CUSTOMERS' SWITCHING BEHAVIOUR ON BANKING PERFORMANCE: A CASE OF NATIONAL BANK OF COMMERCE MOROGORO

CUSTOMERS' SWITCHING BEHAVIOUR ON BANKING PERFORMANCE: A CASE OF NATIONAL BANK OF COMMERCE MOROGORO.

By

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A Dissertation submitted in Partial Fulfillment of the Requirements for Award of Degree of Master of Business Administration [Corporate Management] of Mzumbe University.

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled “Customers’ switching behaviour on banking performance”. A case of National Bank of Commerce - Morogoro in partial fulfillment of the requirements for the award of the Degree of Master of Business Administration [Corporate Management] of Mzumbe University.

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DECLARATION

I, Fadhili Murungu, declare that this dissertation is my own original work and it has not been presented and will not be presented to any other University for a similar or any other degree award.

Signature ________________________________

Date ________________________________

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LIST OF ABBREVIATIONS

ATM	-	Automated Teller Machine
NBC	-	National Bank of Commerce
IB	-	Internet Banking
IT	-	Information Technology
MB	-	Medici Bank
BOT	-	Bank of Tanzania
IFC	-	International Finance Corporation
MBA	-	Master of Business Administration
BFIA	-	Banking and Financial Institution Act (1991)
NMB	-	National Microfinance Bank Plc
KCB	-	Kenya Commercial Bank
CRDB	-	Cooperative Rural Development Bank

ABSTRACT

The main objective of the study was to assess the customers' switching behaviour on banking performance. It analysed the factors that contribute to increasing number of customers who switch banks and their influence on banking performance. NBC Ltd Company was chosen as a Case study, the purposive sampling and simple random sampling has been used to obtain a representative of the sample. A sample size consisted of 100 respondents; whereby 60 respondents out of 100 sample size were interviewed being non existing customers, existing customers and bank officers; this was done through interviews, questionnaires and observations. The qualitative analysis through explanatory was used basing on the percentages of data collected from the field.

The research findings revealed that 83% of customers interviewed responded that quality of service offered has a great influence to customers' switching banks while 65% of customers interviewed have a positive response on price. However, effective advertising of competing banks and long distance revealed 65% and 52% of customers interviewed has a positive response on customers' switching respectively. Also, it revealed that high income earners especially high economical age groups are more likely to switch banks since they gain less compared to that they contribute to the bank.

It is recommended that banks should not only rely on increasing prices for their benefits because doing so could bring downside effects to banks since price has the first impression to the customer once wants to purchase a product. To improve the service quality, it was suggested that the bank's staffs are supposed to be trained with their ethics, professionalism, duties and responsibilities towards customers.

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CHAPTER ONE: INTRODUCTION

1.1 Background to the Research problem

Banking history can be traced from the merchant's bank of the ancient world which was initially focusing on issuing grain loans to farmers and traders around 2000BC. Later on during the Roman Empire, lenders were based in Temples and added two major innovations; they started accepting deposits (Opened and maintained customer's accounts) and changed money. The first bank was the Italian bank which was called The Medici bank (MB) established by Giovani Medici in 1397. Banking in the modern world has developed to accommodate many changes and innovations. Banking industry has been and continues to be changed as a result of privatization of country owned banks that had conquered banking systems in the past.

Banks desires automation to be able to survive with fast-growing technology in attraction of customers in order to achieve efficient and effective operations. Banking business is different from other businesses in various ways with single significant difference being banks are used as the custodians of the customer's money. Banks are used as society's saving mechanism by accepting deposits, money lending in the process earn a reasonable spread to meet expenses concerned in carrying out intermediary business and generate adequate return. Not only that but also banks connect customers with capital deficit with those having capital surpluses, regulate country's economy mostly by controlling the flow of money in the society and facilitate international business.

As a commercial bank in Tanzania, National Bank of Commerce (Tanzania), whose full name is National Bank of Commerce Limited, and sometimes referred to as NBC (Tanzania), or as NBC (Tanzania) Limited, is a large banking institution, providing banking services to individuals, small and medium-sized businesses as well as large corporations. As of September 2010, National Bank of Commerce (Tanzania) maintains a vast branch network covering large cities and small towns across the whole country. Thus the number of branches maintained by the bank exceeds 90. Unfortunately, in 2013, the number of branches decreased from 90 branches to 52 branches due to bad performance of several branches to be closed.

The bank traces its origins to 1967 when the Tanzania Government nationalized Financial Institutions, including banks. In 1991, the banking industry was deregulated. Six years later, in 1997, the institution then known as “NBC” was split into three separate entities namely NBC Holding Corporation, National Microfinance Bank (NMB) and NBC (1997) limited. In 2000, the South African banking group Absa Group Limited acquired a majority stake in NBC (1997) Limited. The Government of Tanzania retained a 30% shareholding and the International Finance Corporation (IFC), a member of the World Bank Group took up 15% shareholding in the bank. The new entity became known as National Bank of Commerce (Tanzania) Limited. National bank of commerce provides full Internet banking, further enhancing the capacity of its customers to do their banking from anywhere at any time. The bank also provides other traditional banking products and services including individual and business accounts, savings and current accounts, fixed deposits, overdrafts, loans, money transfers, insurance services and bureau de change.

The year 1991 can be noticeable as one of the significant milestones in the history of Tanzania’s financial system. Early that year, the Parliament enacted the Banking and Financial Institution Act (BFIA). This cemented the way for the establishment of private domestic and foreign owned banks as well as the divestiture of the country owned banks. The government made a firm commitment towards full independence of the existing government banks in making business decisions. The Banking and Financial institution Act (BFIA) gave the Bank of Tanzania (BOT) the duty of licensing, regulating and supervising banks and financial institutions in Tanzania. Through the similar year 1991, the financial sector was liberalized through the Banking and Financial Institutions Act of 1991 and during the last 15 years of reforms, over 32 commercial banks, non-financial institutions, community banks, are now operating in the country which contributed to the great competition especially in banking industry.

The introduction of art technology as the banks competes to introduce services like Automated Teller Machines (ATMs), Telephone Banking and Internet Banking became one of the motivating factors which cause most of people to prefer banking service. In Tanzania now days, transfer of funds from one bank to the other can be done in a very short time because of computerized network which is so attractive to customers by making transaction fast in order to facilitate their business. In Tanzania such as National Bank of Commerce Limited and others was manually operating hence having much dependence on paperwork. By operating manually, banks faced a problem of inefficiency which was bad experience as far as customer service is concerned. For example, it needed more time to establish the balance of a particular customer in case of cash withdrawals and deposits. Thus, since banks use different advanced technology which is sophisticated makes the easiest way of the bank to perform its activities compared to the huge number of customers who prefers bank services thus became one of the advancement in increasing quality of service to customers. Thus, due to the emergence of different banks which offered related services to customers became as a main cause of customers' switching in banking industry.

The study was intended to assess the customers' switching behaviour on banking performance in the light of factors that influence the customers' switching and demand for quicker services in an increasing population that is highly stimulated in banking industry. The focal point was to study the case of National Bank of Commerce Limited as one of the commercial bank facing the crisis of losing customers and the factors that contribute to the problem, particularly in Morogoro region. This chapter describes the context of the study, the statement of the problem, the research objectives, the research questions, the significance of the study, the limitations of the study, scope of the study and organization of the study.

1.2 Statement of the problem

Development of banking industry in Tanzania started in early 1900s, when few German commercial banks were opened in the country. These commercial banks were affected by competition that forced for advance on their services through the use of Information Technology (IT). Innovation of Technology included human resources, financing, and computer resources. Foreign based banks invested significantly in IT which contributed to improve services in banking industry, these included both hardware, and software. Such investments were aimed at enabling the banks to achieve their vision, mission and objectives. It is clear that technology is one of the key tools to enable the bank to get to a point where it intends to be by ensuring that attractive and good service to customers is provided.

The banking industry continues to change at an unprecedented pace and is being confronted constantly with new challenges. According to the 2010 ABA Bank Marketing Survey Report banks listed regulatory changes (39.9 percent) growth and retention (22.9 percent) as the biggest marketing challenges they will face in the next 12 months. Recent research on banking customers showed that service and relationships ranked high on the list of things important to customers. If banks are only offering a rewards program, that won't be enough to keep customers satisfied. Relationships and retention can only be built through constant, consistent, personalized and relevant communication. Otherwise, banks are essentially giving the customer a built-in exit strategy. The challenge is getting banks to make a paradigm shift from trying to influence customer behaviour with incentives to believing that customers would be willing to pay more to deal with their bank if they simply provided better service and created more value for their clients.

1.3 Research Objectives

1.3.1 Main Research Objective

The main objective of this study was to assess the customers' switching behaviour on banking performance in Tanzania. The National Bank of Commerce Limited was preferred as the case study.

1.3.2 Specific Research objectives

The study was conducted with the following specific objectives:

i. To identify the factors that influence customers' switching in banking industry.

ii. To assess the impact of customers' switching in relation to banking services delivered to customers.

iii. To assess how customers as a key measure on financial performance affects banking industry.

1.4 Research questions

The study was conducted with the following research questions:

i. What are the factors that influence customers' switching in banking industry?

ii. What are the factors that influence customers' switching in relation to banking services in banking industry?

iii. What are the impacts of customers’ switching behaviour on the financial Performance in banking industry?

1.5 Significance of the study

The significance of this study was both to the organisation and employees generally that will contribute to the understanding of the impact of switching of customers which affects the performance on banking industry in Tanzania. The study will also lead to the recognition of the need to design and take corrective measures on advertisement which will help to retain their customers and strengthen the performance in banking industry. Not only that but also the research shall broaden an understanding of what products and services NBC can offer to add the value to customers.

1.6 Limitations of the study

The researcher encountered a number of problems in the process of data collection. Non Banks clients were not open to the interviewer; they had a feeling that the information collected might be used for other purpose than the intended one such as taxation. However, other ignored to respond to the questionnaires due to lack of time, ignorance of some customers whereby they thought that interviewers do benefits from the research work hence request for payments before responding to the questions. Moreover, lack of enough funds that would have enabled the researcher to visit a large number of customers acted as a hindrance to the researcher to collect more data from customers.

1.7 Scope of the study

It is actually clear that, this study was too wider, but for the purpose of this research, the study focused on the NBC Limited for a case study. It is however essential to declare that the findings of this enquiry would not necessarily reflect the entire population of the country, thus the study assessed the responses of the representative sample available within NBC- Morogoro. Also, the study was included bank staff, existing customers and non-existing customers at the branch.

1.8 Organization of the study

The aim of this study was to assess the customers' switching behaviour on banking performance, particularly National Bank of Commerce Limited in Tanzania. This research report consists of five chapters as follows: The first chapter is an introduction including the background to the research problem and the research purposes have been stated. The second chapter presents the literature reviewed; theoretically and empirically. The third chapter discusses the methodology used for this research. Analysis and detailed discussion of the research findings are presented in chapter four. Finally, chapter five gives the summary; conclusions and recommendation for the present study and lastly bibliography and appendices are presented.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter is about a review of some other scholars' works on customers' switching behaviour and examines the impact of switching has on the banking industry. The literature review focused on the major factors influencing customers' bank switching behaviour, such as Price, distance, advertising competition, switching costs and service quality. It covered both theoretical and empirical reviews of literatures. To start with the theoretical review was done.

2.2 The definition of key terms

2.2.1 The concept of a bank

According to the banking and Financial Institution Act (1999), a bank is a financial institution authorised to receive money on currently account subject to withdrawal by cheque. Banking is the commercial activity of receiving and safeguarding money belonging to other persons and establishments, and lending that money to make a profit. Banking services include deposits (savings accounts, current accounts, time deposits, fixed deposits, foreign currency accounts) and lending services (Overdrafts, loans, acceptances, and letters of credits). Banks may also offer a variety of other services such as insurance services, money transfer, electronic banking services such as ATM's and as both technology and the world economy is changing, new services will continue to develop for the purpose of improving services to customers in banking industry.

2.2.2 Products involved in banking industry

As far as the bank services concerned such as accepting deposits to different accounts/products; the following are the different types of products with their features and limitations as per tariff guide of NBC indicated with their different prices.

2.2.2.1 Ordinary Savings Account

The Ordinary Savings Account refers to a product which is a card-based account that encourages individuals to save money for different objectives while earning interest. This product consisted different features such as; it is a card-based account with 24 hours access to money using ATM's, it allows internet transactions, tiered interest rates: the more the customer saves, the higher the interest rate received, the minimum opening balance for retail customers is TZS 10,000. Not only that, but the product also had a funeral cover of TZS 500,000 offered as an integral part of the account, at a low monthly fee. The operation of the product starts when existing and new customers would simply complete the relevant application forms and provide the necessary documentation. The completion of application forms and submission of necessary documentation determined the calculation of monthly interest which is paid annually. The transaction of the product is done through instant access of money through an ATM card countrywide or at a branch over the counter. The account holder also has the ability to empower another person to operate on his/her behalf for some reasons through a "Power of Attorney". Apart from that, the product has its own limitation/exclusions whereby the minimum balance to be maintained is TZS 10,000 and the maximum withdrawal amount on the ATM is TZS 1,500,000 per day. Also, a commitment is required to deposit/withdraw at least once per 12 months, contrary to that, the account will turn into a dormant state. (NBC Manual, 2012).

2.2.2.2 Islamic Savings Account

The Islamic Savings product is a card-based account, which encourages individuals to save money for different objectives while not earning interest. The Islamic

Savings Account is designed not only for Muslims but also to other individuals who does not want to earn interest on their deposits. The product itself is a card-based account with 24 hours access to money using ATM’s. The minimum opening balance for retail customers is ten thousand (TZS) and it allows internet transactions for twenty four hours. Apart from that, the product consist a funeral cover of TZS 500,000 offered as an integral part of the account, at a low monthly fee. The product operates when existing and new customers would simply complete the relevant application forms and provide the necessary documentation. Not only that but also the holder of the account has an instant access of money through an ATM card countrywide or at a branch over the counter. The account holder also has the ability to empower another person to operate on his/her behalf for some reasons through a “Power of Attorney”. More than that the product has the limitations/exclusions during the operating period whereby the minimum balance to be maintained is TZS 10,000 and the maximum withdrawal amount on the ATM is TZS1, 500,000 per day and a commitment is required to deposit/withdraw at least once per 12 months, contrary to that the account will turn into a dormant state. (NBC Manual, 2012).

2.2.2.3 USD (207)/EUR (208) Savings Accounts

The Foreign Savings product is a card-based account, which encourages individuals to save money in foreign currency- US Dollar and EURO for different objectives while earning interest. The product can be operated by any person depending on whom foreign currency is based. The foreign currency product can use the ATM withdrawal option which is under investigation, and currently withdraw can only be done over the counter within the branch. Not only that, the product also allows internet transactions, and interest is accrued monthly, capitalized annually, the minimum opening balance is USD/EUR 10 and the maintenance fee of USD/EUR 10 is charged to the account monthly.

The Operation of the product is done when existing and new customers would simply complete the relevant application forms and provide the necessary documentation. The transaction with the product through ATM withdrawal option is under investigation, and currently withdraw can only be done over the counter within the branch. However the account holder has the ability to empower another person to operate on his/her behalf for some reasons through a "Power of Attorney". More than that, the product can be maintained when the customer has the minimum balance of USD/EURO 10 in the account. The maximum withdrawal amount on the ATM is TZS 1,500,000 per day (not now on progress) and a commitment is required to deposit/withdraw at least once per 12 months, contrary to that, the account will turn into a dormant state. (NBC Manual, 2012).

2.2.2.4 Chanua Savings Account

The Chanua Savings account is a product, which encourages parents and families to save for their children's future and current needs. The account will be opened by the parents or guardians in the name of the child under 18 years. On the product the minor can make withdrawals and deposits to the account without requiring the joint owner to be present. Since the product is a card-based account, the card can operate with 24 hours access to money using ATM's and the interest on the account is accrued monthly, capitalized annually and tax charged on it respectively. The guardian/parent has to deposit TZS 10,000 as the minimum opening balance once the account is opened.

However the operation of the product is done under the supervision of the parent/guardian. The guardian/parent would simply complete the relevant application forms and provide the necessary documentation. Apart from that the Chanua account operates as a savings tool and bank charges on Chanua account can be minimized, by reducing the number of withdrawals. The product has the ability to use an ATM card, whereby funds can be withdrawn electronically via the ATM's or at a branch over the counter and cash or cheque deposits are accepted on the product. The Chanua account has limitations/exclusions during its operations hence the limitations includes; the minimum balance to be maintained on Chanua Savings account is TZS 10,000 while the maximum withdrawal amount on the ATM is TZS 1,500,000 per 24 hours. A commitment is required to deposit/withdraw at least once every 12 months, contrary to that, the account will turn into a dormant state.

However, when the child reaches the age of 18 years, he/she may take full control of the funds and the child can be requested to open Student or Ordinary Savings account. Since the child is minor and he/she has not fully control on the account then the account is opened by the Parent/ Guardian by the name of the child and a Parent or Guardian is the joint owner in the account. Likewise to other products, the Chanua account has the ability to access an ATM card which is issued in the account and is used to withdraw money in ATM for twenty four hours. The product is not allowed to use internet banking during transactions. Since Chanua account is interest based account, the interest is calculated monthly based on monthly minimum balance and interest accrues monthly and capitalized annually or on account closure. The Chanua account has no maximum/minimum deposit amount and bank Statement available on request.

Apart from that the product has encountered a number of benefits during its existence hence it has a growth of wealth due to competitively higher interest rate, the child's account is accumulating a good amount of money. The product gives a saving culture hence develops/ builds the saving culture for children once he/she comes adult. Also by having the product it gives peace of mind since Chanua account reduces the headache and stress to parents and guardians as they save for their children school fees in advance. Not only that but also parents/guardians may solve unexpected obligations using Chanua account while preparing to recover the amount back for the child. The product provides safety which has embedded with safety features to ensure that customer's money is safer than keeping them at home. Since the product is purposely for saving money to children, it is affordable to guardian/parents to open the account since opening balance and minimum account balance are competitively low and minimizes the risk of loss due to theft, robberies and other malicious activities. (NBC Manual, 2012).

2.2.2.5 Student Savings Account

The Student Savings product is an ordinary savings account, offered exclusively to Universities, Institutes and College students. The product involves available exclusively to full-time registered University, Institutes and College students aged 18 -25 years. Since the product is purposively to students, it provides easy access to the money using NBC ATM's countrywide and the minimum opening balance of the product is TZS 10,000 and free monthly statement available on the account. The account holder is allowed to access internet transactions and the account allows interest to be accrued monthly and capitalized annually. However, the account holder has an unlimited number of withdrawals allowed for transactions over the counter with no maximum withdrawal amount while no maximum/minimum deposit amount is required to transact on the account. Statements on the account are available on request at the branch and mini-statements are available at the ATM's while cash/cheque is allowed to be deposited in the student account. The product starts to operate when new customers would simply complete the relevant application forms and provide the necessary documentation. Since the Student Savings account operates as a savings tool, the bank charges can be minimized by reducing the number of withdrawals. More than that, the account holder is able to instant access to money through an ATM card countrywide or at a branch over the counter and another person can be empowered by the account holder to operate on his/her behalf for some reasons through a "Power of Attorney".

The product has encountered a number of limitations/exclusions during its operations. The limitations include; the minimum balance to be maintained on the Student Savings account is TZS 10,000 while the maximum withdrawal amount on the ATM is TZS 1,500,000 per day, and a commitment is required to deposit/withdraw at least once every 24 months, contrary to that, the account will turn into a dormant state and a dormancy fee of TZS 2,000 will be charged per month. The product also provides building up Capital which enables students to save money for spending at colleges/ institutes as well as for other financial obligations. Not only that, but also the product provides safety whereby products have embedded with safety features to ensure that customer's money is safer than keeping them at home.

Therefore, by opening student account, students will be convenience to withdraw over the ATMs on 24hrs, and transact on internet banking for 24 hrs worldwide and transacting over extensive branch networks. The account is affordable since the opening balance, minimum account balance and charges are competitively low. The product also provides growth of wealth since students earn interest for keeping his money with a bank, which increases the deposits and minimizes the risk of loss due to theft, robberies and other malicious activities. Students account provides acts as savings balance and cushions in times of unexpected obligations e.g. illness, unemployment and it has free and instant funds transfer that customer can transfer funds freely, instantly and securely through a large branch network of NBC. (NBC Manual, 2012).

2.2.2.6 Current Accounts

A current account is a cheque account operated either in local or foreign currency, on which the holder may draw on demand by cheques. The products which fall on this category are; Ordinary current account (101), Business current account (103), U$ dollar currency account (105), GBP currency account (106), Canadian dollar currency account (107) and EURO currency account (108). The product has the minimum opening balance of TZS 20,000 to non-corporate customers and TZS 100,000 to corporate customers is required. There is no limitation as to the amount to be withdrawn provided that the balance is sufficient while cash cheques can be withdrawn or cashed over the counter by the drawer or third party upon proper identification, or cashier properly identified to the bank by drawers. Hence the product is special for personal and joint accounts. (NBC Manual, 2012).

2.2.3 Switching behaviour

2.2.3.1 The Definition of Switching Behaviour

There is no one clear definition of customer switching, due to the lack of research into this area, although very few authors have attempted to define it. According to Brassington (2003) customer switching refers to "consumers who are not loyal to any one brand of a particular product and switch between two or more brands within the category". Switching behaviour has also been referred to as defection or customer exit (Hirschman, 1970; Stewart, 1994) and refers to a customer's decision to stop purchasing a particular service or patronizing the service firm completely as agued by Bolton and Bronkhurst (1995) and Boote, (1998). Yet it can be argued that this is not a valid definition of customer switching as this definition refers to the consumers behaviour as abandonment of the use of a product/service although, whereas switching is concerned with consumers using one product/service provider and then deciding to switch to another. In a bank industry context, customer switching behaviour means customers' shift from one bank to another (Garland, 2002). Switching behaviour is defined as defection or customer exit (Stewart, 1994; Hirschman, 1970). According to Boote (1998) and Bolton & Bronkhurst (1995), switching behaviour reflects the decision that a customer makes to stop purchasing a particular service or patronizing the service firm completely.

2.2.3.2 The Impact of Switching Behaviour

Switching of customers reduces firms' earnings and profits (Keaveney and Parthasalathy (2001). Thus additional profits are lost, wasted and further costs are required to obtain a new customer such as advertising costs. Furthermore customer switching can bring negative advertisement which can damage a bank's reputation and image (Diane, 2003). Customers tend to behave unfavorably such as switching banks if a bank's performance is inferior (Zeithaml et al., 1996). Also, customer switching can bring negative word of mouth advertising which can hurt a bank's reputation and image (Diane, 2003). The competitive banking industry has been concerned with customers' switching behaviour as it normally reduces a bank's market share and profit (Ennew & Binks, 1996). Garland (2002), Trubik & Smith (2000) and Rust & Zahorik (1993) study the financial implications of customer retention and find that there is a strong relationship between customer loyalty and profitability in personal retail banking. Since it is hard for banks to meet all customers' requirements, the customer defection rate is quite high in some countries. For example, customer defection rates in the United Stated banks were 20 percents in 1997 & 1998, and Europe had similar defection rates in the 1990's (Rongstad, 1999; Shedd, 1996).

Customer retention and satisfaction are considered among the most crucial long term objectives of firms (Keiningham et al., 2007). There is a negative relationship between defection rate and the profitability of the service organization (Colgate, Stewart and Kinsella, 1996). Increasing customer switching behaviour decreases the service organisation earning and increases costs as a whole (Keaveney and Parthasarathy, 2001). According to Lees, Garland and Wright (2006) many bank executives worry about losing their existing customers to other banks. In order to build a successful plan, the executives need to understand the reasons behind customer switching and how to attract new customers. These authors believe switching reasons are linked to maximizing utility, switching to better offers and expectation disconfirmation and service failure, as the perceived services provided by the bank not meet their expectations therefore switching takes place. According to Reichheld and Sasser (1990), customer switching from one service provider to another has a dangerous impact on the financial position of the service provider, including profit, revenues and market share. Profits are boosted as the customer relationship with the organisation strengthens which encourages the customer to accept the service charges without wavering. Olorunniwo et al. (2006) revealed that satisfied customers who maintain a long term relationship with a service provider tend to affect profitability through shrinking advertising costs, start-up activities and promotion, increase repurchases and spreading positive word-of-mouth. The cost of retaining the existing customer will be less than the cost of acquiring new customers to substitute the churn customers, for instance: advertising or consulting costs. On the cost side, many studies have shown that operating efficiencies of serving exiting customers are higher and the selling costs are lower (Reichheld and Sasser, 1990).

Recently in the service sector, numerous studies showed that in relationship marketing, there are many benefits arising from decreasing the customer defection rate. Therefore, in order to encourage customer loyalty, the service firm has to build good relationships with customers and deliver good service quality. As the customer loyalty increases, it encourages customer retention and profitability to increase. It has been considered that the customer switching behaviour may lead to reduced market share and profit in the competitive banking sector (Ennew and Binks, 1996).

The research of Trubik and Smith (2000) and Garland (2002) have identified a strong positive relationship between customer profitability and customer loyalty. Reichheld and Sasser (1990) explain the link between profitability and customer retention, arguing costs of customer retention are generally lower than the cost of customer acquisition. Increased profitability results from cost saving and additional revenue generation as satisfied customers tend to spread positive word-of-mouth communication which may encourage further customer acquisition. Other factors identified by Clark and Payne (1993) as improving customer retention rates include customer-focused cultures and serious management commitment. Employee satisfaction will deliver a better service quality according to Reichheld and Sasser (1990). In light of the issue of customer retention, Reichheld (1996) argued that if the defection rate decreased from 15 per cent to 10 per cent per year, profits will double. Trubik and Smith (2000) concluded that in marketing strategies, switching barriers have been used to make it harder for the customer to switch to another bank. Examples of switching barriers are transaction costs and emotional costs (Fornell, 1992).

2.2.4 Switching factors

2.2.4.1 The Definition of Price

The term price refers to a value that will purchase a definite quantity, weight, or other measure of a good or service. Perceived price normally combines monetary price and non-monetary price together (Chen, Gupta & Rom, 1994). In Keaveney's research (1995), the pricing factor included all critical switching behaviours that involved prices, rates, fees, charges, service charges, penalties, price deals, coupons, and or price promotions. Furthermore, in the financial service industry, price has wider implications than in other services industries. For example, in the financial service industry, price includes fee implementation, bank charges, interest rates charged and paid (Gerrard & Cunningham, 2004). Zeithaml et al. (2009) defined price as an attribute that must be sacrificed or given up in order to get certain kinds of services or products, whereas other researchers view it as the customer's judgment concerning the average price of the received services compared to other competitors. Perceived price comprises of nonmonetary and monetary prices as non-monetary costs include time and effort (Chen, Gupta and Walter, 1992; Zeithaml, 1988).

2.2.4.2 The importance of Price

One of the benefits of price is Trigger of First Impressions. Often times customers' perception of a product is formed as soon as they learn the price, such as when a product is first seen when walking down the walkway of a store. Thus, pricing may become the most important of all marketing decisions if it can be shown that customers are avoiding learning more about the product because of the price. Several studies show that price has an important impact on customers' switching decisions (Stewart, 1998; Colgate et al., 1996; Keaveney, 1995). Almossawi, M. (2001) empirically identifies price as a critical factor in bank selection for college students. Since price has a wider implication to bank customers, Gerrard & Cunningham (2004) show that pricing seems to influence switching behaviour among bank customers more than customers of other services.

2.2.5 Service Quality

2.2.5.1 The Definitions of Service Quality

Quality of service is a broad term that is used in both customer care evaluations and in technological evaluations. In both applications, the quality of service has to do with measuring the incidence of errors within a process that result in the creation of issues for an end user. The goal of any quality of service evaluation is to minimize the incidence of transmission issues and the error rates that may result. Since the interactions between a customer and a service provider create opportunities for customers to evaluate services, service quality is defined as a customer's overall impression of the relative inferiority or superiority of the organization and its service provisions (Gronroos, 1988; Bitner & Hubbert, 1994). Perceived service quality is developed from the perspective of a customer's attitude to judge the overall service prevision (Spathis, Petridon & Glaveli, 2004). Service quality is commonly noted as a critical prerequisite and determinant of competitiveness for establishing and satisfying relationships with customers. Previous studying suggests that service quality is an important indicator of customer satisfaction (Spreng and Machoy, 1996). Attention to service quality can lead an organisation different from other organisations and again a lasting competitive advantage (Morre, 1987).

2.2.5.2 Characteristics of Services

When describing the main characteristics of a service, it can be depicted as being intangible, as a service has no physical dimension but can take place through a tangible product. A service can also be described using a tangible noun as Shostack (1987) exemplified that an 'airline' means transportation and a 'hotel' means lodging rental. Berry (1980) described a good as 'an object, a device, a thing' in comparison to a service which is 'a deed, a performance, an effort'. This further illustrates the fact that consumers cannot see, touch, hear, taste or smell a service; all they can do is experience the performance of the service as said by Carman and Uhl, (1973) and Sasser et al. (1978) but, the experience may not be possible in all cases without some form of hardware in addition. Because services are delivered by individuals, each service experience will differ from another; as a result each purchaser will receive a different service experience. Additionally, when a consumer purchases a good, they own it, yet with a service the consumer only has temporary access or use of it, as the service is not owned, only the benefit of it is. Wyckham et al. (1975) and Kotler (1986) defined this concept as ownership

2.2.6 Effective Advertising Competition

With increasing competition, effective advertising can facilitate the communication between customers and banks which enhances the chance of success. Dunn (1995) defined advertising as the undertaken activities which increase sales and improve the image of services and/or products. Therefore, other researches indicate that the advertising activities are used primarily in order to inform the potential customer about the availability of services or products, where the products are located, when they are in season and any special detail about the services or products. This research concludes that advertising is essential to attract new customers to the business at the beginning, and to maintain current customer traffic levels during slow periods. Davis (1996) suggests some communication guidelines through advertising to strengthen customer and the service firm relationship, helping customers to restore their trust and confidence and reduce customers' perceived risks. Advertising offers the customer information which helps them in the evaluation process, influences their behaviour and guides the customers' purchasing decisions. Hite and Fraser (1988) found that advertising by professionals such as bank advertising can alter customers' perception and behaviour toward the service provided.

Conversely, Blanchar and Galloway (1994) think that advertising could lead to homogeneity among service firms rather than distinction which may increase the firm's failure to communicate effectively with customers. Customer switching intentions can be influenced by effective advertising employed by the service firm which provides them enough information about the available opportunities concerning the purchasing choices (Balmer and Stotvig, 1997). The findings of Teng, Laroche and Zhu (2007) highlighted a strong relationship between advertising, consumer attitude and purchase behaviour. They concluded that competing adverts have detrimental influences on customer attitude and intention toward focal advertising and brands. The customer usually gathers information about different ads and brands processes the collected information in their mind evaluating the different the firms and making their choice, whether to stay with or switch the current service provider. The same authors argue that competition cannot be controlled; therefore service providers should be aware of the negative effect of the competing ad on their customer intention and repurchase behaviour. Wangenheim and Bayon (2004) found that the level of customer satisfaction varies among so called ‘stayers’ and ‘switchers’. They further subcategorized the ‘switchers’ into ‘referral switchers’, who have been attracted through positive word-of-mouth, and ‘other switchers’, who have been attracted through advertising, concluding that ‘other switchers’ differ from ‘referral switchers’ with respect to lower satisfaction and less positive word-of-mouth spreading.

Dunn (1995), states that adverting plays an important role in attracting customers to the business in the beginning stage and maintaining customer traffic levels during slow periods. Rust & Zahorik (1996) show similar results where advertising can improve utilization during slow periods as it may offer opportunities to educate customers about businesses’ service characteristics and operation process which can increase productivity from existing technical capacity. Davies (1996) explains that advertising can strength the communication between organizations and customers, and effectively reduces consumers’ perceived risks. Furthermore, advertising can affect customers’ behaviour because it can provide information to guide customers’ purchasing decisions. Effective advertising competition may stimulate switching because bank customers have been informed about more opportunities for their purchasing choices (Balmer & Stotvig, 1997).

2.2.7 Distance

According to Zikiene and Bakanauskas (2009) convenience is observed when customers are served quickly without waiting in a queue, with convenient working hours and a proper location of the service firm. Proper location is an important factor that facilitates the customer with bank relationship and influences the customer switching process. It has shown that accessibility and convenience of location are crucial benefits that the customer looks for which improve customer satisfaction levels. Accessibility considers the ability of customers to access the bank and conduct their business easily (Levesque and McDogall, 1996). Keaveney's research (1995) found a convenient location of the service firm is a subcategory of the inconvenience category which affects the customer intention to patronize a service provider. Customers prefer to switch service providers, if they are closer to work. Choosing the wrong location can be a fatal mistake and will negatively affect service firm profitability. Location is an important factor because it is the office where the customer and the service firm interact and meet (Peppard, 2000). Gerrard and Cunningham (2004) investigated the bank switching behaviour in the Asian banking markets finding that over a quarter of the respondents had switched their service provider to another due to relative inconvenience. The findings noted that fast service and the availability of self banking services are major factors affecting the level of customer satisfaction in banking industry.

2.2.8 Switching Cost

Switching costs relate to the costs a buyer would face, which would be more than the purchase price, when switching from one supplier to another (Baker, 2000). Porter (1980) defines switching costs as "the costs involved in changing from one service provider to another". Gremler and Brown (1996) argue that the switching costs are higher when concerning service providers as opposed to goods. In banking context, Matthews & Murray (2007) interpret switching costs as the range of costs that bank customers acquire if they wish to transfer their banking relationship, in part or in full, from one financial institution to another. Kiser (2002) states that switching costs for bank customers may include the time necessary to open a new account, close an old account, and notify parties with who automated payments occur. Lee & Cunningham (2001) demonstrate that a customer's loyalty can be determined not only by the costs which arise from dealing with the service provider, but also those costs from switching to another provider. Fornell (1992) added switching costs to customer satisfaction in the customer loyalty function.

2.2.8.1 The Importance of Switching costs

Many researchers have investigated relationships between switching costs and customers' switching behaviour. For example, Fornell (1992) states that, switching costs can prevent switching behaviour by making it costly for customers to change service providers. These costs discourage customers to leave the current organization because customers may perceive switching costs to be higher than the expected benefits of changing service providers (Lees et al., 2007). Gronhaug & Gilly (1991) noted that a dissatisfied customer may choose to stay if switching costs are too high. Investing effort, time and money changing service providers can act as significant barrier to a consumer taking action when dissatisfied with the current service provider. Therefore, Hauser, Simester & Wernerfelt (1994) conclude that consumers become less sensitive to satisfaction level when switching costs are high. Colgate & Lang (2001) investigate the switching barriers in the New Zealand financial industry and find that switching costs play an important role in forcing customers not to switch, even though they have seriously considered doing so. Anderson & Sullivan (1993) show similar results in the airline and banking industries.

2.2.8.2 Demographic Characteristics

Customers with different demographic characteristics can act differently under the same situation. According to Block & Roering (1976), demographic factors have been regarded as a basis for understanding customer characteristics and behaviour in the marketing area. Customers' demographic characteristics can be categorised as age, income, education, culture, or nationality (Au et al., 2001). These characteristics can contribute to a variety of customers' thresholds or tolerance levels which can affect customers' repurchase behaviour (Mittal & Kamakura, 2001).

2.2.9 Reputation

2.2.9.1 The Definition of Reputation

Reputation has been described as a social identity, which is very important and intangible resource that can significantly contribute to a firm's performance and its survival (Rao, 1994; Hall, 1993; Formbrun & Shanley, 1990). Rust, Zeithaml & Lemon (2001) and Aaker (1996) define reputation as brand equity or customer equity, and combine it with the credibility and truthfulness of the firm. Reputation is a key asset to firms as it is valuable, distinctive, difficult to duplicate, non-substitutable, and provides the firm with a sustainable competitive advantage (Wang et al., 2003; Hall, 1993). Moreover, Gerrard & Cunningham (2004) identify bank reputation as one of the factors that cause customers to switch banks in the Asian market and refer to reputation as the integrity of a bank and the bank's perceived financial stability.

Furthermore, serious competition offers customers greater varieties and choices in the market. Therefore, reputation is identified by firms in the services sector as crucial part of their competitive strategies. The intangible characteristic of reputation forces researchers to analyze reputation with other elements. For example, reputation has been analyzed by economists relating to product quality and price (Shapiro, 1983). Product quality and services produce benefits not only by lowering costs, but also by increasing competitiveness through the establishment of a good reputation and the attraction and retention of customers (Wang et al., 2003). In addition, reputation can enhance customer loyalty, especially in the retail banking industry where quality cannot be evaluated accurately before purchase (Nguyen & Leblanc, 2001; Andreassen & Lindestad, 1998; Barich & Kotler, 1991). Nguyen & Leblanc (2001) conclude that reputation may be regarded as a critical strategic tool to forecast the outcome of the service-production process, and as the most reliable indicator of the ability of a service firm to satisfy a customer's desires. Barr (2009), states that a bank's reputation has a strong effect on customer choice after investigating 7,500 customers in 25 national and regional banks in the United States. Barr's (2009) results show thirty percent of customer deliberately excluded a bank if the bank had perceived financial instability or practiced questionable ethics.

2.2.9.2 The Importance of Reputation

In a competitive environment, corporate reputation is acknowledged as affecting customer loyalty toward the firm and increasing customer retention (Nguyen and Leblanc, 2001). It plays an important role in determining the buying and repurchasing behaviour of customers (Wang and Lo, 2003). In retail banking, reputation is most important where the quality of the product cannot be evaluated before purchase (Nguyen and Leblanc, 2001). Intensive competition offers customers greater varieties and choices in the market. Thus, reputation is identified by firms in the services sector as an essential part of their competitive strategies. The intangible characteristic of reputation forces researchers to analysis reputation with other elements. For example, reputation has been analysed by economists relating to product quality and price (Shapiro, 1983). It contributes to a bank's overall performance, profit and survival (Fombrun and Shanley, 1990; Hall, 1993; Rao, 1994). Positive reputation can act as an imitation barrier (Barney, 1991; Hall, 1993). The pre-purchase evaluation of the service is complex; therefore reputation plays a key role in service markets (Wang and Lo, 2003) and helps fast market penetration (Robertson and Gatignon, 1986).

However, product quality and services produce benefits not only by lowering costs, but also by increasing competitiveness through the establishment of a good reputation and the attraction and retention of customers (Wang et al., 2003). In addition, reputation can enhance customer loyalty, especially in the retail banking industry where quality cannot be evaluated accurately before purchase (Nguyen & Leblanc, 2001; Andreassen & Lindestad, 1998; Barich & Kotler, 1991). Nguyen & Leblanc (2001) conclude that reputation may be regarded as a critical strategic tool to predict the outcome of the service-production process, and as the most reliable indicator of the ability of a service firm to satisfy a customer's desires. Reputation can be regarded as an effective strategic tool to predict the service-production process and can be considered the most reliable sign of the service firms' ability to meet customer needs (Nguyen and Leblanc, 2001). In addition, Barr's (2009) research revealed thirty per cent of the customers switched their bank, if the bank faced questionable ethics or suffered from financial instability. The research of Walsh and Dinnie (2006) identified a weak correlation between customer switching intentions and reputation, while finding a strong relationship between customer satisfaction and reputation. According to the J.D. Power and Associates Report (2009), image and reputation are crucial factors that influence the bank customer choice process. This report also indicated that twenty seven percent of bank customer switchers attributed their switching to two key factors, either receiving positive word-of-mouth or having had a previous observation with the new bank (www.bizjournals.com, 2009).

2.3 Empirical Literature Review

2.3.1 Service Quality in Banking

The term bank is generally understood as an institution that holds a banking license granted by financial supervision authority. Under the authorities, bank conduct the most fundamental banking services like accepting deposits and making loans, and other financial services (Wikipedia). Previous research have found that the competitive advantage of the banks through Internet reside on the service provided to customers but not the attraction of internet (Furst *et al*., 2002). Nowadays, many companies realize that it is more difficult to make their physical products from their competitors than before. Therefore, most of them turn to seek differentiation in services. In this way, companies seek more competitive advantages in building good reputation for superior performance like on-time delivery, accurate information, better trained personnel and quicker resolution of complaints. It can be easily seen that services has gained more attention by both researchers and managers with the increasing competition in market. Hence, delivery superior service has become one of the most important ways to again superior profitability (Kolter, 2003). Not only that but also Electronic banking is described as the use of the ATM and SMS as a delivery channel for banking services, which comprise traditional ones such as opening a deposit account or transferring funds among different accounts, and new banking services, such as electronic bill presentment and payment (Jun and Cai, 2001).

2.3.1.1 Dissatisfied Service and Switching

Bitner et al. (1994) has looked at the events that lead to satisfying and dissatisfying service encounters for customers from an employee's point of view. Bitner et al's (1994) study found that employees were inclined to describe the customer's problems with external causes such as delivery system failures as the most prominent followed by problem customers. A small percentage of dissatisfactory incidents were classified as spontaneous negative employee behaviours such as rudeness or lack of attention. It was evident that the employees were biased in terms of not blaming themselves for failures. Past research associating customer and employee views on critical factors compelling customers to switch offers assorted assumptions. Schneider and Bowen (1985) and Schneider, Parkington, and Buxton

(1980) found a strong relationship between employee and customer attitudes regarding service quality on the whole in the banking service. The results from their study contradicted those of a study carried out by Brown and Swartz (1989). Data was collected from patients based on experiences with their physicians and were compared to what physicians' perceived of the experiences of their patients. Results showed large differences inversely associated to patient satisfaction in general. Thus researchers have different views regarding customer and employee attitudes on service quality. When considering switching in the financial service, Mintel International Group believes the critical factor causing consumers to switch providers is price. Price is a sensitive issue and one that is close to the heart of customers so it is perceived that they may consider switching on the basis of this if they are not satisfied with the service they are receiving. But it can be concluded that the customers view holds greater value, as it is their opinion that brings in business for a firm.

Bolton & Brankhurst (1995) and McDougal (1996) have looked at customer switching behaviour in relation to complaints, which they believe leads up to the defection. They suggested, that this field should be further explored, as there is a lack of research that tries to investigate the correlations between the factors that influence service switching and those that influence complaints before switching. Complains are again another major area of concern. The first point of call for dissatisfied customers would be to complain, on complaining they would expect their complaint to be dealt with effectively, efficiently and to their satisfaction. If this does not occur this is likely to reflect very negatively upon a company and customers are encouraged to switch based on the fact that their complaints and dissatisfaction is not taken seriously.

2.3.1.2 The Importance of Service Quality

Due to increasing internationalization of financial markets, organizations and products and widespread deregulation removing some competition barriers alongside the impact of information technology, financial service firms have been forced to improve their service quality to match the growing financial sophistication and needs of the customer. In service marketing, customer service is more important than in manufacturing companies (Sachdev and Verma, 2004). High service quality can improve reputation, decrease customer defection rates, enhance customer acquisition through positive word-of-mouth, improve profitability and financial performance, strengthen customer relationships with the firm and increase repurchase volume or acceptance of price premium, while inducing customer loyalty (Zeithaml et al., 2009). It can also differentiate products and achieve competitive advantage for companies (Julian and Ramaseshan, 1994). Other researchers determine that customer satisfaction is linked directly or indirectly to service quality, and that customer satisfaction has a direct impact on customer loyalty toward a bank (Bloemer, Ko and Peeters, 1998). High service quality is important in order to influence bank customers' switching intentions and reduce the defection rate. In 1990, Berggren and Dewar (1991) examined the United States banking industry finding that 42% of customers switched their bank because of poor service quality. In respect to the Islamic banking industry in Malaysia, Dusuki and Abdullah (2006) examined the major factors that encourage customers to choose Islamic banks. Their research revealed that the combination of service quality offered by banks and the Islamic and financial reputation prevent customers switching. Other factors are influential from convenience and product price to good social responsibility practices.

Service quality has become a pivotal concern for service industries since consumers are increasingly demanding high quality in their service experiences (Clemes et al., 2007; Leonard & Sasser, 1982). High service quality can enhance reputation, increase customer retention, attract new customers through word-of-mouth, generate repeat sales, and create competitive profitability of the firms (James 1998; Zeithaml et al., 1996; Julian & Ramaseshan, 1994). Many researches find that service quality is associated with customer satisfaction which can lead to behaviour consequence. For example, Bloemer, KO & Peeters (1998) identify that service quality can directly and indirectly effect customer satisfaction, and that satisfaction has a direct effect on bank customer loyalty. The reason is that customers' expectations on key service attributes, and each new service experience, combine to form an evaluation of service and this affects what customers believe will and should occur in future service encounters (Parasuraman et al., 1994). In regards to bank customers' switching behaviour, high service quality is essential in order to prevent customers from leaving their current bank. Berggren & Dewar (1991) investigated the United State Banking Industry in 1990 and found 42% of consumers closed an account or switched to another institution as a result of service-related problem. Furthermore, Levesque & McDougall (1996) point out that service problem and bank's service recovery ability has a major impact on customer satisfaction and customers' intentions to switch banks.

2.3.2 The Internet Banking Services

With the popularity of internet banking services, Jun & Cai (2001) summarize internet banking service quality from three perspectives: banking service product quality, customer service quality, and online systems quality. Product variety and the diverse features of the service products are categorized into bank service product quality. Customer service quality focuses on the difference between customers' expectations of banks' performance and their evaluation of the services they perceived. Online system quality relates to the quality that the customer perceived when they use the internet. Jun & Cai (2001) develop seventeen service quality dimensions base on these perspectives.

2.3.3 Service Products

Service products are an important component of service quality in intangibly based services as identified in several studies focusing on the hierarchical nature of service quality. Service products can be components of interaction quality, physical environment quality, and outcome quality in a hierarchical context (Dagger, Sweeney & Johnson, 2007; Clemes et al., 2007). For example, access and service portfolio are a component of service quality in Bahia & Nantel's (2000) study in retail banking. Oliver (1996) as cited by Zeithaml et al. (2009) concluded that customer satisfaction with a service or product is affected significantly by the customer's assessment of service or product features. Zhu and Nakata (2007) identified strong delivery of service and product provided to the customer is a crucial antecedent and a major cause of high levels of customer satisfaction. According to Meirovich and Bahnan (2008), customer expectation and needs constantly change, therefore product or service providers should deliver a wide range of products rather than offer products based on the assumption stated by the same authors as "one size fits all" in order to match the complex needs. These researchers observed that when product quality is high, customers will experience positive emotions leading to high levels of customer satisfaction.

2.3.3.1 Service Products Characteristics

In the context of commercial marketing, product considerations include the actual product or service as well as the brand name, reputation, and packaging. Rushton & Carson (1989) conclude that products based on goods tend to have more tangible characteristics, and products based on services tend to be more intangible. Service products normally include a core service, which associates with specific features, service specifications, and targets (Rushton & Carson, 1989; Rust & Oliver, 1994).

2.3.3.2 The Importance of Service Products

In a technology-driven, fast-paced environment, delivering a wide range of products to customer is essential for businesses' success and survival (Strieter, Gupta, Raj & Wilemon, 1999). Today's competition is not only between organizations, but also between products. Easingwood & Storey (1995) state that one of the more important business development strategies is the introduction of successful new products. Service products associated with technologies can reduce transaction costs, switching rates, and encourage customers to create services outcomes on their own (Bitner, Ostrom & Meuter, 2002). Delivering a broad range of service products is very important in the banking industry because of the intensive competition between financial and non-financial institutions. Dixon (1999) suggests that a key determinant in attracting customers is the diversity of features of service products introduced to the marketplace via different technology mediums. These developments provide customers with unlimited access to financial service products and offer them a wider range of choices than before (Gonzalez & Guerrero, 2004). Gerrard & Cunningham (2004) conclude that service products combined with high technology can attract the customers who are techno-seekers to the more innovated banks, which offer a quick, convenient, and higher quality service. Alternatively, the less innovated banks which cannot offer these types of delivery method effectively may cause customers to switch banks.

However, service products associated with technologies can decrease switching rates, transaction costs and motivate customers to create outcomes on their own (Bitner, Ostrom and Meuter, 2002). Dixon (1999) points out that the variety of features of service products provided to the marketplace by using different technology is a useful tool in attracting customers. Stewart (1998), Gonzalez and Guerrero (2004) argued that as a consequence of information technology and deregulation, a wide range of financial services products such as phones, internet banking and 24 Hour ATM services have been heavily introduced in the banking sector. These changes offer customers a wide range of products and encourage customers to be price sensitive toward the provided services. Innovative financial service products which are built on technology and internet banking can easily attract so-called 'techno-savvy' and 'techno-seeker' customers. This technology provides convenient, fast and higher quality service. Alternatively the less creative banks will need a massive capital outlay and time in order to maximize opportunities and prevent customers switching to other banks (Gerrard and Cunningham, 2004).

2.3.4 Customer Service

Due to increased competition in the marketplace, understanding customers' needs has become added importance in business environments. According to the Chartered Institute of Marketing, marketing is defined as the process of management to identify, anticipate and satisfy customer requirements profitably. It has been shown that companies now have moved their focuses from products and sales to customer oriented marketing (Lin, 2003). According to Hanson (2000), customer services are an organization's ability to supply their customer's wants and needs. He further explains improving customer service involves both learning what customers' needs and wants are, and developing action plans and process to give customers what they really want and need. Nowadays, customer service has been emerging as a competitive weapon for business forms to obtain competitive advantage. In addition, customer service has gained specific importance for the survival of companies. With this increased importance of customer service, it is obviously that service quality also come increased concern (Eppinette and Inman, 1997). However, due to services' four distinctive characters: intangibility, heterogeneity and perishability; service quality becomes difficult to measure and evaluate. Hence, customers' perceptions of service quality are drew major concern by both business managers and researchers (Hoffman and Bateson, 2002).

2.3.4.1 Customer Satisfaction

Oliver (1997) provides a formal definition, cited in Zeithaml et al. (2009), stating that "Satisfaction is the consumer's fulfilment response. It is a judgment that a product or service feature, or the product or service itself, provides a pleasurable level of consumption with related fulfilment". Zeithaml et al. (2009) defined satisfaction in less technical terms depending on the customer's judgment that a service or product meets and fulfils their needs and expectations. These authors view dissatisfaction as resulting from service provider failure to meet customer expectations and needs. Bruhn and Georgi (2006) consider customer satisfaction as an emotional reaction resulting from their evaluation of services and the service provider. They state that it results from comparing the customer perception and their expectation. Each of the previously mentioned researchers agreed that satisfaction is the overall customers' evaluation of the perceived service compared to their expectation.

In marketing, customer satisfaction is a crucial practical and theoretical issue (Dabholkar et al., 2005). Customer satisfaction is one of the marketing concepts leading to excellent business results (Zhu and Nakata, 2007). According to Zeithaml et al. (2009) customer satisfaction is the foundation on which the organisation builds its long term survival and success. Devlin and Ennew research (1997) states that the customer themselves is an important factor of the significant success of any organisation. Based on Rust and Zohorik research (1993), cited by Mittal and Laser (1998), customer satisfaction may be related to aggregate retention rate, customer loyalty, market share and profit. Meanwhile, Lovelock et al. (2001) identify positive word of mouth as a large influence on lowering the cost of customer acquisition. High service quality boosts customer satisfaction and loyalty spread by positive word-of-mouth which reduces customer complaints and customer defection rates (Bitner, 1990; Headley and Miller, 1993; Zeithaml et al., 1996, cited in Hossain and Leo, 2009).

Due to the change in global economy with the intention of increased competition, packed markets with little product diverse and new entrants in the banking industry, banks are struggling to improve customer satisfaction and keep their customers rather that devoting additional resources to find new customer (Kessler, 1996). Competitors that are prospering have recognized that measuring customer satisfaction not only permits them to hold on to the customers but also it enables them to understanding how to attract new customers. Johnson and Gustafson (2000), comment that customer satisfaction is a critical strategic weapon that can bring increased market share and increased profit. Oliver (1980) defines customer satisfaction as feeling a person experiences when comparing between what one gets to what one expects to get. In the comparison process, customers especially in service industry used perceived performance (expectations) instead of actual performance.

Reichheld (1995) defines customer satisfaction as the state of mind that customers have about a company when their expectations have been met or exceeded over the lifetime of the product or service. Expectation is related to the mind customers' attitude towards the service. The achievement of customer satisfaction leads to company loyalty and product repurchase or service reuse. Reichheld, further argues that customers' attitude toward repurchase of product or reuse of service fall into one of three categories; rejection (customer will avoid using the service at all if possible), acceptance (customer is satisfied, but will use the service for a better deal) and or preference (customers is delighted and may even purchase a higher price). Customers' attitude is subjective and this subjectivity may be about from two input source; i.e. moments of truth (customers' own experience each time they purchase a product or service) and world of mouth (the experience of other customers each time they hear about a company). An exceptional experience leads to strong word of mouth recommendations and that strong recommendations influence the experience of the customer.

Reichheld adds further, that customer satisfaction measurements need to be undertaken with an understanding of the gap between customer expectations and attribute performance perceptions. Satisfaction refers to a number of different facts of the relationship with a customer (Reichheld, 1996). It can refer to any or all of the following; satisfaction with the quality of a particular service, satisfaction with an ongoing business relationship, satisfaction with the price performance of a product or service and satisfaction because a product or service met or exceeded the customers' expectations. If their expectations are not met this affects their satisfaction and frequency of service usage. Satisfied customers are likely to build loyalty to the bank and become effective users of banking services. Hence, banks have to encourage customer relationship by proving quality and satisfying services. A loyal customer keeps coming banking for the service and requires to additional marketing or set-up costs. Customer loyalty is important in online services, where the switch costs between different websites are low but the marketing cost to win a new customer are relatively high. In networked communities, each additional customer exponential increase value and there losing a customer hurts as twice as much (Reichheld, 1996).

Parasuraman et al. (1988) explain service quality as form of attitude related but not equivalent to satisfaction that results from the comparison of expectations with performance. Gronroos (1988) did not specifically distinguish between the two concepts. However, the current understanding is that satisfaction and service quality are two different, although both are very closely related concepts (Yaylor and Baker, 1994). It is worthwhile looking at these differences: the dimensions underlying quality judgments are rather specific, whereas satisfaction can result from any dimension; expectations of quality are based on ideas or perceptions of excellence, while a number of non-quality issues can help form satisfaction judgments; quality perceptions do not require experience with the service or provider, but satisfaction judgments do; quality is believed to have fewer conceptual antecedents than does satisfaction.

2.3.5 Switching Costs

Switching costs entail time and money, which reduces the ability of customers to switch easily between providers and discourages them (Jones and Sasser 1995). Switching costs can make it expensive for customers to switch to another service provider as suggested by Fornell (1992), such situations can occur when developing relationships with suppliers or learning to use a particular product. This can lead to the buyer becoming “locked” to a particular supplier or product (Baker, 2000). For example in the mobile phone industry providers often require one-or-two year contracts from subscribers, in some cases a customer may incur financial penalties for early cancellation of their service. But for consumers who are on pay-as-you-go contracts, switching costs are low as there is no contract. Additional cost can be time as cancelling one contract to start another can be a long and frustrating process.

The risk of switching is higher when there is competitiveness of competitor offerings. For example when a new mobile phone is released with enhanced features and technology which may only be available on a particular network, consumers may desire to switch to that network to purchase that phone. This is supported by

Karjaluoto et al (2002) study, which found that the main factors that characterised mobile phone choice were: innovative services, multimedia, design and brand. The study also found that new technical properties increased consumer willingness to attain new phone models. It could be argued that in the mobile phone industry there are only four main network providers providing alternatives, but each network provider provides a range of phones, some of which may not be available on other networks, which may have feature that the consumer desires and can only be obtained by switching to that network.

As Keveaney's 1995 study of customer switching behaviour in services found that 60% of supplier switching occurred because of service failure. Of this 60%, 25% said it was due to failures in the core service, 19% had an unsatisfactory encounter with an employee, and 10% received an unsatisfactory response to a service failure and 48% believed their provider to be behaving unethically. Yet there is a risk of consumers becoming less sensitive to satisfaction levels as switching cost increases (Hauser et al., 1994). When Nokia lost profits, due to the fact that they believed that consumers did not want clamshell design phones, which become one of the most popular handsets in demand, many of their customers in Finland remained loyal to the brand. One of the factors that influenced this loyalty was the fact that they had become familiar with the menu system used by Nokia phones and this proved to be a switching cost for consumers.

2.3.6 Customer Loyalty

In business terms loyalty refers to "a customer's willingness" to continue patronizing a firm over the long term, purchasing and using its goods and services on a repeated and preferably exclusive basis, and recommending the firm's products to friends and associates', (Lovelock and Wirtz 2004). Despite this, brand loyalty involves customer behaviour and preference, taste and future intentions. According to Oliver

(1999), consumers begin their loyalty in a cognitive sense, as they perceive that one brand is preferable over another based on the brand attribute information they receive. The second stage is affective loyalty, in which consumers begin to like the brand due to satisfaction received from using it. Based on this, it can be said that this is the stage where the loyalty can start to switch from one organisation to another. On the other hand, it is also possible that one brand "retains" it loyalty as the customer, if not satisfied by the service he/she is getting after switching to a new organisation is likely to return to the previous organisation. The third stage is cognitive loyalty; this is where the customer becomes committed to the brand through repeat purchases. Lastly, the fourth stage is action loyalty in which the consumer displays coherent repurchase behaviour. But loyalty can only continue if the customer feels that he/she is receiving better value (quality and price) than that which would be attained by switching to another supplier. Therefore, in the banking industry, if the customer is dissatisfied by an action of the service provider, or if the customer perceives there to be better value from a competitor, there is a risk that the customer may transfer their loyalty to another network.

Researchers, Reichheld and W. Earl Scisser (1990), found that a customer's profitability increases with the length of time that they spend with a firm. This is due to factors such as customers growing larger and needing to purchase in greater quantities, as a customer becomes experienced, fewer demands are made reducing costs, positive word of mouth recommendations, and lastly whereas new customers may be offered introductory prices, long term customers pay regular prices and would be willing to pay higher prices as they build trust with the suppliers. Therefore, it is clear that loyal long-term customers are an important financial asset for the firm. The foundation of customer loyalty lies in customer satisfaction. Satisfied customers are more likely to become loyal to a service provider and spread positive word of mouth. On the other hand, customers who are dissatisfied can be driven away, which leads to switching behaviour.

Customer loyalty is created by attracting and satisfying the right customers, but firms need to create strategies to “bond” with their customers and concurrently locate and eliminate factors that lead to “churn”, or loss of existing customers. But loyalty rewards are not always enough to retain customers. If customers are not satisfied or believe that they can get better value by switching, they may become disloyal and it is true for banking industry as well. Loyalty rewards are something customers are getting for being with a particular service over a long period of time, but organisation need to think what they are doing differently to keep customers “locked” with their organization’s service. Within the banking industry recently many banks have focused on loyalty by rewarding existing customers with free connection of internet banking. Not only free connection of internet banking that existing customer benefited but also free monthly service charges on children and student accounts. It can be concluded that companies that manage to provide more value for money to its customers are most likely to have customer loyalty, if not, then the notion proves to be correct, as past researches have shown that there is no loyalty, but it is the competitors that are complacent.

2.3.7 Involuntary Switching

Ross (1999) research indicates that switching behaviour can be divided into two categories. The first category relates to customers deciding to switch their service provider, whereas the second category regards the switching behaviour as an involuntary action caused by involuntary factors not related to the distinct decision. These factors may be out of the control of either the service provider or the customer such as changing location by the service provider, changing jobs, moving house or the third party payer had changed alliances. According to Zikiene and Bakanauskas

(2009), relocation by the service customer can influence switching behaviour if the service has no presence near the place of their new residence, moving house may mean a change of needs and desires by the customer or as in quality and satisfaction research crowding may be a factor. Unavoidable or involuntary switching is the most popular switching factor in numerous studies (Friedman and Smith, 1993; Ganesh, Arnold and Reynolds, 2000). Peppars (2000) points out that the concept of location in the new ecosystem is irrelevant and provides evidence that there is no main e-retailer category in which a bricks-and-mortar retailer has a leading market share according to Evans and Wursters (1999).

Switching behaviour is caused not only by distinct decision, but also by involuntary factors not related to the distinct decision (Roos, 1999). Keaveney (1995) describes the factors beyond the control of either customers or the service providers as involuntary switching factors. Customers may switch unintentionally, such as by moving house, changing jobs, or branches being closed in their resident area. Therefore, relocation or other factors that are beyond the control of customers or service providers can destroy even the most satisfied service relationship (Taylor, Roos & Hamer, 2009). In addition, Friedman & Smith (1993) and Ganesh, Arnold & Reynolds (2000) note that involuntary or unavoidable switches represent the most common switching behaviour in their studies.

2.4 Conceptual Gaps in the Literature

The literature review has identified various factors that contribute to customers' switching behaviour in the Tanzanian banking industry. These are: poor customer services, switching cost, reputation, and increased price charges in banking products. The studies did not undertake in-depth investigation on the impacts of the switching behaviour and also the researcher in this study assumed that the list of factors that were found to be influencing the switching behaviour among customers was not exhaustive. There might have been other factors. Thus, this study was designed to address such gaps by finding out the impacts of the switching behaviour in detail and whether there were other factors that contribute to switching behaviour among bank customers. Furthermore, no study among the reviewed was conducted in Morogoro, hence this study was designed to be conducted in Morogoro to generate information that can help in enlightening on the magnitude of the customer's bank switching behaviour in Tanzania. Lastly, the studies that were reviewed based largely on quantitative research methods. But this study focused much on the qualitative methods since some of the issues could not be determined using quantitative methods such as customer's perceptions on the quality of bank services.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents various areas related to the methodologies used in executing the research project. The areas were research design, research area, and the target population, sampling and sampling procedures, data collection methods and data analysis.

3.2 Research design

Research design can simply be defined as adopting the most type of technique of social science research which is most suited for the research and study of the problem. According to Kothari (2008) a research design is the arrangement of condition and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. In fact the research design is a conceptual structure with which research is conducted; it constitutes the blue print for the collection, measurement and analysis of data.

In this study the case study design was deemed useful in order to collect in depth valued information about the customers' switching behaviour in banking industry. Gathering data through quantitative tools i.e. questionnaires, observations, interviews carried out the study, and review of documented records relating to customers' switching, services delivery quality and business performance has been done. The case study design was selected according to its relative advantage over other methods. The case design had various benefits as follows compared to other methods: It helped the researcher create typical observation intensively about switching of customers and its impact on performance of banks. It assisted the researcher to make typical observations intensively over the features of increasing the rate of customers' switching and its impacts on financial performance. It helped in analyzing intensively and probing deeply the events that occur on daily banking operations and their impacts on customers' switching. The study population consists of bank officers, existing customers and non existing customers of National Bank of Commerce Ltd at Morogoro branch. The reason for selecting Morogoro branch was due to the fact that it was easily accessible for data collection given the financial constraints and time limit.

3.3 Population of the study

According to Rwegoshora, M.M.H. (2006:109) population refers to all those people with characteristics which the researcher wants to study within the context of a particular research problem. Thus population is a group of individuals who have one or more common characteristics that are of interest of the researcher. The population of the study included bank officers, existing customers and non existing customers of NBC Limited - Morogoro branch. The enclosure of bank customers on the case study was due to their position to give feedback by providing necessary and quality data or information for the bank. To get reliable data, every effort was made to ensure that all potential and prospective sources of information were optimally utilized for meaningful and unbiased results of the study.

3.4 Sample Size and sampling Procedures

3.4.1 Sample Size

A sample is a portion of people drawn from a large population (Rwegoshora, 2006:109). It will represent the population only if it has the same basic characteristics of the population from which it is drawn. In this population for the study a sample of 100 individuals were sampled, whereby 60 people represented existing customers from NBC Morogoro branch, 2 people represented bank officials in top management at the branch and 38 people represented non existing customers who were chosen due to time limitation and resource constraints. This sample was considered to be more representative of the population as it has been provided a high probability for inclusion of the members of the population in the sample.

3.4.2 Sampling Procedure

Sampling procedures refers to the techniques to be used in selecting the items for the sample. Hence, the technique stands for the sample design chosen (Kothari, 2004:57). Various sampling procedures were used in order to get a representative sample which would provide all the required information. The procedure or technique consists of judgemental sampling and simple random sampling.

3.4.2.1 Simple Random Sampling

Simple random sampling is the type of sampling that gives the members' an equal chance of being included in the study. According to Kothari (2008: 60) random sampling is the sampling design every item of the universe has an equal chance of inclusion in the sample. The procedure was employed to draw a sample of respondents from existing customers and non existing customers of the bank. The technique gave information on their awareness of customers' switching that was experienced. Selecting a random sample was assisted by the use of a list of customers in the bank, for example simple random sampling was used to select those who frequently visit the bank. An alphabetically arranged list of customers at the branch was used by dividing the total number of customers at the branch and the sample size required. As proposed by Kothari (1990:84) 'the errors of estimation or the significance of results obtained from a random sample can be measured' (Kothari

1990:74) thus; this technique was adopted because it is easier for the results obtained be measured in terms of probability.

3.4.2.2 Judgemental Sampling

Purposive or judgemental sampling means a deliberate selection of sample units that confirm to some pre-determined criteria. It involves a selection of cases which can be judged as the most appropriate area for the study. Therefore, it is based on the judgement of the researcher. Judgemental or purposive sampling technique was adopted in selecting a sample that met specific criteria including the Branch Manager and Customer Experience Manager. This prudence was based on the fact that Branch Manager and Customer Experience Manager have enough knowledge on the customers' switching behaviour taking place in the bank.

3.5 Data collection methods

The study used both primary and secondary data in determining the customers' switching behaviour in banking industry. Primary data were collected by asking both bank staffs and customers to complete interview questions and questionnaires respectively on their expectation and perception on the customers' switching behaviour on banking performance. Secondary data were collected from various sources, like financial statements, books and publications.

3.5.1 Primary data

This is the first hand information a researcher can obtain through various techniques of data collection. Hence primary data involves asking of questions to respondents in an oral or written form by the use of questionnaires. According to Churchill (1995), communication may be served by mail questionnaires and interviews conducted either in person or over the telephone. Thus, the source of primary data was obtained by the use of questionnaires, interviews and observations.

3.5.1.1 Questionnaires

According to Kothari (2008:100) questionnaire is the method that consists of numbers of printed or typed in a definite order form or set of forms that is mailed to respondents who are expected to read and understand the questions and write down the reply in the space meant for the purpose in the questionnaire itself. In obtaining data the researcher used self-administered questionnaires to collect data from respondents. Both open and closed ended questions were employed. The questionnaire method was used because it was less expensive, free from bias and it was not exert much pressure on the respondents, thus making them more comfortable.

3.5.1.2 Interviews

According to Kothari (2008:97) the interview method of collecting data involves presentation of oral-verbal stimuli and reply in terms of oral-verbal responses. According to Hussey. and Hussey (1997), interview entails a face to face conversation between interviewer and interviewee aiming at gathering information. In this study the researcher interviewed both the Bank Manager and Customer experience Manager to get more insights on matters related to customers' switching behaviour and collective measures to be taken.

3.5.1.3 Observations

Bailey (1981) defined observation as systematic viewing a specific phenomenon in its proper setting for a specific purpose of gathering data for a particular study.

Studies conducted on banking and its related services undermined observation as a method of data collection this is why the researcher decided to use this tool of data collection. Observation also provided the researcher with ways to check for nonverbal expression of feelings of bank customers, determine who interacts with whom, grasp how bank customers communicate with each other, and check for how much time is spent on various banking activities. This method of data collection also enabled the researcher to study bank customers in their natural settings without their behaviour being influenced by presence of the researcher this was possible since the researcher is a member of staff at NBC Morogoro branch.

3.5.2 Secondary data

This is the second hand information the researcher obtained from different sources. This is entails the researcher's use of written document to get the data. Secondary data were obtained from different sources such as books, news, magazines, examined reports by Bank of Tanzania examiners and Bank publications such as brochures were also considered. Bank financial statements are financial reports which are published by the banks on yearly basis after approval by auditing firms basing on TAS, TFAS and IFRS. These are issued as per regulatory requirements. Financial statements required by law in Tanzania (companies' Act 12 – 2002 S.153 and 154) are the balance sheet, the profit and loss account, and the statement of cash flows.

3.6 Data Analysis

Responses from the interviewees were coded, grouped and analysed qualitatively by using a computer based Microsoft Office program called Excel (spreadsheet). Calculations were done both automatically and manually (using a normal hand calculator) depending on the nature of information required. Information from a group of many data which was needed of figure representation was best obtained through automatic calculation through the computer while information from a few data that had no connectivity with figures such as histograms, was simply obtained through a normal hand calculator. Necessary tables were developed to assist easy understanding of the information. Moreover, the analysis by using percentages is the one which is used for a high reliability of the data.

3.7 Data Reliability and Validity

According Baibie, E (2004:141) reliability is a matter of whether a particular technique, applied repeatedly to the same object, yields the same result each time. One method can be to find out whether the results still remain consistent even if the measures are consistent and the individuals and the situation remain the same, when tests are carried out under the independent situations. In order to eliminate chances of errors, it is always better if there are repeated observations and measurement of the same individuals or situations. Also according (McNeill, 1985) reliability means that the operations of a study, such as the data collection process, can be repeated and the researcher should arrive at the same findings and conclusions. Therefore, the researcher is attributed much attention to the creation of the questionnaire. The researcher formulated the questions and instructions as clearly as possible in order to avoid different interpretations by different respondents. Hence, the validity of data is whereby information is collected from the intended source of data.

CHAPTER FOUR: RESEARCH FINDINGS, ANALYSIS AND DISCUSSION

4.1 Introduction

This chapter describes the general characteristics of the sample used in the survey, the findings of the research, the analysis of data, and the discussion of the research findings. It assesses the customers' switching behaviour on banking performance in Tanzania.

4.2 Demographic description of the respondents

4.2.1 Age of respondents

The researcher decided to include the age group in the study in order to identify which age group has more influenced to switch banks and thus to affect the performance in banking industry. Therefore, the ages of respondents were categorised in five groups as per Table 1 below whereby the age group of 26-35 and 36-45 is more influential on switching behaviour which affects the performance of the bank since the groups are economically and have more access to products of the bank.

Table 1: Age of respondents

Age	Respondents	Percentage (%)
18-25	9	15%
26-35	20	33%
36-45	17	28%
46-55	7	12%
55+	7	12%
TOTAL	**60**	**100%**

Source: Field data, 2013.

Hence, it was observed that the age groups with more influence to switch banks were the age between 26-35 and 36-45 years with a percentage of 33% and 28% respectively. The major reason is that the age groups in question are more economically active in most population structures and more responsible as their contribution is great for improving the performance of the bank. This reason, perhaps, explains why these age groups dominate access to bank products and services. Therefore, more sensitivity should be made to attract these groups and this could be achieved by developing attractive products to suit their needs. However, the study was depicted that the involvement of age 18-25 years were 15%, the age 46-55 years were 12% and above 55 years consisted 12% do not have much influence on switching banks compared to other groups.

4.2.2 Gender distribution

The researcher in this study conducted interviews to 100 respondents as initially aimed at NBC Ltd- Morogoro branch whereby 60 respondents which is equivalent to 60% responded successfully while 40% did not successfully respond and this is due to the fact that, other ignored to respond to the questionnaires due to lack of time, ignorance of some customers whereby they thought that interviewers do benefits from the research work hence requested for payments before responding to the questions.

Table 2: Gender respondents

Gender	**Respondents**	**Percentage (%)**
Male	31	52%
Female	29	48%
TOTAL	**60**	**100%**

Source: Field data, 2013

Basing on successful respondents in Table 2 above, 31 respondents which is equivalent to 52% were male and 29 respondents which is equivalent to 48% were female. It can, therefore, be stated that the ratio of women as shown above may have been attributed to lack of knowledge and understanding of the main purpose of the research, resulting in low response on questionnaires compared to percentage of male.

4.3 Membership status distribution

The study reveals that the respondents who were interviewed most of them are still retained by the bank while few of them were already switching to other banks as Table 3 shown below.

Table 3: Respondent's current Bank membership status

Membership status	Frequency	Percent (%)
Still a member	38	63%
Not a member	22	37%
TOTAL	**60**	**100%**

Source: Field data, 2013

As a respondent's current bank membership status shown in Table 3 above, the study reveals some customers to have switched banks as 37% of the customers interviewed had already switched from NBC to other banks since 2010 to date while 63% customers are still retained with the bank and this shows how the rate of switching is high whereby corrective measures are needed to decrease the number of switching from bank to bank.

It was also revealed from the study that the number of customers switching is increasing as 73% of the clients interviewed attested for the increase in the number of customers. Reasons for the increase in the number of customers switching out are as analysed in the forthcoming sections. Moreover, when the Bank officials were interviewed to give their views on the extent of customers switching, they agreed that there is a high rate of customers switching to other banks. Sixty percent (60%) of the respondents said that the extent of customers switching is of high pace, while 20% responded to be of low pace, 13.3% very high paces and the remaining 6.7% very low pace. Generally, the results indicate that the bank officials agreed that there are customers' switching from the bank although they differed on the rate of the switching of customers.

4.4 Characteristics of the sample population (Sample Profile)

This section describes the general characteristics of the sample used in the study. While this helps to provide a profile of the sample surveyed, some of the information is useful in its own as it highlights various features of customers and organisation under study. The analysis is based on the research questions and this section therefore serves as prelude to more focused and qualitative analysis through explanatory in subsequent section of the chapter. However, the study covered three major areas, namely the factors that influence customers' switching in banking industry, the factors that influence customers' switching in relation to bank services, and the impact of customers' switching behaviour on the financial performance in banking industry. According to the three major areas, it was revealed that price; distance, effective advertising of competing banks, service quality and switching of high income earners are the just mentioned factors that play a great part in causing customers to switch banks.

4.5 Reasons for customer switching

The study was set out to investigate the reasons as to why customers switch banks. The analysis reveals various reasons for customer switching as discussed in the forthcoming sections.

4.5.1 Factors that influence customers' switching in banking industry

The study conducted revealed that, factors that cause the customers' switching includes high price charged, coverage of distance and effective advertisement of competitors hence these factors have shown a great influence for the switch of customers in banking industry.

4.5.1.1 Price

The study reveals that, price is the one of the factors that customers tend to focus on its unfairness especially on price increases. Any price increases that are perceived as unfair by customers may result in switching actions. In general, it can be stated that unfavourable price perceptions can affect intention to switch as it is shown in Table 4 below.

Table 4: Customers respondents on pricing as the reason to switch banks

Customers response	Frequency	Percent (%)
High prices influences customer switching	39	65%
High prices do not influence customer switching	21	35%
TOTAL	**60**	**100%**

Source: Field data, 2013

Customers were responded that high price charged for various services offered by the bank and less is paid out as the reward for the use of the bank products hence a cause of customers switching to other banks in searching for suitable prices. According to Almossawi (2001) empirically identifies price as a critical factor in bank selection for college students. Since price has a wider implication to bank customers, Gerrard & Cunningham (2004) show that pricing seems to influence switching behaviour among bank customers more than customers of other services. This study was attested by sixty five percent (65%) of customers interviewed while only 35% of the customers responded that pricing is not part of the reason as to why customers switch from NBC to other banks. As Table 4 above depicts, prices are quite high, customers proposed that the interest rate for the lowest amount to be reduced to at 15% so that many customers can afford to maintain their accounts and therefore reduce the rate of customers' dropouts. Hence, the current prices for different bank products are shown in the tariff guide (see appendix 3)

4.5.1.2 The location of the bank and customer's homes/ business premises

The study however revealed that most of the customers who switch from NBC do so only due to the reasons mentioned as per Table 5 below and they usually opt to go for bank services in other competing banks that are fast growing. Among them are BOA, KCB, etc and others go for giant banks such as Barclays, CRDB, NMB, Standard chartered to mention just a few simply because they are nearby their homes or their business premises.

Table 5: Influence of distance on customers' switching

Customer response	Frequency	Percentage (%)
Yes	31	52%
No	21	35%
Neutral	8	13%
TOTAL	**60**	**100%**

Source: Field Data, 2013

Location is a crucial factor that could determine the bank switching behaviour. People may prefer to select the nearest branch of a bank from their either residential place or work place (Kisser, 2002). Convenient location is the one of the important factors that influences the bank selection decision. Gerrard and Cunningham (2004) investigated the bank switching behaviour in the Asian banking markets finding that over a quarter of the respondents had switched their service provider to another due to relative inconvenience. This was revealed in the study that, although most of the customers stay some distance far away from the bank locations such as some staying 2-3km and others staying 6-12 km in which case they have to incur a transport cost of between Tshs 400/= to Tshs 2,000/= for them to access the bank services, majority of the customers which is 52% responded that transport cost that is associated with long distance covered by customers to get bank services pause a major cause of customer switching from NBC to other banks where their access is just next to their homes/business premises while 35% of the customers responded that distance is not part of the reason as to why customers switch from NBC to other banks and 13% of the respondents were not aware whether distance can influence customers' switching in banking industry.

4.5.1.3 Effective Advertising of competing banks

Another reason mentioned as the cause of customers' switching includes Effective Advertising of other banks on products and create awareness of what is being done by the banks in terms of services offered as well as types of products held.

Table 6: Reasons for customers switching to other Banks

Effective advertising of competing banks	**Frequency**	**Percent (%)**
Yes	39	65%
No	11	18%
Neutral	10	17%
TOTAL	**60**	**100%**

Source: Field Data, 2013

Efficient advertising has a direct positive effect on bank image as well as customer expectation and helps the customer to know the products offered by the bank.

Promoting the business through announcing various offers attracted more customers. Attractions such as free gifts or lucky draw may help reduce the switching behaviour (Gerrard & Cunningham, 2004). This has been revealed by this study that, effective advertisement of other competing banks influence the switching of customers to other banks since 65% of customers responded positively on their response. The switch itself on this factor is great since the study shows that 18% of respondents asserted that advertising of competing banks does not influence customer switching while 17% respondents were not aware whether advertisements of competing banks can contribute to customers' switching. Furthermore, advertising can affect customers' behaviour because it can provide information to guide customers' purchasing decisions.

4.6 Factors that influence customers' switching in relation to bank services

From the analysis, it was realized that quality of services offered is not good enough as 83% of the respondents said that customer switching is also caused by the poor quality of services offered. Hence, Table 7 below shows the responses on bank services.

Table 7: Quality of services offered and customers switching

Customers response	Frequency	Percent (%)
Quality of service influence customers switching.	50	83%
Quality of service do not influence customers switching	10	17%
TOTAL	**60**	**100%**

Source: Field Data, 2013

Service quality has become a pivotal concern for service industries since consumers are increasingly demanding high quality in their service experiences (Clemes et al., 2007; Leonard & Sasser, 1982). High service quality can enhance reputation, increase customer retention, attract new customers through word-of-mouth and if no service quality, the possibility of losing customers is great. With the popularity of internet banking services, Jun & Cai (2001) summarize internet banking service quality from three perspectives: banking service product quality, customer service quality, and online systems quality. Product variety and the diverse features of the service products are categorized into bank service product quality. However, this was revealed from the study that, the quality of services offered by the organisation is not good since 83% of the customers interviewed said they have either once or more times receive bad services while 17% of respondents did not agree on the service quality as an influence of switching of customers. It was also important to investigate on the quality of the services offered by the bank, if it is to the customers' expectations and if there is any relationship between customers switching and quality of the services offered.

In quality of services a number of variables were checked upon, one among the variables include long queue to see the cashiers, overcrowding on customers service desk to the tune that disallow creating first impression; this has to do with welcoming customers with a face showing a need to attend them. Some customers claimed that the bank officials treat them unfairly; they do not greet the customers, either they don't welcome rather than asking just to explain their problems quickly and leave unless otherwise, the officers see that there is environment of getting something from them.

Another variable that fall under quality of service is provision of required service; Customers address this as the problem that they had to stay in queue waiting for quite a long time before come into contact with officers. After attending the customers officers are required to create last impression, simply by saying welcome again he/she serves but all these may be whipped away by the way an officer creates last impression. However, from the Bank staff, among the reasons mentioned as causes of customers switching is that of introduction of a modern technology where customers can deposit and withdraw money and can get other bank services through the use of their mobile phones. Customers have become much sophisticated and they don't want to stay in queue for hours while the life has been made easier with collaboration of the so called M-pesa, Tigo pesa, Airtel money and Easy pesa and some banks.

4.7 The impact of customers' switching behaviour on financial performance in banking industry

4.7.1 Documentary information

On the basis of the documentary information and observation methods the study found that there is a deterioration of profit in the bank year after year. Since the profit of the bank depends on more large deposits as well as transactions made by customers, hence its decrease resulting from the switching of customers became an influence to the performance of the bank.

Table 8: Performance of the Bank for past four years starting from 2008 to 2012 taking profitability as one among performance indicator

Year	Profitability TZS (Million)
2012	2,252
2011	10,696
2010	13,668
2009	40,885
2008	39,755

Source: Field data, 2013

The bank use to retain a huge amount of profit as one among the performance indicators being general collection from various sources in the bank. As Table 8 above shows, the level of profit since 2008 has been fluctuating involving deteriorating trend due to customer switching as per various factors as they have been highlighted above as the objective of this study was to investigate the customers' switching behaviour on banking performance. This was revealed by Kolter (2003) that delivery of superior service has become one of the most important ways to again superior profitability.

4.7.2 Respondent's on income distribution

The researcher decided to include income groups in the study in order to identify the income group which is highly influenced by switching behaviour as a result of non-performance in banking industry. However, due to the study conducted, it was revealed that the high income earners are the most dominant group of people that switch at a high rate compared to other groups. Thus, the group seems to be most influential due to the fact that, the funds they lose through different charges are greater than the funds they gain through interest they get from the product held.

Table 9: Respondent's Income group

Income group earners (Tzs)	Total number of customers switched	Percentages (%)
Below 200,000	11	18%
200,001-300,000	15	25%
300,001-400,000	15	25%
Above 400,000	19	32%
TOTAL	**60**	**100%**

Source: Field data, 2013

From Table 9 above it can be noted that the high income group tends to be the large switching group. Thus, this group is very much affected by slightly changes and hence become the leading group of customers to switch banks and therefore influence the performance of the bank since 19 respondents interviewed which is equivalent to 32% have been switching to other banks which is the highest percentage of the total respondents obtained from this category of the study conducted.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

To a large extent banks in Tanzania has brought about positive changes in the standard of living of people who access the services. Although some of the customers have not benefited, a number of the bank's customers have benefited positively. Therefore, the main objective of this study was to assess the customers' switching behaviour on banking performance in Tanzania. Thus, this chapter presents the summary, conclusion and recommendations on the basis of the study findings.

5.2 Summary

The main objective of the study was to assess the customers' switching behaviour on banking performance. There were factors that contributed to customers' switching banks and their influence on banking performance. NBC Ltd Company was chosen as a Case study, the purposive sampling and simple random sampling were used to obtain a representative size of the sample. A sample size consisted of 100 respondents; whereby 60 respondents out of 100 were interviewed as existing customers, non existing customers and bank officers. This was done through interviews, questionnaires and observations. The qualitative analysis through explanatory technique was used basing on the percentages of data collected from the field.

5.3 Conclusions

It can be concluded from the research questions and findings of this study that; customers' switching behaviour in banking industry has a great impact on banking performance due to high price charged on the products, inconvenience of the bank services, effective advertising of competing banks, and lack of good service that influence customers to switch especially high income earners within the banks.

5.4. Factors that influence customers' switching in banking industry

5.4.1 Price

Price in banking industry refers to fee implementation, bank charges, interest on loans, interest for saving account and deposits. Price is consideration of what one pays for the benefit or service customers get from another. Later researcher (Kiser 2002) also found that price was the most influential factor that determined the customers in their switching behaviour. The study revealed that the price element in a banking industry induce the customers to switch over from one bank to another bank. The findings reveal that the service charges by the bank are very high that almost 50% of customers do not afford to pay. In order to retain customers, banks should not only rely on increasing prices for their benefits because doing so could bring downside effects to banks since price has the first impression to the customer once he/she wants to purchase a product.

5.4.2 The location of the bank and customer's homes/ business premises

Location is a crucial factor that could determine the bank switching behaviour. People may prefer to select the nearest branch of a bank from their either residential place or work place (Kisser, 2002). Convenient location is the one of the important factors that influences the bank selection decision. The study reveals that customer switching ratio was much attributed to the long distance covered by the banks customers to and from their premises since customers use their time and spending a lot of money in order to get bank services while there is other banks nearby their premises.

5.4.3 Effective Advertising of competing banks

Advertising is concerned with promoting the products or services of a brand or organization for the purpose of letting the consumers know the existence of it (Clemes, et al., 2007; Cengizet et al., 2007). Advertising efficiency has a direct positive effect on bank image as well as customer expectation. Promoting the business through announcing various offers attracted more customers. Attractions such as free gifts or lucky draw may help reduce the switching behaviour (Gerrard& Cunningham, 2004). Advertising is very important to all the banks in this highly competitive market and it seems to be the most popular way of marketing. Thus, the study reveals that effective advertisement of competing banks is one of the important determinants which influence the customers to switch banks. Since efficient advertising has a direct positive effect on bank image as well as customer expectation, and therefore, the management has to keep in touch on advertising the products by letting customers know what is going on and keeping them coming in the bank.

5.5 Factors that influence customers' switching in relation to bank services

Customer satisfaction is highly correlated with the quality of service offered by the bank. Earlier studies found that service quality had positive relationship with customer behaviours (Clemes, et al., 2007). However, the study reveals that unsatisfactory quality of service offered encourages customers to switch banks. Quality of services are denoted by politeness of the bank officials when dealing with customers, the ability of the staff to convey trust and solving customer's problems is highly demanded simply because it influences the decision of the customers whether to switch or not to switch banks.

5.6 Responses on income distribution

High switching rate has been influential on high income earners since the study revealed negative effects in various angles of the bank being in organisations customers' stability in which the cost for replacement is not guaranteed. The instability of customers has a great impact on banking performance and therefore it has contributed to low profit as a result of poor performance in banking industry.

5.7 Recommendations

Due to the findings obtained from the study, the following recommendations have been made basing on the objectives of the study:

5.7.1 Factors that influence customers' switching in banking industry

High price was identified as the important factor that influences the customers to switch banks; and if customers feel that charges are too high, they may leave the bank and decide to find the bank which can provide affordable charges. Thus, banks should not only base on increasing prices for their benefits because doing so could bring downside effects to banks since price has the first impression to the customer once he/she wants to purchase a product. To improve the service quality, it is suggested that the bank's staff be trained on ethics, professionalism, duties and responsibilities towards customers. However, since customers use their time and spending a lot of money in order to get bank services while other banks are nearby their premises, the management has to ensure that banks services are conveniently available everywhere to ensure that customers are retained rather than switching to other banks. Furthermore, effective advertising should be enhanced within the bank so as to make customers aware of the new products of the bank.

5.7.2 Factors that influence customers' switching in relation to bank services

Banks should not ignore to provide services at a standard way to ensure that customers are satisfied. Therefore, standard of service has to be enhanced once confidence, efficiency, effectiveness of the service, and the ability of staff to get the customer's problems solved are maintained. To improve the service quality; it is important that the bank staff are well trained on ethics, professionalism, duties and responsibilities towards customers. It is expected that the staff would be articulate when explaining a product to customers to avoid confusion. A better service quality will undoubtedly attract new customers and retain the existing customers, since businesses these days are customer-centric. Thus, managers have to direct efforts and resources in the most effective and efficient way to prevent customers' departure and reduce business losses in the long run that result from customers' switching banks.

Banks who try to attract new customers from their competitors will also benefit from an understanding of what factors cause customers to switch banks. Thus, bank managers can make use of such information to develop appropriate strategies to attract new customers. Therefore, in general the greater the knowledge the bank management has about the factors affecting their customers' switching behaviour, the greater the ability to develop appropriate strategies to reduce bank switching.

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APPENDICES

Appendix 1: Questionnaires

A SURVEY OF CUSTOMERS' SWITCHING BEHAVIOUR IN BANKING INDUSTRY SPECIFICALY NBC LTD-MOROGORO

QUESTIONNAIRE

This questionnaire contains four sections. Please respond to all of the statements in the relevant sections. Planned below are a chain of statements that relate to your overall banking experience.

SECTION ONE

Please **TICK** the most appropriate box.

During the last two years, I have switched my principal bank. Your principal
bank is the bank which you conduct the majority of banking business.

If **Yes**, Please go to Section Two.

If **No**, Please go to Section Three.

SECTION TWO

Please **CIRCLE OR TICK** how strongly you agree or disagree within each of the following statements.

Please relate your responses to the last bank you left within the last two years.

1. The bank charged high fees

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

2. The bank charged high interest for loans

(a) Strong agree ( )

(b) Strong disagree ( )

(c) Neutral ( )

3. The bank charged high interest for mortgages

(a) Strong agree ( )

(b) Strong disagree ( )

(c) Neutral ( )

4. The bank provided low interest rates on savings accounts

(a) Strong agree ( )

(b) Strong disagree ( )

(c) Neutral ( )

5. The bank provided services that were not as promised

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

6. Bank staffs were impolite and rude

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

7. Bank staffs were slow to provide services

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

8. The bank did not offer a wide range of service products (e.g. loans, mortgages, credit cards,

on line and phone banking, direct bills payment services)

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

9. The service products offered did not satisfy my specific needs

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

10. The bank's consulting service did not satisfy my specific needs

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

11. The competing bank's advertising content influenced my decision to switch banks

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

12. The signs or billboards of the competing bank influenced my decision to switch banks

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

13. The design of the competing bank's card influenced my decision to switch banks

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

14. The promotion activity of the competing bank influenced my decision to switch banks

(eg. attractive free gifts)

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

15. The principal bank branches in my area are closed

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

16. I moved to a new geographic location and my principal bank is not in the area

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

17. I changed banks because my previous bank was not my employers' salary bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

18. The bank branch locations are too far away from my home to be convenient

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

19. The bank branch locations are too far away from my work place to be convenient

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

20. The bank branch locations are not conveniently close to business centres

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

21. It will not take me too much time to switch to a new bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

22. It will not cost me too much to switch to a new bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

23. It will not take me a long time to become familiar with a new bank's policies

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

24. It will not take me a long time to fill out forms to join a new my bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

25. I am sure that I can receive additional benefits if I switch to a new bank

e.g. National Micro-finance Bank, Bank of Africa, etc.

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

SECTION THREE

Please **CIRCLE** or **TICK** how strongly you agree or disagree with each of the following statements.

Please relate your responses to your current bank

1. The bank charges low fees

    (a) Strongly agree ( )

    (b) Strongly disagree ( )

    (c) Neutral ( )

2. The bank charges low interest for loans

    (a) Strongly agree ( )

    (b) Strongly disagree ( )

    (c) Neutral ( )

3. The bank charges low interest for mortgages

    (a) Strongly agree ( )

    (b) Strongly disagree ( )

    (c) Neutral ( )

4. The bank provides high interest rates on savings accounts

    (a) Strongly agree ( )

    (b) Strongly disagree ( )

    (c) Neutral ( )

5. The bank provides services as promised

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

6. Bank staffs are polite and friendly

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

7. Bank staffs provide services efficiently

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

8. The bank provides a wide range of service products

(e.g. loans, mortgages, credit cards, online and phone banking, bills payment services)

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

9. The service products satisfied my specific needs

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

10. The bank's consulting service satisfied my specific needs

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

11. The competing bank's advertising content did not encourage me to switch banks

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

12. The signs or the billboards of the competing bank did not encourage me to switch bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

13. The design of the competing bank's card did not encourage me to switch bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

14. The promotion activity of the competing bank influenced my decision to switch banks

(e.g. attractive free gifts)

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

15. There are bank branches in my immediate area

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

16. I have not moved outside of my principal bank's geographic location

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

17. I did not change banks because my principal bank is my employers' salary bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

18. The bank branch location is conveniently close to my home

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

19. The bank branch locations is conveniently close to my work place

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

20. The bank branch locations is conveniently close to business centres

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

21. It will take me too much time switch to a new bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

22. It will cost me too much to switch to a new bank

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

23. It will take me a long time to become familiar with a new bank's policies

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

24. It will take me too much time to fill out forms to switch to banks

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

25. I am not sure that I can receive any benefits if I switch to a new bank

E.g. National Micro-finance Bank, Bank of Africa, etc

(a) Strongly agree ( )

(b) Strongly disagree ( )

(c) Neutral ( )

SECTION FOUR

The questions below relate to personal data. Please **CIRCLE** or **TICK** the most appropriate box.

1. What is your gender?

(a) Male ( )

(b) Female ( )

2. Which is your age group?

(a) 18-25 ( )

(b) 26-35 ( )

(c) 36-45 ( )

(d) 46-55 ( )

(e) 56 + ( )

3. Which is the highest level of education you have completed?

(a) Primary Education ( )

(b) Secondary Education ( )

(c) High School Education ( )

(d) Diploma/Certificate ( )

(e) Bachelors Degree ( )

(f) Postgraduate Degree ( )

(g) Others ( )

4. What is your occupation?

(a) Professional ( )

(b) Self-employed ( )

(c) Student ( )

(d) Civil Servant ( )

(e) Labourer ( )

(f) Farmer ( )

(g) Unemployed ( )

(h) Retired ( )

(i) Others ( )

5. What is your personal monthly income before tax?

(a) Below 200,000 ( )

(b) 200,001-300,000 ( )

(c) 300,001-400,000 ( )

(d) Above 400,000 ( )

Your participation in this survey is greatly appreciated. Thank you for your cooperation.

Appendix 2: Interview Questions

INTERVIEW GUIDE FOR TOP MANAGEMENT AT NBC LIMITED MOROGORO BRANCH

This guide is designed to research on how top management at the branch experienced the switching of customers from NBC to other banks with relation to the impact of bank performance within banking industry in Tanzania.

1. Which position do you possess in the Bank?
2. Do you know that there is a customer switching banks?
3. Do you have an experience concerned customer switching at your bank?
4. At the bank, do you have received any information about switching of customers?
5. In the past two years, have you received any information concerned customer switching from your bank?
6. Does your management or someone else in the bank experience the customer switching within the bank?
7. If switching of customers is well experienced, is there someone in the organisation raising the matter?
8. If the matter is raised, is there someone in top management making a follow up on the matter?
9. If yes, what are the measures taken concerning the matter?
10. If no, what are the opinions that you may provide?
11. In the last two years, was the bank performed well?

12. In last year, was the bank performed well?
13. If the answer is no, Do you think that the performance of the bank affected by customer switching?
14. How do the top management respond with the bad performance of the bank?
15. How do the customers respond with the bad performance of the bank?
16. Describe the complex situation you experienced on bad performance of the bank.
17. Are the customers not opt or opt to switch the bank?
18. If opt, Describe the impact where customers opt to switch the bank?
19. How would you respond if customers continue switching the bank?
20. Would you recommend anything concerned the switching of customers from the bank?

Your participation in this survey is greatly appreciated. Thank you for your cooperation.

Appendix 3: Tariff Guide

50TH VERSION OF THE TARIFF GUIDE EFFECTIVE – 01ST FEBRUARY 2012

PRODUCT	SERVICE	FEES CHARGED				FLEXICUBE
CURRENT ACCOUNT		TZS	USD	EURO	GBP	SC CODE
	(i) Opening Account Balance					
	Personal Customers	20,000	20	20	20	
	Corporate Customers	100,000	100	100	100	
	Small & Medium Enterprises	50,000	50	50	50	
	Islamic-Corporate	100,000	100	100	100	
	Non- profit Institutions	100,000	100	100	100	
	(ii) Minimum Balance					
	Personal Customers	20,000	20	20	20	
	Corporate Customers	100,000	100	100	100	
	Small & Medium Enterprises	50,000	50	50	50	
	Islamic-Corporate	100,000	100	100	100	
	Non- profit Institutions	100,000	100	100	100	
	(iii) Maintenance Fees					
	Personal Customers	12,000	10	10	10	102
	Corporate Customers	20,000	20	20	20	101
	Small & Medium Enterprises	15,000	12	12	12	101
	Islamic-Corporate	20,000	20	20	20	
	Non- profit Institutions	Free	Free	Free	Free	
	(iv) Cash Deposit/Counting Fees					
	Personal Customers	Free	Free	Free	Free	

	Corporate Customers	Free	Free	Free	Free	
	Small & Medium Enterprises	Free	Free	Free	Free	
	Islamic-Corporate	Free	Free	Free	Free	
	Non- profit Institutions	Free	Free	Free	Free	
	Bureaux De Change & FIS	2.00% min, 10,000 no max	Free	Free	Free	196
	(v) Cash Withdraw Fees over the counter Personal Customers Corporate Customers Small & Medium Enterprises Islamic-Corporate Non-profit Institution Bureaux De Change & FIS	<25M- 1,000 >25M- 0.1% max 150,000	1% no min no max	1% no min no max	1% no min no max	116
	(vi) Bank Statements					
	Monthly	Free	Free	Free	Free	
	Ad hoc statement-CH220<6Months	10,000 flat	10	10	10	
	Ad hoc statement-CH700>6Months	20,000flat	20	20	20	207
	Islamic-Corporate (Monthly)	Free	Free	Free	Free	
	Ad hoc statement-CH220<6Months	10,000 flat	10	10	10	211
	Ad hoc statement-CH700>6Months	20,000 flat	20	20	20	
	(vii) Cheque Book Costs					
	All customers pay once-off	500 per	0.30	0.30	0.30	118

		leaf				
	(viii) Stop Payment-Other Accounts All other accounts	30,000	30	30	30	151
	Islamic Corporate	30,000	30	30	30	266
CURRENT ACCOUNT	**(ix) Special Clearance** Inward Outward	 Free 50,000	 Free 50	 Free 50	 Free 50	 148
	(x) Unpaid cheques-For lack of funds/refer to drawer or effects not cleared and returned manually or through clearing house.	1% min. 150,000 max 300,000	1% min 150 max 300	1% min. 150 max 100	1% min 150 max 100	140
	(xi) Bank Reports Fees	 50,000 per report	 50	 50	 50	 110
	(xii) Sweeping Facility Per Sweep fee (in/out) Per Sweep Fee Islamic-Corporate (in/out)	 Free Free	 Free Free	 Free Free	 Free Free	 154 264
	(xiii) Search Fees Between 1-5 years Over 5 years	 50,000 per item 100,000 per item	 10 15	 10 15	 10 15	

	(xiv) Other Services					
	Certificate of Balance	25,000	25	25	25	117
	Confirmation of Auditors	100,000	100	100	100	104
	Confirmation of Balance	Free	Free	Free	Free	
	Status Report					210
	i. Personal	35,000	35	35	35	105
	ii. Corporate	50,000	50	50	50	125
	iii. SME	50,000	50	50	50	
	Bankers Cheque Issued (BP's)	30,000	30	30	30	136
	Dormant Accounts	20,000	20	20	20	217
	Excess Limit	p.m	1.5	1.5	1.5%	119
		1.5% min	%	%	min	
		100,000	min	min	100	
		no max	100	100	no	
			no	no	max	
	Staff Accounts		max	max	Free	
	Closing of Accounts	Free	Free		Free	
		Free	Free	Free		
				Free		
SAVINGS	**(i) Opening Balance**					
ACCOUNT	Retail Customers	10,000	10	10	10	208
	Closing of Accounts	Free	Free	Free	Free	
	(ii) Minimum Balance	10,000	10	10	10	138
	(iii) Maintenance Fees	800 p.m.s.t funeral cover policy of TZS 200 inclusive	10	10	10	103

	(iv) Cash Withdrawal over the counter Below TZS 25 Million Above TZS 25 Million	1,000 1% max 150,00	1% no min no max	1% no min no max	1% no min no max	116
	(v) Monthly Bank Statements Ad-hoc statement-CH220 Ad-hoc statement-CH700	3,000 p.p. 5,500 p.p.	3.0 5.5	3.0 5.5	3.0 5.5	219
	(vi) Other Services Certificate of Balance Confirmation to Auditors Confirmation of Balance Dormant Accounts Activation of Dormant accounts	25,000 Free Free 2,000 p.m 2,000.	25.0 Free Free 2.0 2.0	25.0 Free Free 2.0 2.0	25.0 Free Free 2.0 2.0	125