

## **THE EFFECT OF SERVICE ASSURANCE ON CUSTOMER SATISFACTION AMONG CLIENTS OF AFRICAN BANKING CORPORATION BANK LIMITED, KENYA**

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## **ABSTRACT**

This study looked into the role of service assurance on customer satisfaction among clients of tier three banks with a focus on African banking corporation, limited, in Kenya. The study was anchored on the SERQUAL model, Cognitive Dissonance Theory and the social exchange theory. Explanatory research design was employed for the study. Primary data was collected using a structured questionnaire administered by the researcher through assistants. The data was organized, summarized and presented using descriptive statistical tools to obtain understandings into the central tendencies, variability and distribution such as mean, median, variance. Pearson's product moment was used to assess the strength of the relationship between the two variables, whereas Simple linear regression was

employed to test the direct effect of the independent variable on the dependent variable. Results were presented in form of tables. The results of simple linear regression was ( $R^2 = .519$ ) which indicates that the service assurance accounted for 51.9% of the satisfaction of the clients of the tier three bank which indicated a significant relationship between service assurance and customer satisfaction. In addition, service assurance and customer satisfaction outcomes had a moderate but positive correlation ( $R = .720$ ) the conclusion made was that service assurance (employee courtesy, service knowledge and customer trust) significantly affected customer satisfaction in tier three banks in Kenya.

## **INTRODUCTION**

Service organizations including commercial banks aspire to achieve desirable levels of service quality to ensure customer satisfaction (Rahaman et al., 2020). This continues to remain a major challenge in developing countries including Kenya, Tanzania and Ethiopia compared to their developed counterpart like the United States of America.

Satisfied customers are able to make referrals, be loyal to the brand, undertake repeat purchases and are retained for longer in the business, Customer satisfaction is thus a critical enabler of the relationship between banks and their customers, as it contributes significantly to the enhancement of the quality of services and products, ultimately leading to the development of long-term customer loyalty (Agrawal, et al. 2019). Nowadays, many companies strive to achieve customer satisfaction as a means of distinguishing themselves from their competitors, thereby gaining a competitive edge (Lydia, 2020). Customers in the banking industry are known for their fickleness, making it difficult for banks to establish and maintain their loyalty.

The ability of a bank to meet and exceed customer expectations holds greater importance than the mere association between the customer and the bank.

In order to ensure that customer expectations are not only met but also exceeded, commercial banks must enhance the service assurance. This is crucial for achieving customer brand loyalty, increasing profits, capturing a significant market share, and surviving in a competitive environment. In the banking sector, where competition for customers is intense, customer satisfaction plays a pivotal role in setting businesses apart. To succeed in such a challenging environment, companies must prioritize customer satisfaction by assessing and striving to improve it. Commercial banks are implementing innovative techniques to enhance the quality of customer service. (Vinnarasi et al.2022).

Chiguvi (2023) conducted an investigation into the impact of electronic customer service platforms on customer satisfaction within the context of commercial banks in Botswana, specifically focusing on ABSA Bank as a case study. The results indicated a positive correlation between service assurance provided by e-customer service platforms and customer satisfaction.

Wang et al. (2023) conducted a research investigation into the impact of service assurance performance on customer satisfaction within non-banking financial institutions in the emerging economy of Bangladesh. The results indicated that assurance significantly influenced customer satisfaction.

In a study conducted by Getnet (2020) in Bale Robe town, selected insurance firms in Ethiopia were investigated to determine the impacts of service assurance on customer satisfaction. The findings of the study revealed a positive and significant relationship between service assurance and customer satisfaction in the insurance firms.

Bitu (2024) examined the impact of relationship marketing, corporate branding, and service assurance on customer satisfaction within the commercial banking sector in Kenya. The results indicated that relationship marketing, service assurance, and corporate branding all exhibited a positive and statistically significant correlation with customer satisfaction in the Kenyan commercial banking context. Additionally, both service assurance and corporate branding were found to partially mediate the relationship between relationship marketing and customer satisfaction.

## **LITERATURE REVIEW**

This section comprises of theoretical review relevant to the study.

### **Theoretical and empirical review.**

According to Vencataya, 2019 SERVQUAL model was initially developed by Parasuraman in 1985, who further refined it in 1988. He noted that service quality measurement in the service

industry is commonly done through the use of the SERVQUAL model. Parasuraman's 1988 article, reduced them to five dimensions: tangibility, reliability, responsiveness, assurance, and empathy. The model offers a comprehensive evaluation tool for perceived service quality and can be practically applied. It measures the gap between customer perception and expectation. When expectations of the customer exceed the perceived service being provided after the measurement, then customers can be said to be dissatisfied, alternatively. Customers perception can either be effected positively or negatively by the expectation of customers after consuming the service. George Homans introduced the theory in 1958. This theory combines behaviorism and basic economics to propose that individuals engage in longer-lasting relationships with others only if they anticipate receiving rewards in return, in this study this theory anchored the relationship marketing strategies.

### **Service assurance and Customer Satisfaction.**

In their research on the impact of service assurances on customer satisfaction in the banking industry of Pakistan, specifically in the Karachi market, Ajmal, Khan, and Fatima (2018) focused on analyzing service assurances. The study selected four hundred branch banking customers from the Karachi district, representing four leading banks: HBL, SCBPL, MBL, and NBP. The respondents were categorized based on the four main sectors: private, international, Islamic, and public. To collect the necessary data, a questionnaire based on the SERVPERF scale was utilized. The findings of the study revealed a positive and significant relationship between customer satisfaction and service assurance.

Miah, (2021) conducted a research study that explored the structural relationships service assurance, customer satisfaction, and customer loyalty. This investigation was carried out across 13 conventional commercial banks in Bangladesh, focusing on the experiences of bank customers. Employing a simple random sampling method, the study included a sample of 220 customers, with data analysis performed using SPSS software. The findings revealed a strong positive association between service assurance and customer satisfaction. Given that the research was limited to Bangladeshi commercial banks, it is recommended that similar studies be conducted in different sectors to ascertain whether comparable results emerge. Additionally, considering Bangladesh's status as a developing nation, it would be beneficial to replicate this study in a developed country to facilitate a comparative analysis of the outcomes.

In a similar vein, Miklos, Hossam, Janos, and Judit (2019) conducted a study to examine the effect of service assurance on customer satisfaction in the banking industry of Jordan. They employed a modified SERVQUAL model and gathered data from 825 customers in the Jordanian banking sector. The collected data was then subjected to statistical analysis using exploratory factor analysis through the SPSS program. The statistical results demonstrated a significant and positive correlation between service assurance and customer satisfaction.

Wang et al. (2023) conducted a research investigation into the impact of service assurance performance on customer satisfaction within non-banking financial institutions in the emerging economy of Bangladesh. The study was guided by the SERVPERF model. Data was gathered from thirteen non-banking financial institutions in Bangladesh through a purposive random

sampling technique. The analysis of the collected data was performed using a partial least squares structural equation modeling approach. The results indicated that assurance significantly influenced customer satisfaction, whereas empathy did not demonstrate a notable effect on customer satisfaction. It is recommended that similar studies be conducted in other sectors to determine whether these findings can be replicated.

In a study conducted by Getnet (2020) in Bale Robe town, selected insurance firms in Ethiopia were investigated to determine the impacts of service assurance on customer satisfaction. The study targeted customers from both public and private firms, with the independent variable being the SERVQUAL model. The research design employed was exploratory, and a sample of 268 respondents was obtained through random sampling from a population of 820. Primary data was collected using a 5-point Likert scale questionnaire. The collected qualitative and quantitative data was analyzed using SPSS version 23, with statistical tools such as descriptive statistics, correlation, and multiple regression analysis. The findings of the study revealed a positive and significant relationship between service assurance and customer satisfaction in the insurance firms.

Chiguvu (2023) conducted an investigation into the impact of electronic customer service platforms on customer satisfaction within the context of commercial banks in Botswana, specifically focusing on ABSA Bank as a case study. The research adopted a positivist philosophy, employing a cross-sectional survey design alongside probability sampling techniques. A total of 180 customers utilizing ABSA Bank's e-customer services were included in the sample. Qualitative data analysis methods were applied to interpret the findings. The results indicated a positive correlation between service assurance provided by e-customer service platforms and customer satisfaction. The study suggests that future research should be conducted outside of Botswana to facilitate comparative analysis of the findings.

Similarly, Alemayehu and Dalega (2019) conducted a study in Wolaite Zone, Ethiopia, focusing on the impact of service assurance on customer satisfaction in insurance companies. The study utilized a causal cross-sectional design, and a sample size of 352 customers was selected through cluster sampling technique. Primary data was collected from customers using a Likert scale-based questionnaire. The collected data was analyzed using descriptive statistics and inferential statistics with the help of SPSS software version 20.00. The results of the study indicated that service assurance had a significant and positive correlation with customer satisfaction in insurance companies, while responsiveness showed an insignificant correlation.

On the other hand, Chege (2022) conducted a study that explored the impact of service assurance on customer satisfaction within the context of Kenyan insurance companies. The study evaluated the quality dimension of assurance service using various questions, such as whether customers felt that the employees instilled confidence in them, whether the company's transactions inspired a sense of safety, and whether the institution provided sufficient and necessary information. Additionally, the study assessed the level of politeness exhibited by employees during customer engagements. The research design employed in this study was descriptive, and a multi-stage sampling technique was used to select 400 policyholders from

19 composite insurance companies in Kenya. Primary data was collected through a structured questionnaire, and data analysis was conducted using inferential statistics with the assistance of R-Gui statistical software. To account for the multi-level structure of the data collected, the study employed linear mixed-effect models of structural equation modeling (SEM). The study adopted a multi-level analysis approach to determine the extent to which service assurance contributed to the variation in levels of customer satisfaction across insurance companies. The results indicated that an increase of one unit in the perceived level of service assurance by customers led to a 0.696 increase in customer satisfaction, which was a significant fixed effect coefficient estimate.

Bitu (2024) examined the impact of relationship marketing, corporate branding, and service assurance on customer satisfaction within the commercial banking sector in Kenya. The research was grounded in several theoretical frameworks, including commitment-trust theory, assimilation theory, Heider's balance theory, and expectation disconfirmation theory. Employing a positivist philosophical approach, the study utilized an explanatory research design. The target demographic comprised customers of commercial banks in Kenya, with a sample size of 602 individuals drawn proportionately from 39 different banks. Data collection was conducted through a structured questionnaire. To analyze the relationships among the variables, structural equation modeling was employed. The study also investigated the mediating roles of service assurance and corporate branding in the relationship between relationship marketing and customer satisfaction, utilizing three regression models for this purpose. The results indicated that relationship marketing, service assurance, and corporate branding all exhibited a positive and statistically significant correlation with customer satisfaction in the Kenyan commercial banking context. Additionally, both service assurance and corporate branding were found to partially mediate the relationship between relationship marketing and customer satisfaction. The study recommends that Kenyan commercial banks engage in community initiatives, implement customer reward programs, adopt biometric security measures, improve mobile banking services, utilize modern banking technology and attractive facilities, recruit skilled personnel, and organize regular exhibitions to showcase their products and services.

Overall, the literature review demonstrates a positive relationship between, service assurance and customer satisfaction within the banking sector across various countries. However, there are also studies that present conflicting findings regarding the relationship between these dimensions and customer satisfaction. Some dimensions show a positive impact on customer satisfaction, while others exhibit negative effects. This highlights the need for further investigation and discussion on this phenomenon. Consequently, this study aims to address this gap in the existing literature by conducting a comprehensive study in tier three commercial banks in Kenya.

## **RESEARCH METHODOLOGY**

The objective of this study was to determine the role of service assurance on Customer Satisfaction among clients of African Banking Corporation bank limited, Kenya. A structured

questionnaire was used to collect primary data from customers of ABC bank which is a tier three bank in Kenya. explanatory research design was used because it allowed variable manipulation and drawing of statistical conclusions. The study population were the 50000 clients of ABC bank, from where a sample size of 496 was obtained using the formula by Yamane 1967. the data was analyzed using SPSS version 24. The study tested the following hypothesis.

**H<sub>03</sub>** Service assurance has no statistically significant influence on customer satisfaction among the clients of African Banking Corporation Bank limited, Kenya.

$$\text{Model: } Y = \beta_0 + \beta_3 X_3 + \varepsilon$$

### **Research philosophy**

According to Galliers (1991), it is a method by which data pertaining to a specific issue is collected, examined, and utilized. There are two major research philosophies recognized in quantitative studies which include: positivism, also known as scientific philosophy, and interpretivism, which is alternatively referred to as anti-positivism (Lehancy & Vinten, 1994). This study was guided by positivism research philosophy which entails utilizing observable social reality to formulate hypothesis tested through quantitative methods, Sullivan (2001). In relation to philosophical orientations this study was anchored on the theoretical philosophy inclination of ontology and epistemology, ontology is a branch of philosophy that deals with questions on the nature of being, existence, and reality, whereas Epistemology which is a branch of theoretical philosophy concerned with knowledge, belief, truth, and justification of the same. Nabimanya (2022).

### **Target population**

The target population will comprise 50,000 (Abc website 2024) individual customers of African banking corporation bank in the eleven branches in Kenya who maintain individual accounts with the commercial bank. The choice of the Abc bank is because it's the best performing tier three commercial bank in Kenya as per CBK report (2023). Commercial banking sector for this study is justified by the fact that, similar to other service companies, commercial banks have a strong inclination towards relationship-building compared to non-service companies (Berry, 1995, Ang and Buttle, 2006). From this population Yamane (1967) formula was utilized to obtain a sample.

### **Sampling**

Where n was the sample size was the population size and e was the confidence level (0.05) using N as 50000 the resulting sample size was 496 putting into consideration 20% non-response rate.

$$n = \frac{N}{1 + N(e)^2}$$

### **Data collection**

A structured questionnaire which was administered by the research assistants was utilized. The questionnaire had sections with Likert scale questions. The Likert scale had was rated at 5 where respondents.

**Data presentation and analysis**

Inferential statistical tools used enabled the measurement of the degree of relationship between the two variables, Karl Pearson's coefficient of correlation were employed. This ascertained the relationship between service assurance and customer satisfaction, and the linearity of the relationship. Pearson's product moment was used to assess the strength of the relationship, with values ranging from 0.1 to 0.29 indicating a weak relationship, 0.3 to 0.59 indicating a moderate relationship, and 0.6 or higher indicating a strong relationship. The questionnaire background was subjected to descriptive analysis. a pilot study was conducted on customers of credit bank limited to determine the validity and reliability of the study tool. For reliability cronbarch values of above .7 were accepted.

**Hypothesis testing and determination of the relationship**

The hypothesis to be tested was.

H<sub>01</sub> Service assurance has no statistically significant influence on customer satisfaction among the clients of African Banking Corporation Bank limited, Kenya.

Model:  $Y = \beta_0 + \beta_3 X_3 + \epsilon$

To test the hypothesis, simple linear regression was used. Table 4.30 presents the corresponding results.

*Table 4.30 Model Summary<sup>b</sup> for Service Assurance and Customer Satisfaction*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.720 <sup>a</sup>	.519	.518	.46412	.519	424.845	1	394	.000

- a. Predictors: (Constant), Assurance
- b. Dependent variable: Customer Satisfaction

The results (R<sup>2</sup> =.519) presented in table 4.30 indicates that the service assurance accounted for 51.9% of the satisfaction of the clients of the tier three bank. Leaving 48.1 % to be explained by other factors. In addition, it can be seen that service assurance and customer satisfaction outcomes had a strong and positive correlation (R = .720)

To test the goodness of fit of the regression model, ANOVA was adopted. The results are displayed in table 4.31.

*Table 4.31 ANOVA<sup>a</sup> for Service Assurance and Customer Satisfaction*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	91.513	1	91.513	424.845	.000 <sup>b</sup>



Residual	84.869	394	.215		
Total	176.382	395			

a. Dependent Variable: Customer Satisfaction

b. Predictors: (Constant), Service Assurance

The regression output (F=424.845, Df=1; Significance = .000<0.05) illustrates that the model was statistically significant and fit to predict customer satisfaction. Therefore, items adopted in service assurance predicts a variation in customer’s satisfaction among tier three banks in Kenya.

Further, table 4.31 reports that there is a significant difference among means of service assurance item (Employee courtesy, Service knowledge, Customer trust) as a result service assurance in the aforementioned areas were fit to predict customer satisfaction.

Consequently, the hypothesis was tested by running a simple linear regression. The acceptance or rejection criteria was based on p-value where p< 0.05 was accepted and vice versa. The results of this test are shown in the table 4.32.

Table 4.32 Coefficients<sup>a</sup> for Service Assurance and Customer Satisfaction

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.615	.179		3.429	.001
	Service assurance	.857	.042	.720	20.612	.000

a. Dependent Variable; customers satisfaction

The results ( $\beta = .615$ ,  $t = 3.429$ ,  $p = 0.000 < 0.05$ ) indicates that the relationship between service assurance and customer satisfaction was significant. As a result, the null hypothesis was rejected and the alternate hypothesis accepted. Therefore, the study established a statistically significant relationship between service assurance and customer satisfaction. As illustrated in the findings, service assurance thus influences customers’ satisfaction in tier three banks

The model equation therefore;

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

$$\text{Customer satisfaction} = .615 + .857 X_1$$

Where Y = customer satisfaction

X<sub>1</sub> = service assurance

$\varepsilon$  = error

### Discussion

The purpose of the study was to determine the influence of service assurance on customer satisfaction in tier three banks. A focus in Abc bank limited. The null hypothesis tested was that Service assurance has no statistically significant influence on customer satisfaction among the clients of African Banking Corporation Bank limited, Kenya. The findings of the study indicated that service assurance has a statistically significant influence on customer satisfaction in abc bank limited banks limited. Thus the null hypothesis was rejected. These findings

matched those of Chiguvu (2023) and Bitu (2024), who also observed that service assurance influences customer satisfaction.

## **Conclusion**

The study found out that when the behavior of the employees instills confidence, when customers feel safe in their transactions with the bank, when bank employees are consistently courteous, have knowledge of the product and when trust is inspired by the employees, the customers eventually have brand loyalty, refer others, repeat purchase and remain loyal to the brand. The study recommends that tier three banks managers should put up policies that will ensure their employees are more assuring to ensure more satisfaction of the clients. This is because the employees interact with customers on a daily basis and thus, whatever they do in the process determines the level of satisfaction of the clients.

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