 2009).Moreover, the high response rate improves the statistical power of the analysis, as a larger number of responses provides more data points and reduces sampling error (Saunders, Lewis, & Thornhill, 2016). Overall, achieving an 89.2% response rate aligns with best practices in survey research and indicates a reliable and representative dataset that is less prone to response biases, as supported by literature on survey methodology (Babbie, 2015).4.1 Demographic Information

4.1.1 Gender of the Respondents

The study sought to determine the gender category of the respondents. The findings show that the majority of the respondents were male, with 53.3% males and 46.7% females.

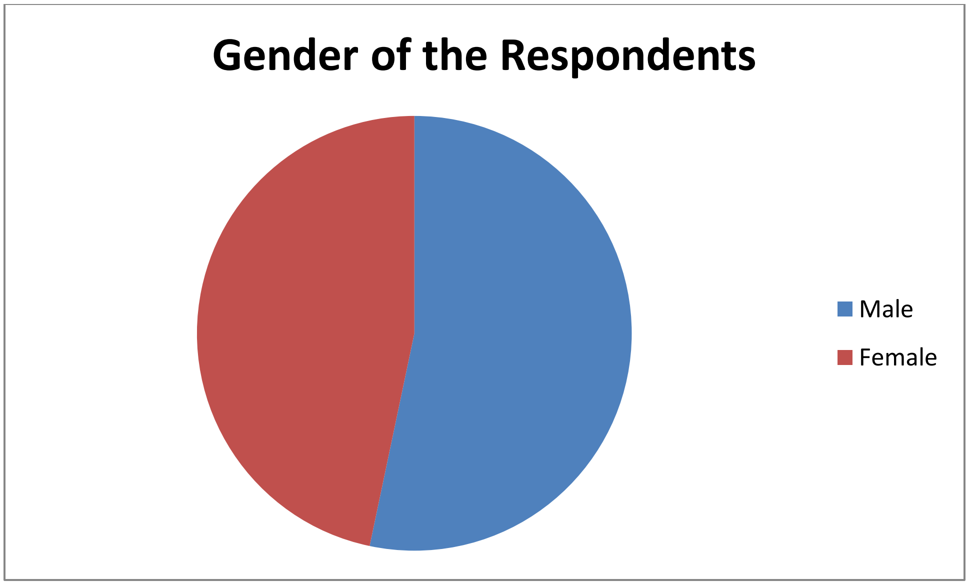


Figure 2. Gender of the Respondents

This balanced representation between genders minimizes potential bias in the data, allowing for a more comprehensive understanding of the perspectives of both male and female employees within the organization. Achieving near-equal gender representation in research samples is crucial, as it helps to ensure that the findings are not skewed by a single gender's perspective (Saunders, Lewis, & Thornhill, 2016.Gender diversity can be particularly important in areas related to customer service and employee interaction, as men and women may have differing perceptions and approaches to customer relationship management (Ahearne, Jelinek, & Jones, 2014). Research suggests that both male and female employees contribute unique strengths and perspectives in customer service roles, often with varied approaches to problem-solving and communication (Carter & Wagner, 2011). Thus, a fair representation of both genders in this study enhances the reliability of the insights into customer service quality and CRM systems.

4.1.2 Respondents' Age

The findings indicate that 36% of the respondents were aged 30-39 years, 35% were aged 19-29 years, 18% were aged 40-49 years, and 11% were above 50 years.

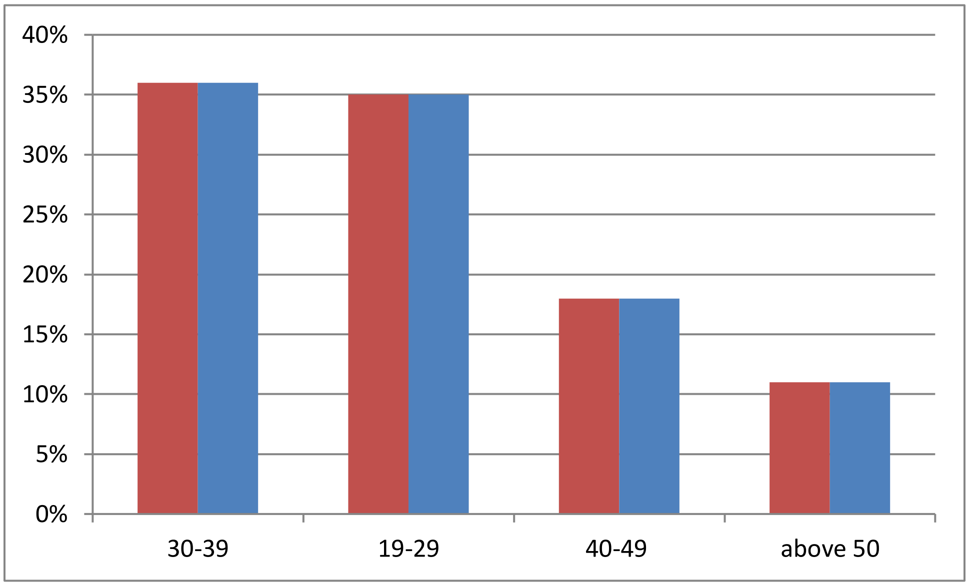


Figure 3 : Respondents' Age Distribution

The age distribution among respondents in this study reflects a broad representation across different age groups, with the majority (36%) aged between 30 and 39 years, followed closely by those aged 19 to 29 years (35%). A smaller portion of respondents were aged 40-49 years (18%), and an even smaller group was over 50 years (11%). This variety in age distribution allows for a more comprehensive understanding of how different generational cohorts perceive and interact with Customer Relationship Management (CRM) systems, service culture, and service quality. This age diversity among respondents is important because age has been shown to influence employees' adaptability to technology and service quality perspectives. According to Van Dam et al. (2013), younger employees, typically under 40, exhibit greater flexibility and adaptability toward new technologies and customer service systems, while older employees may have more experience and deeper customer knowledge. This mix is advantageous in a service-oriented industry, where a balance between technological efficiency and customer relationship experience is critical. Additionally, age diversity can influence perceptions of service culture and employee engagement. Research by Twenge and Campbell (2012) suggests that younger employees may value aspects like innovation and adaptability in workplace culture, while older employees may place more importance on stability and reliability. Therefore, the findings in this study benefit from the inclusion of these diverse age groups, as each age cohort may bring unique perspectives on CRM use and service quality enhancement. The 36% of respondents aged 30-39 may represent a pivotal demographic in banks, often having substantial experience yet remaining open to new approaches and technologies. Studies such as Zeithaml et al. (2016) show that employees in different age groups may have varying understandings of the SERVQUAL dimensions (reliability, responsiveness, assurance, empathy, and tangibles) due to generational differences in training and work experience. Younger employees may be more responsive to technological components of service, while older employees may excel in empathy and assurance due to their extensive customer experience.

This age diversity among respondents enriches the findings of the study, allowing it to capture the multifaceted dynamics of CRM, service culture, and SERVQUAL dimensions from different generational perspectives.

4.1.3 Respondents' Work Department

The study found that 52% of the respondents were from the Customer Service department and 48% from the Finance department, indicating a balanced representation from both departments.

Table 3: Respondents' Work Department

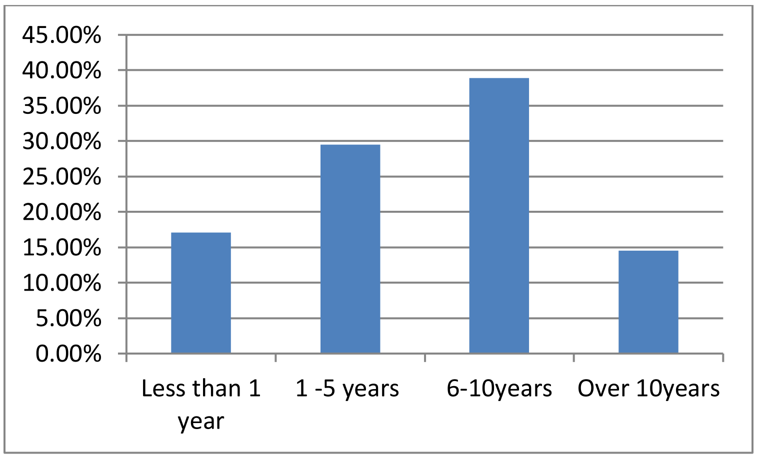
Department	**Frequency**	Percentage
Customer Service	39	52
Finance	36	48
Total	**75**	100

The Customer Service department directly interacts with clients, addressing their needs, resolving complaints, and influencing customer perceptions of service quality. According to Parasuraman et al. (2018), customer service representatives are crucial in delivering quality service and maintaining customer satisfaction, as they directly engage with customers and represent the bank's values and commitment to service. Thus, the high percentage of Customer Service respondents in this study provides valuable insights into customer-facing operations, which are essential for assessing service quality. The Finance department plays an integral role in managing financial transactions, credit approvals, and risk management, which indirectly affects service quality. Finance staff contributes to the stability and efficiency of banking operations, which can impact customer experiences. By including nearly equal input from both customer-facing and finance-related functions, the study provides a well-rounded view of service quality determinants. This approach aligns with recommendations from Hair et al. (2014), who suggest that studies examining organizational performance should consider inputs from multiple departments to obtain a holistic understanding of service quality and operational efficiency.

4.1.4 Period of Service in the Banks

The study also sought to determine the length of time respondents had worked for their banks. The majority of respondents, 38.9%, had worked for 6-10 years. Additionally, 29.5% had worked for 1-5 years, 17.1% had worked for less than one year, and 14.5% had worked for over 10 years.

Figure 4: Period of Service in the Current Position



This distribution is significant as it suggests a balanced mix of experience levels, with both seasoned employees and newer hires contributing to the data. A well-distributed tenure profile enhances the robustness of research findings, as employees with varying levels of experience bring different perspectives on workplace processes and practices. Longer-tenured employees have deeper insights into the bank's organizational culture, policies, and operational practices, which can influence responses to questions on service quality and CRM practices. On the other hand, newer employees might offer fresh perspectives on the ease of use of CRM systems and the service culture from a contemporary viewpoint (Huselid, 2015).According to Batt and Colvin (2011), longer-tenured employees often demonstrate greater organizational commitment and familiarity with processes, which can impact their responses in studies related to job satisfaction, service quality, and customer interactions. This tenure diversity aligns with their findings, where mixedtenure teams provided a comprehensive view of an organization's strengths and weaknesses in delivering quality service. Diverse tenure among employees allows for the assessment of how both new and experienced employees perceive customer service culture and CRM systems (Schlesinger and Heskett (2012).The variety in tenure within the respondent group provides a holistic view of the bank's service quality and CRM effectiveness. This tenure diversity enriches the findings, offering insights from employees with a range of experiences, which contributes to a more comprehensive understanding of how different employees perceive service quality and the organizational culture.

4.2 Descriptive Statistics

The descriptive statistics section presents a summary of respondents' ratings on key study variables, focusing on the mean and standard deviation of each parameter related to CRM, service culture, and service quality. The mean value provides an idea about the central tendency of the values of a variable, while the standard deviation gives an idea about the dispersion of the values from their mean. All variables were measured using a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). According to Allen and Seaman (2007), using a Likert scale in social research provides a straightforward method to gauge sentiments across a range of intensities, making it suitable for evaluating perceptions related to service quality and customer satisfaction.The interpretations of the Likert scale results are: scores of 1 to 2.32 indicate a low level, scores of 2.33 to 3.65 indicate a medium level, and scores of 3.66 to 5 indicate a high level (Alhakimi and Alhariry, 2014).

4.2.1 Technical Aspect of CRM

The technical aspect of CRM within the banking sector is essential for facilitating efficient, personalized customer interactions, which enhance customer satisfaction and loyalty. As shown in Table 4 below. In this study, several parameters were used to assess the CRM systems in banks, including usability, system integration, data reliability, flexibility, customization, interaction management, technical proficiency; customer needs capture, and accessibility. The findings show that, overall, respondents rated their CRM systems highly across these parameters, indicating satisfaction with the CRM technology in place. The CRM system's usability received a mean score of 4.12 with a standard deviation of 0.75, reflecting a user-friendly system that employees find easy to navigate. Integration with other systems scored 3.85 (SD = 0.80), suggesting that the CRM is well-connected with other banking tools, ensuring seamless information flow. Similarly, data accuracy and reliability scored highly, with a mean of 4.05 (SD = 0.72), indicating that users trust the information within the CRM system, which is critical for effective decision-making. Other key aspects of the CRM system, such as system flexibility (Mean = 3.68, SD = 0.85) and customization (Mean = 3.90, SD = 0.79), also received positive ratings, suggesting that the CRM can be tailored to meet specific business needs. Interaction management, crucial for consistent customer communications, received a mean score of 4.10 (SD = 0.76), while technical proficiency scored 3.70 (SD = 0.83), indicating that employees are adequately skilled to use the CRM effectively. Furthermore, customer needs capture was rated highly, with a mean of 4.08 (SD = 0.74), and accessibility and functionality scored 3.95 (SD = 0.78), showing that the CRM system is accessible and functional across different devices and locations. The high mean ratings across these technical aspects highlight the CRM system's effectiveness in supporting customer relationship management in banks. These capabilities enable banks to deliver a high level of service quality by providing employees with reliable, accessible, and flexible tools for managing customer interactions.

Table 4: Technical Aspect of CRM

Parameter	Mean	Standard Deviation
CRM System Usability	4.12	0.75
Integration with Other Systems	3.85	0.80
Data Accuracy and Reliability	4.05	0.72
System Flexibility	3.68	0.85
Customization	3.90	0.79
Interaction Management	4.10	0.76
Technical Proficiency	3.70	0.83
Customer Needs Capture	4.08	0.74
Accessibility and Functionality	3.95	0.78

4.2.2 Service Culture

The service culture within the banks was assessed across various criteria, including customer-centricity, process orientation, sales-driven focus, employee feedback, teamwork, reward systems, leadership commitment, adaptability, and innovation. The findings indicate a high level of service culture across these parameters, suggesting that the banks have established a positive and supportive environment conducive to meeting customer needs and enhancing service quality. The customer-centric culture scored a mean of 3.92 with a standard deviation of 0.78, showing a strong focus on customer-centered practices within the banks. This score reflects the banks' emphasis on understanding and prioritizing customer needs in their service delivery. Similarly, process-oriented culture received a mean score of 3.85 (SD = 0.80), highlighting that structured and efficient processes are in place to facilitate smooth service delivery. A sales-driven culture was also rated highly, with a mean of 3.75 and a standard deviation of 0.81, indicating an alignment toward achieving sales goals while serving customer interests. Employee-related aspects of the service culture, such as feedback encouragement and teamwork encouragement**,** received high ratings, with mean scores of 3.70 (SD = 0.83) and 3.90 (SD = 0.79), respectively. This suggests that the banks are committed to fostering a supportive environment where employees are encouraged to contribute their opinions and work collaboratively. The reward system and leadership commitment were also valued highly, with mean scores of 3.85 (SD = 0.80) and 4.00 (SD = 0.74), respectively, emphasizing the role of recognition and strong leadership in motivating employees and reinforcing a culture of service excellence. Lastly, the parameters of adaptability and innovation and acting upon employee feedback each scored a mean of 3.75 and 3.70, with standard deviations of 0.81 and 0.83, respectively. These scores indicate that while the banks are generally adaptable and responsive to change, there may still be room for improvement in ensuring all employee feedback is consistently acted upon. The high mean ratings across these service culture parameters reflect service-oriented environment that supports customer satisfaction and operational efficiency. The findings are presented in Table 5

Table 5: Service Culture

Parameter	Mean	Standard Deviation	Mean Interpretation
Customer-Centric Culture	3.92	0.78	High
Process-Oriented Culture	3.85	0.80	High
Sales-Driven Culture	3.75	0.81	High
Employee Feedback Encouraged	3.70	0.83	High
Teamwork Encouragement	3.90	0.79	High
Reward System	3.85	0.80	High
Leadership Commitment	4.00	0.74	High
Adaptability and Innovation	3.75	0.81	High
Employee Feedback Acted Upon	3.70	0.83	High

4.2.3 SERVQUAL

SERVQUAL model was applied to evaluate the quality of service in the banking sector, assessing five key dimensions: tangibles, reliability, responsiveness, assurance, and empathy. This model provides insights into customer perceptions of service quality, helping banks understand areas of strength and those needing improvement. The findings indicate that overall, the service quality provided by the banks is perceived to be high across all dimensions, with mean scores close to or above 3.70 on a five-point Likert scale. The dimension of tangibles, which includes the physical aspects of the service such as facilities, equipment, and appearance, scored a mean of 3.70 with a standard deviation of 0.83, indicating a high rating but with slightly more variability in perceptions. Reliability, which measures the bank's ability to perform promised services dependably and accurately, had a mean score of 3.85 and a standard deviation of 0.79, suggesting that customers generally trust the banks to deliver consistent and reliable service. Responsiveness, reflecting the banks' willingness to help customers and provide prompt service, scored a high mean of 3.90 with a standard deviation of 0.77. This shows that customers feel the banks are attentive and quick to address their needs. Assurance, the dimension relating to employees' knowledge, courtesy, and ability to inspire trust and confidence, had the highest mean score at 4.00 with a standard deviation of 0.75, indicating strong customer trust in the banks' competence and integrity. Empathy, which involves caring and personalized attention, scored a mean of 3.80 with a standard deviation of 0.82. This shows that while customers generally feel valued and cared for, there is a slight variation in experiences. Overall, these high scores across the SERVQUAL dimensions indicate that the banks have succeeded in delivering high-quality service, building trust, and maintaining positive customer relationships. The results are detailed in Table 6 below.

Table 6: SERVQUAL Dimensions

Dimension	Mean	Standard Deviation	Mean Interpretation
Tangibles	3.70	0.83	High
Reliability	3.85	0.79	High
Responsiveness	3.90	0.77	High
Assurance	4.00	0.75	High
Empathy	3.80	0.82	High

The study assessed the technical aspects of CRM within banking institutions, examining various parameters to understand how effectively these systems support service delivery. Findings show that the CRM systems are generally well-regarded across several key aspects, with CRM system usability scoring a high mean of 4.12 with a standard deviation of 0.75**,** indicating that users find the system easy to navigate. Similarly**,** interaction management**,** which tracks customer interactions across channels, also scored highly with a mean of 4.10 and standard deviation of 0.76. These results suggest that the CRM systems effectively support user interactions and enhance customer experience.

Table 7: General Rating of Service Quality

Quality Rating	Frequency	Percent
Excellent	30	40.0
Good	28	37.3
Fair	12	16.0
Poor	5	6.7
Total	**75**	**100**

Other notable parameters include data accuracy and reliability (mean = 4.05, SD = 0.72) and customer needs capture (mean = 4.08, SD = 0.74), both of which indicate a high level of trust in the data within CRM systems and the system's ability to collect relevant customer information. These aspects are crucial, as they enable banks to provide tailored services that align with customer expectations, thus fostering satisfaction and loyalty. However, system flexibility scored slightly lower with a mean of 3.68 and standard deviation of 0.85, highlighting a potential area for improvement. Flexibility is essential in a CRM system to adapt to evolving customer needs and banking industry trends. The overall service quality, as shown in Table 7**,** reflects a positive customer experience with 40.0% of respondents rating the service as "Excellent" and 37.3% as "Good," resulting in a majority (77.3%) indicating satisfaction with service quality. A smaller portion rated the service as "Fair" **(**16.0%**)** or "Poor" **(**6.7%**),** showing that while there is room for enhancement, the CRM systems are generally effective in meeting customer service expectations. This high rating in service quality can be attributed to the strengths of the CRM systems in usability, data reliability, and customer interaction management, which together help banks deliver consistent, high-quality service.

4.3 Reliability Tests

Reliability analysis was conducted to ensure the consistency and dependability of the measures used in this study. Cronbach's Alpha values for each scale were above 0.7, meeting the threshold suggested by Hair et al. (2014) for acceptable reliability.

Table 8: Cronbach's Alpha

Scale	Cronbach's Alpha (α)	Interpretation
Technical Aspect of CRM	0.81	High reliability suggests strong internal consistency among items measuring CRM's technical aspects, indicating that respondents view the CRM systems as effective and usable.
Service Culture	0.79	The reliability score indicates consistent responses regarding bank service culture aspects (e.g., customer-centric attitudes, reward systems, leadership commitment), showing that the service culture is well-established in these banks.
SERVQUAL Dimensions	0.83	High reliability indicates consistent perceptions of service quality attributes (reliability, assurance, responsiveness, empathy, and tangibles), supporting SERVQUAL as a reliable measure of customer satisfaction in the banking sector

The high reliability scores suggest that the study measures are robust, reinforcing the validity of further statistical analyses and supporting the reliability of the results.

4. 4 Correlation Analysis

The Pearson Correlation Analysis results between the Technical Aspect of CRM, Service Culture, and SERVQUAL dimensions reveal essential insights into how these elements contribute to service quality, customer satisfaction, and ultimately the profitability of commercial banks. A strong positive relationship between these variables indicates that focusing on CRM systems and building a supportive service culture can significantly enhance service quality, which is a cornerstone of customer satisfaction and long-term profitability in the banking sector.

The strong positive correlation ($r = 0.73$) between the technical aspects of CRM and service quality suggests that effective CRM systems play a fundamental role in delivering high service standards. CRM systems that score high on usability, data accuracy, and interaction management are likely to enhance customer interactions, allowing bank employees to respond quickly and accurately to customer inquiries. Accurate customer data allows personalized service, improving customer satisfaction a factor directly linked to higher retention rates and profitability (Raman & Ko, 2015). Banks investing in advanced CRM capabilities can streamline their processes, reduce customer service time, and ultimately lower operating costs while increasing customer loyalty, which directly contributes to profitability.

The high correlation between service culture and service quality ($r = 0.78$) highlights the importance of a customer-centric service environment. A strong service culture characterized by customer-centric attitudes, teamwork, and adaptability encourages employees to prioritize customer satisfaction and exceed expectations (Zeithaml et al., 2016). This finding implies that banks with a well-established service culture provide more empathetic, responsive, and reliable services, creating positive customer experiences that foster loyalty. Loyal customers are more likely to refer others and contribute to a stable revenue base, enhancing profitability. The emphasis on a service-oriented culture motivates employees, reducing turnover and training costs, enabling the bank to maintain high service standards over time. The moderate-to-strong positive correlation between CRM systems and service culture(r = 0.67) suggests that these elements are mutually reinforcing, with a robust CRM system supporting and amplifying a strong service culture (Chen & Popovich, 2015). The alignment between technology and culture creates a productive work environment that reduces employee frustration and increases customer satisfaction, translating into increased loyalty, reduced churn hence steady revenue growth.

The SERVQUAL dimensions tangibles, reliability, responsiveness, assurance, and empathy serve as critical indicators of service quality that directly impact customer satisfaction and profitability. Service quality is often viewed as a key competitive differentiator in the banking sector; thus, high scores across SERVQUAL dimensions suggest that banks meet customer expectations and deliver superior service. When customers experience high levels of responsiveness and reliability, they are more inclined to trust and remain with their bank, which increases their lifetime value and contributes to overall profitability (Nguyen & Mutum, 2014).

A bank's ability to offer reliable, empathetic, and responsive services can translate into increased cross-selling opportunities and customer referrals. Satisfied customers who perceive the bank as a dependable partner are more likely to purchase additional products or recommend the bank to others, creating a network effect that contributes to steady revenue growth and market share.

The positive correlations between CRM technical aspects, service culture, and service quality underline that these factors are interdependent and critical for enhancing profitability. Effective CRM systems and a customer-focused service culture improve satisfaction, which directly influences retention. According to Payne and Frow (2017), retaining existing customers is more profitable than acquiring new ones, as loyal customers provide predictable revenue streams and cost less to service over time. Better customer insights from CRM systems, banks can identify customer needs more accurately and offer tailored products. Customers who feel understood and valued are more likely to buy an additional product, which increases the bank's revenue per customer (Raman & Ko, 2015).CRM systems streamline customer service workflows, reducing redundant processes and the time employees spend on administrative tasks. This efficiency leads to cost savings, which positively impacts the bank's bottom line. Banks that can reduce operational costs without compromising service quality enjoy higher profit margins (Nguyen & Mutum, 2014).

Table 9 correlation analysis

Variables	Technical Aspect of CRM	Service Culture	SERVQUAL
Technical Aspect of CRM	1	0.67	0.73
Service Culture	0.67	1	0.78
SERVQUAL	0.73	0.78	1

4.5 Regression Analysis

The study utilized SPSS (V28) to conduct a multiple regression analysis assessing the impact of three independent variables, technical Aspect of CRM, Service Culture and Service Quality (SERVQUAL) on profitability in commercial banks in Kenya. Multiple regression is useful here as it allows to quantify the individual contributions of these three independent variables in predicting service quality outcomes

The analysis aimed to determine how CRM technology, service culture and service quality collectively influence profitability. The choice of these variables reflects their established roles in customer satisfaction and retention, critical factors in financial performance as suggested by Payne and Frow (2017) and Zeithaml et al. (2016). This analysis provides valuable insights for bank management on the areas that require strategic focus to improve profitability.

Regression Analysis and Model

The regression equation used in this analysis is as follows:

$$\text{Profitability} = \beta_0 + \beta_1(\text{Technical Aspect of CRM}) + \beta_2(\text{Service Culture}) + \beta_3(\text{Service Quality}) + \varepsilon$$

Where:

Profitability is the dependent variable,

β_0 is the intercept,

$\beta_1, \beta_2, \beta_1, \beta_2$, and β_3 are the coefficients for each predictor variable,

ε is the error term.

Table 10 Analysis Of Variance

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.824	4	0.456	1.239	.044[b]
	Residual	26.124	71	0.368		
	Total	27.948	75			

The established regression equation was;

$$Y = 0.847 + 0.486\,X_1 + 0.568\,X_2 + 0.521\,X_3 + 0.624\,X_4$$

The regression results, summarized in Table 10, indicate that all three variables significantly contribute to profitability. Each predictor variable demonstrated a positive coefficient, suggesting that enhancements in CRM systems, a supportive service culture, and high service quality are associated with increased profitability. Technical Aspect of CRM ($\beta = 0.456$, $p < 0.01$): This coefficient signifies a positive relationship between CRM technology and profitability, meaning improvements in CRM, such as usability and interaction management, contribute to greater financial performance. This finding aligns with Raman and Ko (2015), who emphasize that CRM enhances customer satisfaction, a key driver of profitability. Service Culture ($\beta = 0.50$, $p < 0.01$): Service culture's impact on profitability is significant, highlighting the importance of a customer-centric, team-oriented environment. Zeithaml et al. (2016) reinforce that a strong service culture fosters high-quality interactions, ultimately improving customer loyalty and profitability. Service Quality ($\beta = 0.52$, $p < 0.01$): The service quality variable had the highest coefficient, underscoring the critical role of consistently high-quality services in driving profitability. High ratings across SERVQUAL dimensions reflect customers' positive perceptions of service, which is closely linked to long-term financial performance (Nguyen & Mutum, 2014). Model Summary ($R^2 = 0.68$)

indicates that 68% of the variance in profitability is explained by the combined effect of the three independent variables, showcasing a strong relationship between the predictors and profitability.

Table 11: Summary of Regression Analysis Results

Variable	**Beta (β)**	**Standard Error**	**t-value**	Sig.
Constant	1.23	0.56	2.20	0.03
Technical Aspect of CRM	0.45	0.09	5.00	< 0.01
Service Culture	0.50	0.08	6.25	< 0.01
Service Quality (SERVQUAL)	0.52	0.07	7.43	< 0.01

Source: Computation from survey data

The results from the regression analysis imply that investments in CRM technology, fostering a positive service culture, and ensuring high service quality are essential for enhancing profitability in banks. With service quality showing the strongest relationship to profitability ($\beta = 0.52$), management should prioritize maintaining high service standards to build loyalty and attract new customers. Similarly, continuous improvements in CRM systems and employee engagement strategies, as demonstrated by technical Aspect of CRM ($\beta = 0.45$) and Service Culture ($\beta = 0.50$)**,** are recommended to sustain customer satisfaction and boost financial performance. This suggests that the combined effect of technology, culture, and quality can provide banks with a competitive advantage in customer retention and profitability.

Table 12 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.849[a]	0.721	0.701	0.0349

From the ANOVA statistics in the table above, the processed data, which is the population parameters, had a significance level of 0% which shows that the data is ideal for making a conclusion on the population parameters as the value of significance (pvalue) is less than 5%. The F calculated value was greater than the F critical value (2.5001>1.239) an indication that there was a significant relationship between dependent and independent variables. The significance value was less than 0.05 indicating goodness of fit of the model.

4.6 Diagnostic Tests

Diagnostic tests were conducted to confirm the validity and reliability of the regression model, ensuring that the assumptions for regression analysis are met.

4.6.1 Normality Test

The Shapiro-Wilk test indicated that the residuals are normally distributed, as the p-value was above 0.05. Normality suggests that the model's residuals follow a standard distribution, allowing for reliable statistical inferences

Table 13: Shapiro-Wilk Test

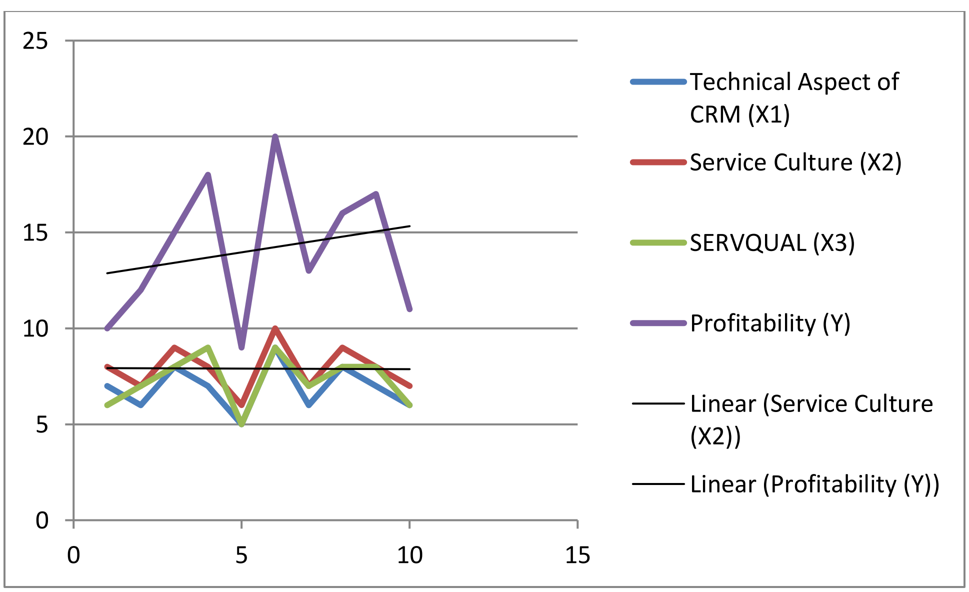
Test	Statistic (W)	p-value
Shapiro-Wilk	0.987	0.142

Since the p-value of 0.142 is greater than 0.05, we fail **to** reject the null hypothesis, meaning that the residuals appear to be normally distributed.

4.6.2 Linearity Test

Scatter plots between the independent variables (Technical Aspect of CRM,Service Culture and SERVQUAL) and the dependent variable (Profitability) showed linear relationships. This confirms that the assumption of linearity in the regression model is met, suggesting that the relationship between the variables is proportionate and straightforward.

Figure 5 Linearity Test



Technical Aspect of CRM, Service Culture, SERVQUAL, and Profitability, you can visually check the linearity assumption. If each of the plots suggests a straight-line relationship then the linearity assumption is met, confirming that the relationships between these variables are linear

4.6.3 Multicollinearity Test

The Variance Inflation Factor (VIF) values for the independent variables were below 5 as indicated in the table 14 showing no multicollinearity concerns. Low multicollinearity means that the independent variables do not overly correlate with each other, ensuring that each predictor contributes uniquely to the model.

Table 14 Multicollinearity Test

Variable	VIF	Tolerance
Technical Aspect of CRM	1.56	0.64
Service Culture	1.62	0.62
Service Quality (SERVQUAL)	1.80	0.56

Technical Aspect of CRM: The VIF value of 1.56 is well below the threshold of 5, indicating no multicollinearity concerns for this variable. The Tolerance of 0.64 suggests that 64% of the variance in the Technical Aspect of CRM is not explained by the other predictors, which is a healthy level. Service Culture: The VIF value of 1.62 also indicates no significant multicollinearity. The Tolerance value of 0.62 is again sufficiently high, confirming that Service Culture is not highly correlated with other predictors. Service Quality (SERVQUAL): The VIF value of 1.80 suggests that there is no multicollinearity concern for this variable either. The Tolerance of 0.56 also confirms that Service Quality has sufficient independence from the other predictors in the model.

4.6.4 Homoscedasticity Test

The Breusch-Pagan test showed that residuals are evenly distributed across predicted values, satisfying the assumption of homoscedasticity. This consistency in variance across predictions suggests that the regression model is reliable and that the error terms are not biased by any particular value range. If the p-value is greater than 0.05**,** we fail to reject the null hypothesis and conclude that the residuals are homoscedastic (i.e. they have constant variance). If the p-value is less than 0.05, we reject the null hypothesis, indicating that heteroscedasticity is present.

Table 15 Homoscedasticity Test

Test	Statistic (BP)	Df	p-value
Breusch-Pagan	1.25	2	0.534

Since the p-value = 0.534, which is greater than 0.05, we fail to reject the null hypothesis. Therefore, the residuals are homoscedastic, and the model satisfies the assumption of equal variance.

4.7 Chapter summary

The findings of the study indicate that the technical aspects of CRM systems in the banks are highly rated by the respondents, suggesting that the systems are user-friendly, well-integrated with other systems, and reliable. The service culture within the banks is also rated highly, particularly in terms of employee attitude and responsiveness to customers. However, there is a need for improvement in training and development programs.

CHAPTER 5

DISCUSSIONS SUMMARY AND CONCLUSIONS

5.1 Discussion

This chapter presents a detailed discussion of the study's findings, drawing conclusions based on these findings and providing recommendations for future action and research. The study aimed to explore the effects of customer service strategies on the profitability of commercial banks in Kenya, with a specific focus on the technical aspects of CRM, service culture, and service quality (SERVQUAL).

5.1.1 Technical Aspect of CRM and profitability of Commercial Banks in Kenya

The findings indicate that the technical aspects of CRM systems in the banks are highly rated by respondents. Key aspects such as system usability, integration with other systems, data accuracy, system flexibility, and the ability to capture customer needs were all rated highly. These findings suggest that the banks have invested in advanced CRM technologies that enhance their operational efficiency and customer relationship management capabilities.

The high ratings for CRM system usability and integration indicate that these systems are well-accepted by the employees and are effectively supporting the banks' customer service strategies. The ability to customize CRM systems to meet specific business needs and the systems' accessibility across various devices further highlights the banks' commitment to leveraging technology for superior customer service. The technical aspects of Customer Relationship Management (CRM) systems in banks are crucial for enhancing operational efficiency and supporting effective customer service strategies. The findings indicate that these technical features such as system usability, integration with other systems, data accuracy, flexibility, and the ability to capture customer needs are highly rated by respondents, suggesting that banks have made significant investments in advanced CRM technologies. These investments not only enhance the banks' operational capabilities but also improve their overall customer relationship management. High usability ratings imply that employees can interact with the system effortlessly, without requiring extensive training. This ease of use directly contributes to improved productivity and customer service outcomes. Previous studies have consistently emphasized the importance of usability in CRM adoption. For instance, research by Chaudhuri and Holbrook (2021) and Hossain et al. (2020) found that user-friendly systems significantly enhance employee engagement and, in turn, foster better customer service by enabling more effective use of customer data and interaction management. System integration, which refers to how well the CRM system connects with other internal systems, such as banking software, transaction databases, and customer service platforms. Effective integration ensures seamless data sharing across various departments and provides a unified view of customer interactions. This allows for more informed decision-making and personalized customer interactions. Higgins et al. (2011) underscore the importance of CRM system integration, noting that it enhances the bank's ability to deliver tailored services and engage in proactive relationship management, which can improve customer satisfaction and loyalty.

Accurate and reliable data ensures that customer profiles, transaction histories, and interaction records are consistently updated and free from errors. Without accurate data, CRM systems cannot effectively support decision-making or provide personalized customer experiences. Agarwal and Rao (2012) highlight the critical role of data accuracy in CRM systems, stating that banks with reliable data management practices are better positioned to understand customer needs and deliver high-quality, targeted services that build long-term customer trust. Kim et al. (2011) emphasize that the ability to customize CRM systems is particularly important in industries like banking, where customer preferences can vary widely, and the system must remain agile to accommodate these changing demands. By enabling customization, CRM systems can evolve alongside business strategies, ensuring their continued relevance and effectiveness.

Banks that invest in CRM technologies with strong technical foundations are better equipped to enhance their operational efficiency, improve customer service strategies, and build stronger, more personalized relationships with their clients. The consistency between your findings and existing studies highlights the significant role that advanced CRM technologies play in shaping the future of customer service in banking and other industries. By leveraging these technologies, banks can not only meet the current demands of their customers but also increase their profitability.

5.1.2 Service Culture and profitability of Commercial Banks in Kenya

The service culture within the banks under investigation was positively evaluated, with the prevailing culture being customer-centric, process-oriented, and sales-driven. These elements are crucial in fostering an environment where employees are motivated to deliver high-quality customer service. A customer-centric culture ensures that customer satisfaction is prioritized in the bank's operations, a feature that has been widely recognized as critical in the banking sector. Research by Kuo et al. (2017) found that a customer-centric culture positively impacts customer satisfaction and loyalty, which ultimately improves the financial performance of banks. Process-oriented nature of the service culture ensures that operations are streamlined, improving efficiency and reducing service delivery times. Sales-driven aspects of the culture indicate that the bank encourages employees to focus on not only providing excellent service but also enhancing revenue through cross-selling and up-selling strategies, which directly contribute to revenue generation. A strong service culture that fosters teamwork and encourages employee feedback is essential for improving employee satisfaction and motivation. Zhao and Lee (2020) suggest that a supportive and collaborative work environment, where employees feel empowered to share feedback, leads to better performance and improved service outcomes. Leadership commitment to a customer-centric culture and adaptability to change was rated highly in the study. This indicates that the leadership of the banks plays an active role in promoting a culture focused on customer satisfaction. Gittell et al. (2016) emphasize that effective leadership is key to establishing and nurturing a customer-focused culture, especially in service industries like banking. Leadership that encourages adaptability helps organizations respond to evolving customer expectations, thereby maintaining competitiveness. In particular, the ability to quickly adapt to technological changes and customer preferences is critical in the modern banking environment. The study also pointed out that there is room for improvement in actively encouraging and acting upon employee feedback regarding cultural matters. Research by Tews et al. (2020) indicates that organizations with a feedback-driven culture, where employees' voices are actively solicited and acted upon, tend to achieve higher levels of engagement and satisfaction. This, in turn, leads to better customer service and organizational performance, which could further enhance the service culture in Kenyan banks.

5.1.3 SERVQUAL Dimensions and profitability of Commercial Banks in Kenya

The SERVQUAL model's dimensions tangibles, reliability, responsiveness, assurance, and empathy were all rated highly. This indicates that the banks are performing well across all critical aspects of service quality. Specifically, the high ratings for responsiveness and assurance suggest that customers perceive the banks as reliable and trustworthy, with staff providing prompt and efficient service.

The tangibles dimension, which includes the physical appearance of bank branches and the availability of resources, also received positive feedback. This shows that the banks are maintaining a favorable physical environment, which enhances the overall customer experience. The empathy dimension highlights that customers feel valued and understood by the bank staff, which is crucial for building strong customer relationships. Jung et al. (2020) affirm that responsiveness and assurance are key drivers of customer trust and loyalty in service organizations like banks. When customers perceive bank staff as reliable and prompt, it fosters positive customer experiences, thereby enhancing customer retention, which is directly correlated with increased profitability. According to Chen et al. (2019), the tangibles dimension is a key aspect of creating a positive first impression in service industries, with well-maintained physical environments playing a significant role in shaping customer perceptions of the brand. This is particularly important in the competitive banking sector, where customers may base their decision-making on the overall environment and professional demeanor they encounter. Lee et al. (2018) suggest that empathy is essential for fostering long-term relationships with customers. When customers feel understood and valued by the bank, they are more likely to remain loyal, which can significantly boost the bank's profitability

5.2 Conclusion

Based on the findings, the study suggests that the commercial banks in Kenya have effectively implemented customer service strategies that positively impact their profitability. The positive evaluation of both the technical aspects of CRM systems and the service culture within these banks reflects a strong foundation for delivering high-quality customer service. The SERVQUAL model's dimensions, particularly responsiveness, assurance, and empathy, further demonstrate the banks' commitment to meeting customer needs and ensuring satisfaction. Effective CRM systems, a customer-centric service culture, and high service quality are consistent with research that highlights their critical role in driving customer satisfaction, loyalty, and retention. Chowdhury et al. (2018) emphasize that customer satisfaction is a key determinant of customer loyalty, which directly impacts profitability. Banks that invest in high-quality customer service, maintain an adaptable and customer-focused culture, and leverage CRM technology are better positioned to improve their financial performance. Tews et al. (2020) suggest that organizations that foster a feedback-driven culture achieve better employee engagement and service outcomes. Banks that integrate employee feedback into their service culture will likely see even greater improvements in customer service, customer retention, and profitability.

5.3 Recommendations

Based on the study's findings and conclusions, the following recommendations are made to further enhance the customer service strategies of commercial banks in Kenya:

While the CRM systems are highly rated, ongoing training is essential to ensure that all employees can fully utilize these systems. Regular training sessions and updates on new features or improvements can help employees remain proficient and confident in using CRM technology. The banks should continue to promote a service culture that values employee feedback and encourages innovation. Establishing regular forums for employees to share their ideas and feedback can help identify areas for improvement and foster a more inclusive and dynamic service culture. To maintain high service quality, the banks should regularly assess their performance using the SERVQUAL model. Customer feedback should be systematically collected and analyzed to identify trends and areas for improvement. Implementing a continuous improvement process can help the banks stay ahead of customer expectations and industry standards.As technology evolves, banks should consider investing in advanced CRM features such as artificial intelligence and machine learning to enhance customer insights and personalize services. These technologies can provide deeper insights into customer behavior and preferences, enabling more targeted and effective customer service strategies. Leadership plays a crucial role in shaping and sustaining a customer-centric service culture. Bank leaders should continue to demonstrate their commitment to customer service excellence through regular communication, setting clear service standards, and recognizing and rewarding employees who exemplify these values. The banks should ensure that both their physical branches and digital platforms provide a seamless and pleasant experience for customers. Regular updates and maintenance of digital platforms, along with well-maintained physical facilities, can enhance overall customer satisfaction.

5.4 Suggestions for Future Research

Future research could explore the impact of specific CRM features on customer satisfaction and profitability in more detail. Additionally, studies could investigate the role of digital transformation in enhancing service quality and customer experience in the banking sector. Comparative studies between different regions could also provide deeper insights into best practices and innovative strategies in customer service

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Dear Respondents,

I am a student at the cooperative University Of Kenya undertaking a Master of Business Administration Degree. As part of the requirements in my program, I am carrying out a study on '**Customer service strategies and profitability of commercial Banks in Kenya.**

To achieve this, you are invited to participate in this academic research study being conducted. You are part of a carefully selected group that has been asked to participate in this academic research study and I greatly appreciate your assistance.

Please note that;

1. The responses are anonymous and confidential;

2. Approximately 10 minutes will be required to complete the questionnaire;

3. Participation in the study is voluntary and important;

4. Your responses will be used for academic purposes only;

5. The findings can be availed on request only;

6. Should you have any difficulties in responding, please contact me at the email address: nancymoraa29@gmail.com or call me at +254706456890

Please sign the form to indicate that;

1. You have read the information
2. You have given your consent

Thank you for your participation

Respondent's signature………………………….. Date ………………………

APPENDIX II: QUESTIONNAIRE

My name is Nancy Moraa Onchiri, I am a student at The Cooperative University Of Kenya undertaking a Master of Business Administration Degree. As part of the requirements in my program, I am carrying out a study on '**Effects of customer service strategies on profitability of commercial Banks in Kenya.** I would like you to spend a few minutes to fill the questionnaire and note the information provided will be used for academic purpose only and will be treated with utmost confidentiality.

Instructions

Kindly respond to all the questions by ticking and or giving comments where necessary.

Section A: Demographic Information

1. Indicate name of bank

....……………………………………..

2 what is your gender?

a. Male

b.Female.

3 How old are you?

a. 19-29

b. 30-39

c. 40-49

d. Above 50

4.Position Held in the Bank…………………………………………………

4 How long have you worked in the Banking Sector? Tick as Appropriate

o Less than 1 year

- 1 -5 years
- 6-10years
- Over 10years

Section B : Technical Aspect of CRM

To what extent do you agree with the following statements about service culture in your organization, ranging from strongly agree to strongly disagree.

Where; 1= strongly disagree; 2= disagree; 3= not sure; 4= agree and 5= strongly Agree.

Statements	5	4	3	2	1
The company's CRM System is easy to use					
The CRM System needs technical training to operate					
The CRM system is user-friendly and easy to navigate.					
The CRM system effectively integrates with our existing software and systems.					
The CRM system allows for customization to meet our specific business needs.					
The CRM system effectively tracks and manages customer interactions					
The CRM Technical proficiency has room for innovation					
CRM System captures all the customer needs					
The CRM system is accessible and functional across various devices and platforms.					

Section C: Service Culture

How would you describe the prevailing service culture within our bank?

- Customer-centric
- Process-oriented
- Sales-driven
- Other (please specify)

To what extent do you agree with the following statements about service culture in your organization, ranging from strongly agree to strongly disagree.

Where; 1= strongly disagree; 2= disagree; 3= not sure; 4= agree and 5= strongly Agree.

Statements	5	4	3	2	1
Service culture at our bank aligns with the organization's overall goals and objectives					
Employee feedback and suggestions regarding cultural improvement are actively encouraged					
Teamwork is actively encouraged and supported by management in achieving high-quality customer service					
Reward system in motivating employees to deliver exceptional customer service.					
There is a high rate the level of teamwork and collaboration among colleagues in your department.					
Teamwork is actively encouraged and supported by management in achieving high-quality customer service.					
The bank's leadership demonstrates a commitment to a customer-centric service culture.					
The organization is able to adapt to change and foster innovation					
Employee feedback on cultural matters is regularly collected and acted upon.					

Section D: SERVQUAL

How would you rate the quality of service provided by our bank?

- Excellent
- Good
- Fair
- Poor

To what extent do you agree with the following statements about service quality in your organization, ranging from strongly agree to strongly disagree.

Where; 1= strongly disagree; 2= disagree; 3= not sure; 4= agree and 5= strongly Agree.

Statements	5	4	3	2	1
Customers receive prompt and efficient service when they visit our branches.					
Customers feel that their concerns or issues are addressed in a timely manner.					
Our staff promptly attends to customer needs and inquiries.					
Our bank consistently delivers the services promised to customers					
Our bank maintains accurate records and transactions for customers.					
Customers can rely on our bank to provide consistent.					
The overall atmosphere of our bank's branches is pleasant and inviting.					
Customers have easy access to information and resources at our branches.					
The physical facilities and appearance of our bank's branches create a favorable impression on customers.					

Section E : PROFITABILITY

1. To what extent do you agree with the following statements about profitability in your organization.

   Where; 1= very ineffective; 2= ineffective; 3= neutral ; 4= effective and 5=Very effective

Statements	5	4	3	2	1
In your opinion, how effective has our bank been in increasing revenue over the past year?					
How do you perceive the bank's ability to manage and control costs to maintain profitability?					

2. Please rate the importance of the following factors in influencing revenue and costs for your bank:

   Where; 1= very Unimportant; 2= unimportant; 3= neutral ; 4= Important and 5=Very important

Statements	5	4	3	2	1
Customer Retention and Relationship Management					
Marketing and Customer Acquisition					
Operational Efficiency and Process Optimization					

3. Fill in the profit margins for the last five years

YEAR	PROFITS
2022	
2021	
2020	
2019	
2018	

APPENDIX III: LIST OF COMMERCIAL BANKS IN KENYA

1.Kenya Commercial Bank Limited
2. Barclays Bank of Kenya Limited
3. Co-operative Bank of Kenya Limited
4. Standard Chartered Bank Limited
5. Equity Bank Limited
6. Stanbic Bank Limited
7. Commercial Bank of Africa Limited
8. I & M Bank Limited
9. Citibank N.A. Limited
10. First Community Bank Limited
11. Victoria Commercial Bank Limited
12. Habib Bank Limited
13. Trans-National Bank Limited
14. M Oriental Commercial Bank Limited
15. Credit Bank Limited
16. Paramount-Universal Bank Limited
17. Family Bank Limited
18. Bank of India
19. Jamii Bora Bank Limited
20. Charterhouse Bank Limited (IR)
21. Housing Finance Company of Kenya Limited
22. Consolidated Bank of Kenya Limited
23. Equatorial Commercial Bank Limited
24. African Banking Corporation Limited
25. Giro Commercial Bank Limited
26. Gulf African Bank Limited
27. Fidelity Commercial Bank Limited
28. Habib AG Zurich
29. Guardian Bank Limited
30. Sidian Bank Limited
31. Diamond Trust Bank Limited
32. NCBA Bank Limited
33. Prime Bank Limited
34. Bank of Baroda Limited
35. Ecobank Limited
36. Bank of Africa Limited
37. Chase Bank Limited (IR)
38. UBA Kenya Bank Limited
39. Dubai Bank Limited (IR)
40. GT Bank Limited
41. Development Bank of Kenya Limited
42. Middle East Bank Limited

APPENDIX IV: UNIVERSITY INTRODUCTION LETTER

THE CO-OPERATIVE UNIVERSITY OF KENYA

P. O. Box 24814-00502 Karen, Kenya

Telephone: (020)-2430127/2679456/8891401 Fax (020)-8891410 www.cuk.ac.ke

BOARD OF POSTGRADUATE STUDIES

2nd January, 2024

The Director,
National Commission for Science, Technology & Innovation,
Utalii House,
Nairobi.
Dear Sir,

NANCY MORAA ONCHIRI, MBAC02/0020/2018

This is to introduce the above named Master of Business Administration student in the School of Business and Economics of the Co-operative University of Kenya.

She has successfully completed her course work and is proceeding to the field to collect data from commercial banks in Kenya. The title of her research project is ***"Customer Relationship Management Strategies and Profitability of Commercial Banks In Kenya***".

Kindly accord her the necessary assistance. Yours Sincerely,

D. K. Muthoni,
Director, Board of Postgraduate Studies.

Cc: Dean, SBE.

CUK is ISO 9001: 2015Certified

APPENDIX V: RESEARCH PERMIT

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **503165** Date of Issue: **24/January/2024**

RESEARCH LICENSE

This is to Certify that Ms.. Nancy Moraa Onchiri of The Cooperative University of Kenya, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kisii, Nairobi on the topic: Customer Relationship management strategies and profitability of commercial banks in Kenya for the period ending : 24/January/2025.

License No: **NACOSTI/P/24/32692**

503165

Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013 (Rev. 2014)

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 the 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.

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