EFFECT OF TRUST ON CUSTOMER LOYALTY IN KENYAN COMMERCIAL BANKS, NAKURU COUNTY

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Abstract : *This study examined the effect of trust on customer loyalty in commercial banks. The target population consisted of 414,000 retail customers of commercial banks in Nakuru Municipality, Nakuru County of Kenya. Data was collected from 381 respondents drawn from a cross-section of customers of commercial banks in Nakuru. A survey research design was used in this study. Questionnaires were used to collect data. Analysis of the survey responses was done using Statistical Package for Social Sciences (SPSS). Pearson Correlation was used in analyzing the data and testing of hypotheses. Pearson correlation was used to determine the relationship between trust and customer loyalty. The study findings of correlation analysis showed that trust positively and significantly influenced customer loyalty.*

The finding of this research supports the hypothesis that trust significantly influences customer loyalty hence any strategists and managers aiming to achieve customer loyalty should pay close attention to trust. Further research studies should be done on other aspects that contribute towards customer loyalty.

Keywords: *Banks, Customer Loyalty, Trust*

1. INTRODUCTION

As markets become more competitive, many companies recognise the importance of retaining current customers and some have initiated a variety of activities to improve customer loyalty. Indeed, the benefits associated with customer loyalty are widely recognised within business. These include lower costs associated with retaining existing customers, rather than constantly recruiting new ones especially within mature, competitive markets (Ehrenberg and Goodhardt, 2000). It is known that long-term customers are more likely to expand their relationship within the product range and so the rewards from this group are long term and cumulative (Grayson and Ambler, 1999).

Another widely perceived benefit is that repeat or behaviourally loyal customers are also thought to act as information channels, informally linking networks of friends, relatives and other potential customers to the organisation (Shoemaker and Lewis, 1999).The strong rivalry characterizing today's business environment has resulted in the building of stronger firm-customer relationships. Ndubisi (2004) reported that more and more firms are capitalizing on strong firm-customer relationship to gain invaluable information on how best to serve customers and keep them from defecting to competing brands. Hence customer relationship building creates mutual rewards (Rapp and Collins, 1990) which benefits both the firm and the customer.

In modern competitive environments services are gaining increasingly more importance in the competitive formula of both firms and countries. Globalised competition has stressed the strategic importance of satisfaction, quality and consequently loyalty, in the battle for winning consumer preferences and maintaining sustainable competitive advantages. In the service economy especially, these prove to be key factors reciprocally interrelated in a causal, cyclical relationship. The higher the (perceived) service quality, the more satisfied and loyal the customers (Petruzzellis, D'Uggento and Romanazzi, 2006).

Therefore, the traditional product-oriented bank became more and more customer-oriented, focusing on protecting and retaining actual customers' loyalty as the main source of competitive advantage. Traditional financial services providers have to work even harder to retain customers that they once took for granted.

Since customers have more choice and more control, long lasting and strong relationships with them are critical to achieve and maintain competitive advantages and, as a consequence, earnings. However, due to the similarity of the offers of many financial services, loyal customers have a huge value, since they are likely to spend and buy more, spread positive word-of-mouth, resist competitors' offers, wait for a product to become available and recommend the service provider to other potential customers. Nowadays great attention is paid to all the bank-customer touch-points, aiming to optimise the interaction, towards affecting specific customer behaviour variables (satisfaction, loyalty, etc.).

One of the ways to build this relationship is through trust. Trust is defined by Moorman *et al*. (1993) as a willingness to rely on an exchange partner in whom one has confidence. They further state that a betrayal of this trust by the supplier or service provider could lead to defection. This study sought to assess the effects of relational social capital on customer loyalty within commercial banks in Nakuru Municipality.

1.1 Statement of the Problem

Creating long lasting and strong relationships with customers is critical in achieving and maintaining competitive advantage. A critical challenge for most enterprises is how to achieve and sustain competitive advantage. According to resource and capabilities theory, if the firms resources and capabilities that are unique, rare, difficult to imitate and non-substitutable they create competitive power and above average performance (Barney, 1991). Therefore, the traditional product-oriented banks became more and more customer-oriented, focusing on protecting and retaining actual customers' loyalty as the main source of competitive advantage. Most research work that has been done on customer loyalty have focused on the effects of customer satisfaction, service quality and relationship marketing on customer loyalty. However little research has been done on the effect of trust on customer loyalty in the Kenyan commercial banks.

This study therefore centred on the effects of trust on customer loyalty in Kenyan commercial banks.

1.2 Objectives of the Study

The main objective of the study was to assess the effects of trust on customer loyalty within commercial banks in Nakuru Municipality.

1.3 Study Hypotheses

H_{A1}: There is a significant relationship between trust and customer loyalty within commercial banks in Nakuru Municipality.

2. LITERATURE REVIEW

2.1 The banking Sector in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and other various prudential guidelines issued by the Central Bank of Kenya (CBK). All of the policies and regulations that administer the entire banking industry centres in lifting the controls towards the management and equitable services. With the help of the monetary policy theirs is a formulation of policies that fosters the liquidity, solvency and proper functioning of the financial system. Along with the various developmental changes in the environment, Kenya's banking industry recognized the growth in assets, deposits, profitability, and adoption of banking services and products (PwC).

As a result of the growth in the financial streams and increased innovative programs, the competition in the banking industry tightened. For over the years, the banking industry in Kenya recognized the growth in various financial aspects which make the note the increase in competition. The growth was traced through looking on the times since there is a successful introduction of innovation and new entrants in the market (PwC). Banks are identified to be among the major players that support the Kenya's socio-economic development. Its role in the society is critical because it boosts the confidence in terms of entrepreneurship. The innovative products in the banking industry serve a great advantage not only on the business but also to provide satisfaction on their long-time customers. The continuous excellent performance of the banks reflects in the improvement and stability of the economy. One of the best examples that benefited in the progress of banking sector is the strong existence of small and medium enterprises (SMEs), which became the source of livelihood in Kenya.

From the past examination and studies regarding the growth in the competition in the banking industry, it identified the factors such as the internationalization, openness of the financial markets, and banking harmonization which created obvious changes in the banking activities, as well as on their performance. In the continuing adoption of the banking in the area of technology and innovation, there is a great expectation on the mobile payment and mobile banking systems. The banking industry in Kenya exceeds to what is needed in the formal financial sector that leads in the continuous operation in terms of mobile payment. In the long-run it will definitely create an impact in the banking activities and substantially delivers an impression of a strong economy.

2.2 Trust

Moorman et al., (1993) defines trust as the willingness to rely on an exchange partner in whom one has confidence. A betrayal of this trust by the supplier or service provider could lead to defection. Schurr and Ozanne (1985) defined the term as the believe that a partner's word or promise is reliable and a party will fulfil his/her obligations in relationship. Fulfilling promises that have been given is equally important as a means of achieving customer satisfaction, retaining the customer base and securing long-term profitability besides funning the fire of trust.

Trust has been defined as the willingness to rely on an exchange partner in whom one has confidence (Ostrom and Iacobucci, 1999) or confidence in an exchange partner's reliability and integrity (Morgan and Hunt, 2004). Morgan and Hunt (1994) define brand trust as the customer's willingness to rely on the ability of the brand to perform its stated function. Trust causes dedication because it reduces the costs of negotiating agreements and lessens customers' fear of opportunistic behaviour by the service provider. In social psychology trust is considered to consist of two elements: trust in the partner's honesty, and trust in the partner's benevolence. Honesty is the belief that a partner stands by his word, while benevolence is the belief that the partner is interested in the customer's welfare, and will not take actions with negative impact on the customer. In the marketing literature, Morgan and Hunt (1994) also suggest that brand trust leads to brand loyalty and commitment because trust creates exchange relationships that are highly valued.

2.3 The Concept of Customer Loyalty

Customer loyalty conceptualisation has received remarkable attention in the literature over the past two decades because practitioners have observed the intricate relationship with a firm's profitability. Thus customer loyalty is now accepted as indispensable in strategic decision making because it costs more to attract new customers than to retain old ones. Loyalty conceptualisation has two dimensions- attitudinal and behavioural. Attitudinal loyalty reflects a situation whereby different feelings create an individual's overall attachment to a product, service or organisation (Fornier, 1994). These feelings define the individual's cognitive degree of loyalty (Hallowell, 1996). The other dimension is behavioural. This reflects the degree to which attitudinal feelings are translated into loyalty behaviour. In other words it reflects intentions being translated into actions.

The most widely accepted definition of loyalty is by Jacoby and Kyner (1973), who describe loyalty as the biased (i.e. non-random), behavioural response (i.e. purchase), expressed over time, by some decision making unit, with respect to one or more alternative brands out of a set of such brands, and is a function of psychological (i.e. decision making, evaluation) processes. However, Oliver (1999) criticises this and similar definitions (Dick and Basu, 1994), based on the collective failure to provide a unitary definition and the reliance on three phases; cognition, affect and behavioural intention. These three phases lead to a deeply held commitment, predicting that consumers develop loyalty in a linear fashion.

Oliver (1999) places greater emphasis on situational influences adding a fourth phase, action characterized by commitment, preference and consistency while recognising the dynamic nature of the marketing environment. Thus he defines customer loyalty as ". . . a deeply held commitment to rebuy or repatronize a preferred product or service consistently in the future, causing repetitive same brand or same brand-set purchasing, despite situational influences and marketing efforts" (Oliver, 1999).

Best (2009) operationalized the concept of customer loyalty into measurable metrics. He expressed customer loyalty as an index computed as: customer loyalty score (CLS) = customer satisfaction x customer retention x customer recommendation. Best (2009; p. 51) contends customer loyalty metric must "include the elements of customer satisfaction, customer retention as well as customer recommendation to potential customers".

2.4 Theoretical Background

The theoretical foundation of this study will be the Social Capital Theory. Social Capital Theory is a theory that entails an economic idea that refers to the connections between individuals and entities that can be economically valuable. Social networks that include people who trust and assist each other can be a powerful asset. These relationships between individuals and firms can lead to a state in which each will think of the other when something needs to be done. Along with economic capital, social capital is a valuable mechanism in economic growth (http://www.investopedia.com/terms/s/socialcapital.asp).

SCT is considered one of the more useful perspectives for theorising the nature of connection and cooperation between organisations (Adler and Kwon, 2002; Starkey and Tempest, 2004). SCT supports the idea that people and relationships between organisations are instrumental to competitive advantage. The basis of social capital theory (SCT) within a firm is that both employees and the owner/manager can benefit because of the workplace relationships between them (Taylor et al., 2004). This then affects their access to a range of resources (Lin, 2001). Nahapiet and Ghoshal (1998) have identified three distinct dimensions that can be examined to determine how social benefits positively affect their outcomes; they are the structural, relational and cognitive dimensions. Structural social capital has been examined by entrepreneurial researchers by analysing the number of contacts that occur which connects individuals (Burt et al., 2000). Cognitive social capital has been examined by analysing the types of understandings that develop amongst individuals depending on a shared meaning of language, codes and culture (Nahapiet and Ghoshal, 1998). The relational social capital has been examined by identifying the rules and norms about trusting, reciprocity and obligation behaviours within firms (Adler and Kwon, 2002; Uzzi, 1996).

2.5 Conceptual Frame Work

A conceptual framework is collection of concepts or models from literature which informs a research study. It relates a study to existing ideas or principles. For this study, it considers trust as a critical component of achieving Customer Loyalty. According to this framework trust constitutes the independent variable. On the other hand, Customer Loyalty is considered to be the dependent variables assessed in terms of indicators such as; Repeat purchase, Referral and None switching behavior. In this conceptual framework, the moderating variable is Customer Satisfaction. The conceptual framework for this study is illustrated in Figure 2.1.

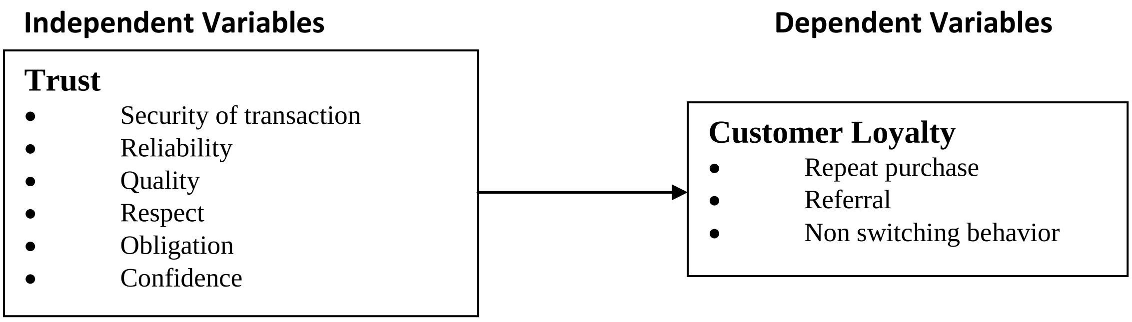

Figure 2.1 Relationship between Trust and Customer Loyalty

Source: *Own conceptualization*

3. METHODOLOGY

3.1 Research Design

This study used descriptive survey which involves collection and analyzing of data from members of a population in order to determine the current status of the subject of study. This is a research design where the researcher does not have the direct control of independent variables and there is no treatment or manipulation offered to any variables. It attempts to describe such things as possible behavior, attitudes, values and characteristics,(Mugenda and Mugenda ,1999).A description survey research technique is the most appropriate when the purpose of the study is to explore and create a detail description of a phenomenon.

3.2 Area of Study

The study focused on commercial banks within Nakuru Municipality. Commercial Banks were chosen for this study because they are representative of the service industry and would accord the opportunity to investigate the determinants of customer loyalty from the perspective of the customers. Nakuru Municipality is also representative of the Kenyan Bank customers due to its cultural diversity with several commercial banks. Arnold & Bianchi (2001) observed that customer loyalty can be affected by cultural differences.

3.3 Target Populations

The target population consisted of 414,000 retail customers of commercial banks in Nakuru Municipality, Nakuru County of Kenya. The commercial banks were grouped into the following three categories: Public Sector banks (Commercial Bank of Kenya and Cooperative Bank of Kenya), Foreign banks (Standard Chartered and Barclays Bank) and Private Domestic banks (Equity Bank and Family Bank).

The criteria for the choice of this population of study included the following. First, the commercial banks selected on the three categorization had fairly similar characteristics and therefore provided representative data. Second, the selection of the six banks has been based on the size of their market share or number of customers and period or duration of operation (those that had operated for at least five years) in Nakuru Municipality. The market size ensured that large, the medium and small scale sizes of banks were included in the study and the five year duration ensured that the relevant data on loyalty to the banks would be provided (since loyalty is cumulative in nature).

3.4 Sample Size and Sampling Procedure

The commercial banks for this study had been purposively selected to capture three categories of ownership: public (state owned), private domestic and foreign owned banks within the municipality. Drawing a sample from across these categories ensured adequate representativeness of the various commercial bank characteristics.

Stratified random sampling was used to obtain the sample size. The population was stratified according to ownership (public, private and foreign), market share period of operation within the Municipality. A sub-sample size was determined for each stratum. The total sample size for the study was obtained using the following formula recommended by Borg and Gall (2006) for survey studies.

$$S = \frac{P(1-P)*100}{\frac{A^2}{Z^2} + \frac{P(1-P)}{N}}$$

Where

S = Sample size required

N = Number of people in the population

P = Preliminary estate of percentage of people in the population who possess attributes of interest. The conservative estimate and one that is often used is 50%. (0.5 will be used in this formula)

A = Accuracy (or precision) desired, expressed as a decimal (0.5 for 5% is used in this formula).

Z = The number of standard deviations of the sampling distribution (Z units) that corresponds to the desired confidence level, 1.96 for 95% confidence level, 1.6449 for 90% confidence level and 2.5758 for 99%.

The total sample size of 384 respondents was determined. The sub-sample size for each bank was determined using the formula by Krejcie and Morgan (1970) given as:

$$s = \frac{xS}{P}$$

Where:

s = Sub-sample size for each bank

x = Sub population of customers in each bank

S = Total sample size for the study

P = Total population for all the banks

This number of respondents is above or more than the minimum of 100 recommended by Borg and Gall (2006) for survey studies. The formula was also preferred for its acceptable level of accuracy in generating a representative sample size at 0.05 level of confidence.

Once the population had been stratified and the sample size for each stratum determined, individual respondents were selected through systematic sampling. This was achieved by picking the customers from each stratum coming to the bank according to Zikmund (2003). This technique was preferred because it ensured representative coverage of all elements being considered in the study.

Table 3.1 Sample Size Determination

	NUMBER OF CUSTOMERS (POPULATION SIZE)	SAMPLE SIZE
PUBLIC SECTOR:		
KENYA COMMERCIAL BANK	30,000	28
CO-OPERATIVE BANK	38,000	35
PRIVATE SECTOR :		
EQUITY BANK	250,000	232
FAMILY BANK	60,000	56
FOREIGN BANKS:		
STANDARD CHARTERED BANK	15,000	14
BARCLAYS BANK	21,000	19
TOTAL	**414,000**	**384**

Source: Bank managers of the respective banks

3.5 Instrumentation

Data was collected using a questionnaire . The instrument was used to collect data on demographic variables such as age, gender, education, marital status, occupation and income, and to measure the constructs of relational social capital and loyalty of the respondents. Data was collected over a period of one month during working hours form 9.00 am to 3.00 p.m., Monday through Friday.

The total number of items that measured the criterion variable was 25 and were operationalized using a five-point Likert scale, ranging from (1 = strongly disagree) to (5 = strongly agree). The scale was useful in determining the strength of the respondents' responses on these items. The items had been constructed based on the literature on relational social capital, customer satisfaction and loyalty.

3.6 Validity and Reliability of the Study

The study attempted to ensure that the findings will be both valid and reliable. Validity is the extent to which the test-items measure what they purport to do. Reliability on the other hand refers to the consistence of a score form one occasion to the next. The instrument's content validity was assessed using expert judgment by four faculty academic staff in the department of Business Administration, in Egerton University. The relevance of the content used in the questionnaire in relation to the objectives of the study was assessed using a cross-bridge matrix where by the items in the questionnaire are checked against the objectives of the study to ensure adequate content coverage. Through the expert judgment, construct validity was assessed to establish the extent on which the instrument measured special respondent attributes like perceptions, attitudes and options towards the effect of relational social capital and customer satisfaction to customer loyalty.

After the validation of the instrument, it was pilot tested in selected commercial banks in Naivasha district. The purpose of a pilot study was to detect the flaws and bias in the design and improve the final instrument and research data for the main study. The district was chosen because it is likely to include subjects with similar characteristics as those who were interviewed in the final or actual interview. A purposively selected sample of 39 respondents from the same categories chosen in Nakuru municipality with similar characteristics was used to explore any errors in format, wording or design of the instrument. This procedure required a single administration of a test and it was the most appropriate type of reliability for measures that contain a range of possible answers for each item of an instrument (Kathuri & Pals, 1993).

The pilot test data was also used to establish the reliability of the instrument. This was accomplished using Cronbach's alpha procedure, which is appropriate for establishing both inter-item and inter case consistency. This procedure required a single administration of a test and it is the most appropriate type of reliability for measures that contain a range of possible answers for each item of an instrument (Kathuri & Pals, 1993). A minimum reliability coefficient of 0.7 was used as a bench-mark as recommended by McClelland, (1961). Efforts was made to ensure the research instruments are reliable and valid.

3.7 Data Collection Methods

Data was collected using questionnaire that were submitted to a random sample of bank customers in Nakuru Municipality. The customers were conducted while leaving the bank. The data was collected in one month during the time in which people usually go to banks. Before proceeding to the field, a permit for carrying out the research was obtained from Egerton University. With granted authority, permission was sought from the bank management to conduct the study at their bank entries. The respondents were requested to fill the questionnaire and return them to the researcher. The respondents were asked to provide their telephone contacts for follow-up as a way of increasing the response rate. The participants were assured that any data collected will be kept confidential and used strictly for academic purposes only.

3.8 Data Analysis

Data analysis involved steps such as coding the responses, cleaning, screening the data and selecting the appropriate data analysis strategy detailed below. Pre-coding of responses involved identifying, classifying and assigning a numeric or character symbol to data. The process of cleaning and screening data included inconsistency checks and missing responses. Statistical Package for social Sciences (SPSS) was used to conduct preliminary data analysis including frequencies, mean and standard deviation.

Thus both descriptive and inferential analysis was required for this study. Descriptive analysis involved the computation of frequency distribution, mean and standard deviation, which are useful to identify differences among groups. Inferential analysis assisted in understanding cause-effect relationships between the study variables.

Various tests statistical were computed to determine the degree association and/or interrelationships between the dependent variable (customer loyalty) and the independent variables (trust). In order to investigate the hypothesised relationships in this study, statistical techniques to be employed include correlation analyses. All measurements were at 5% level of significance. Pearson correction analysis was applied to test the existence of relationships between variables. Correlation analysis depicts the strength of linear relationship between two variables. Correlation coefficients run from -1 to +1. Correlation coefficients close to -1 show a strong inverse relation whilst a coefficient close to +1 denotes a strong direct relation. Mathematically, a correlation between 2 variables X and Y is given by:

$$r = \sum (x - \bar{x})\ (y - \bar{y}) / \sqrt{\sum (x - \bar{x})^2 \sum (y - \bar{y})^2}$$

Where $\bar{x}, \bar{y}$ are the samples means (Iversen and Gergen, 1997).

r = Correlation coefficient

IV. RESULTS AND DISCUSSIONS

4.1. Introduction

This study set out to assess the effect of trust on customer loyalty within commercial banks in Nakuru Municipality. The data was collected using questionnaires targeting customer of commercial banks in the study area.

4.2 Demographic Characteristics of the Respondents

This section presents a brief description of the demographic characteristics of the sampled respondents involved in this study. Such a description is considered to be very important in providing a better understanding of the respondents included in the study and therefore provide a good foundation for a detailed discussion of the results based on the stipulated objectives of the study. The demographic characteristics included respondents' age, gender, level of education and duration with the bank.

4.2.1 Distribution of the Respondent by Gender

It was expected that 384 respondents who constituted the sample size would respond but only 381 did. The study findings showed that 56% of the respondents were male while 44% were female respondents. This data showed that majority of respondents were males.

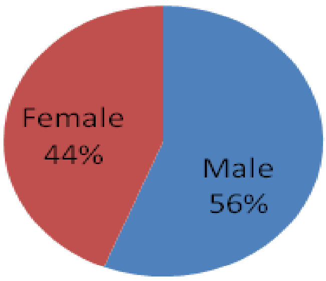

Figure 4.1 Respondents' Gender

4.2.2 Respondents' Age

The study findings (Figure 4.2) established that 51.4% of respondents were aged between 26 and 35 years, 31% were aged 36-45, 9% were aged 46-55years, 6.5% were aged 16-25 years whereas only 2.1% were aged 56-65 years. These findings show that a significant proportion of the respondents are aged between 26-35 years. It also suggests that the respondents were generally in their prime youthful years.

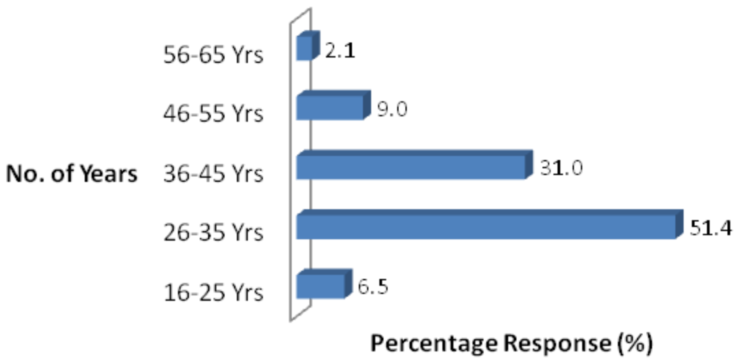

Figure 4.2 Respondents' Age

Source: Research Data (2011)

4.2.3 Distribution of Respondents by Education Level

According to study findings (Figure 4.3), 54% of respondents had diploma education, 23% had attained had university education, 13% had secondary education, 8% had postgraduate education while only 2% had primary education. This data showed that majority of respondents had attained either diploma or university education.

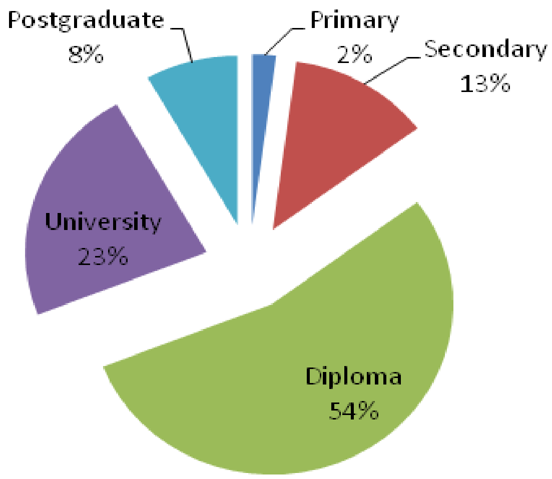

Figure 4.3 Education Level of Respondents

Source: Research Data (2011)

4.2.4 Respondent's Duration with the Bank

The study found out that 60% of the respondents had been with their bank for 0-5 years, 32% been with their bank for 6-10 years whereas only 8% had been with their bank for 11-20 years (Figure 4.4). These findings indicate that majority of respondents had been with their bank for at least 5 years which is a considerably long period to influence customer satisfaction and loyalty.

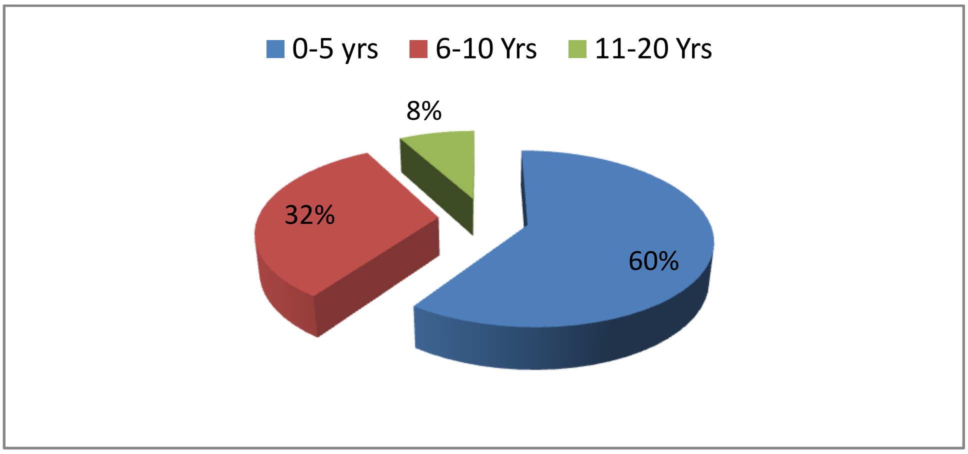

Figure 4.4 Respondents' Duration with the Bank

4.3 Effect of Trust on Customer Loyalty within Commercial Banks in Nakuru Municipality

The study sought to assess the effect of trust on customer loyalty within commercial banks in Nakuru Municipality. The respondents were asked to indicate the extent to which they disagree or agree with various aspects of trust in their respective banks. The five-point Likert scale with strongly agree, moderately agree, neutral, moderately disagree and strongly agree was used. The results are presented in the Table 4.1

Table 4.1 Effect of Trust on Customer Loyalty among Customers

Statement	**Percentage Response (%)**					**Total**
	Strongly Agree	**Agree**	**Uncertain**	**Disagree**	**Strongly Disagree**	
My bank is very concerned with the security of my transactions	18.3	63.3	16.3	2.1	0.0	**100.0**
My bank's promises are reliable	18.3	57.4	22.0	2.3	0.0	**100.0**
My bank always provides quality services	21.4	57.1	19.1	2.3	0.0	**100.0**
The employees of my bank show respect to customers	25.1	51.4	22.5	0.8	0.3	**100.0**
My bank always fulfills its obligations to customers	21.7	53.7	22.7	1.6	0.3	**100.0**
I have a lot of confidence in my bank's services	25.3	54.3	17.6	2.1	0.8	**100.0**

The study revealed that 81.6% of the respondents generally agreed that their bank was very concerned with the security of my transactions, (that is 18.3% strongly agreed while 63.3% agreed), 16.3% were uncertain while only 2.1% disagreed. Based on the results, a greatest percentage i.e 81.6% of customers believe that securities of their transaction are taken care of by the bank. This suggests that most customers would be comfortable and confident to do their transactions in banks within Nakuru Municipality as the banks are upholding the aspect of confidentiality in high regard.

Study findings also indicate that, 75.7% of the respondents generally agreed that their bank's promises were reliable, (that is 18.3% strongly agreed while 57.4% agreed), 22% were uncertain whereas only 2.3% disagreed. This implies that most customers i.e. 75.7% believe their banks are reliable hence bank customers within Nakuru Municipality can depend on their banks on various banking issues and the banks would be there to assist them without failing them.

In addition, 78.5% of the respondents generally agreed that their bank always provided quality services, (that is 21.4% strongly agreed while 57.1% agreed), 19% were uncertain while 2.3% disagreed. This showed that banks within Nakuru Municipality are offering their customers quality services hence this would most likely enhance customer satisfaction leading to customer loyalty.

The study findings further revealed that 76.5% of the respondents generally agreed that the employees of their banks showed respect to customers, (that is 25.1% strongly agreed while 51.4% agreed), 22.5% were neutral while 1.1% disagreed. This results implies that a great percentage of customers believe that employees of the banks within the study area are respectful to their customers.

The study findings also revealed that 75.4% of the respondents generally agreed that their banks always fulfilled their obligations to customers, (that is 21.7% strongly agreed while 53.7% agreed), 22.7% were uncertain while 1.9% disagreed. This means that banks within Nakuru Municipality generally fulfill their obligations to their respective customers as far as banking services are concerned.

Finally, 79.6% of the respondents generally agreed that they have a lot of confidence in their bank's services, (that is 25.3% strongly agreed while 54.3% agreed), 17.6% were uncertain while 2.9% disagreed). This implies that customers within Nakuru Municipality banks believe in the services provided to them by their respective banks.

With regard to extent to which trust influenced customer loyalty in the banks, survey data (Figure 4.5) shows that 67% of the respondents reported moderate extent, 30% reported to high and only 3% reported low extent. The study findings indicate that relational social capital in terms of trust generally affected customer loyalty to moderate extent in the survey banks in the study area.

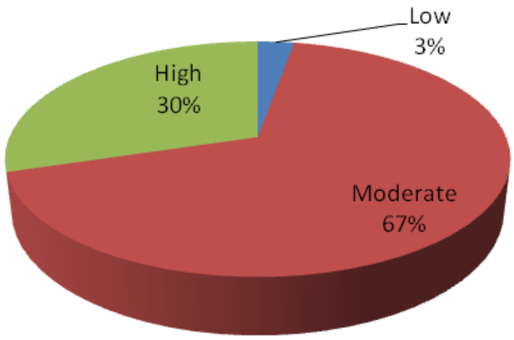

Figure 4.5 Overall Trust Index

4.4 The Level of Customer Loyalty within Commercial Banks in Nakuru Municipality

The study sought to assess the level of customer loyalty among customers of commercial banks in Nakuru Municipality. The five-point Likert scale with levels strongly agree, agree, neutral, disagree and strongly disagree was used to determine the level of customer loyalty in their respective banks. The results are presented in the Table 4.2.

Table 4.2 Level of Customer Loyalty Commercial Banks in Nakuru Municipality

Statement	Percentage Response (%)					Total
	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree	
I have never seriously considered changing my bank	9.3	53.2	29.2	5.4	2.8	**100.0**
I conduct all my banking businesses at my bank	15.2	58.9	20.2	3.6	2.1	**100.0**
I would strongly recommend my bank to my friends and acquaintances	19.4	50.6	27.6	1.8	0.5	**100.0**
I consider myself to be a loyal customer of my bank	28.2	56.8	13.4	1.3	0.3	**100.0**

Study findings (Table 9), show that in 62.5% of the respondents generally agreed that they had never seriously considered changing their banks (that is 53.2% agreed while 9.3% strongly agreed), 29.2% were uncertain while 8.2% disagreed. This implies most customers within the study area have not seriously considered changing their banks.

Further 74.1% of the respondents generally agreed that they conducted all their banking businesses at their respective banks (that is 58.9% agreed while 15.2% strongly agreed), 20.2% were uncertain while 5.7% disagreed. This could be due to the trust they have in their respective banks that most customers within the study area would contact all their banking on their specific banks.

In addition, 70% of the respondents generally agreed that they would strongly recommend their banks to friends and acquaintances (that is 50.6% agreed while 19.4% strongly agreed), 27.6% were uncertain while 2.3% disagreed. Based on the findings it's clear that most customers within the study area would strongly recommend their banks to their friends and acquaintances probably due to good services they do receive.

Finally, 85% of the respondents generally considered themselves to be a loyal customer of their banks (that is 56.8% agreed while 28.2% strongly agreed), 13.5% were uncertain while 1.6% disagreed. Based on the findings most customers within the study area considered themselves to be loyal customers to their banks.

On the basis of the overall level of customer loyalty, survey data (Figure 4.10) reveal that 76% of the respondents reported moderate level, 22% reported high extent whereas only 2% reported low. The study findings indicate that the level customer loyalty in the surveyed banks in the study area is generally moderate.

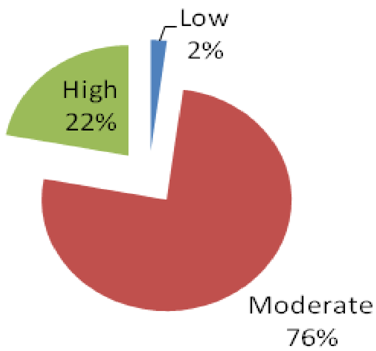

Figure 4.3 Overall Customer Loyalty Index

4.4 Hypotheses Testing

In order to determine the effect of trust on customer loyalty within commercial banks in Nakuru Municipality, this study sought to test the following hypothesis:

H_{A1}: There is a significant relationship between trust and customer loyalty within commercial banks in Nakuru Municipality. The hypothesis was analyzed using Correlation Analysis.

Table 4.4 Effect of Relational Social Capital on Customer Loyalty

Variables		Trust	Commit-ment	Commu-nication	Conflict Handling	Customer Loyalty
Trust index	Correlation Coefficient	1.000	.317**	.307**	.306**	**.255****
Commitment	Correlation Coefficient	.317**	1.000	.567**	.333**	**.309****
Communication	Correlation Coefficient	.307**	.567**	1.000	.428**	**.396****
Conflict	Correlation Coefficient	.306**	.333**	.428**	1.000	**.455****
Customer Loyalty	Correlation Coefficient	.255(**	.309**	.396**	.455**	**1.000**

** Correlation is significant at the 0.01 level (2-tailed).

Table 4.4 shows the correlation analysis on the relationship between trust and customer loyalty. The results show that trust positively and significantly influenced customer loyalty (r = 0.255**). This implies that increasing trust among the customers results in increased customer loyalty. These findings showed that trust positively influences customer loyalty among customers of commercial banks within Nakuru Municipality.

5. CONCLUSION

5.1 Summary of Findings

On the basis of the study objectives and data analysis, the results support the following summary findings:

5.1.1 Demographic Characteristics of the Study Sample

The study findings revealed that; out of the total 381 study respondents, 56% were male whereas 44% were female respondents. A significant proportion of the respondents (51.4%) were aged between 26-35 years and hence the respondents were generally in their prime youthful years. Majority of respondents (77%) had attained either diploma or university education while (60%) of respondents had been with their bank for at least 5 years which is considerably long to influence customer satisfaction and loyalty.

5.1.2 The effect of trust on customer Loyalty among Commercial Banks in Nakuru Municipality

Objective of this study sought effect of trust on customer loyalty within commercial banks in Nakuru Municipality. The study findings revealed that the influence of trust on customer loyalty was found to be moderate (67%) in the survey commercial banks in the study area.

5.1.3 Hypothesis Testing

This study sought to determine the effect of relational social capital on customer loyalty among commercial banks in Nakuru Municipality. The results showed that trust positively and significantly influenced customer loyalty ($r = 0.255$, $p<0.01$).

5.2 Conclusion

The study findings may be useful in providing clear understanding of the subject of trust and its application by commercial banks. Based on the survey findings, the study made the following conclusions:

Trust has been achieved in commercial banks within Nakuru Municipality. According to the study findings, trust has been moderately achieved.

The study further concluded that Trust was positively correlated to and significantly influenced customer loyalty in commercial banks. Therefore banks strategists and researchers need to pay more attention on trust if they are to achieve or nurture loyal customers. The study has clearly shown that any bank aspiring to retain and build up loyal customers must pay close attention to trust.

5.3 Recommendations

Strategist and managers in the banking sector must ensure that they develop the highest form of trust with their customers as their loyalty to the bank is pegged on it. They can achieve this by in house training their staff and more so the employees dealing directly with customers such as tellers, customer service assistants, personal bankers and any other customer facing staff on the importance of being trustworthy to their customers. These employees should build trust by ensuring that they keep any promise they make to the customers as they are the face of the bank. Fulfilling promises to customers will go a long way in archiving customer satisfaction which in turn will enhance customer loyalty.

5.4 Suggestion for Further Research

Thus this study recommends that further research studies should be done on other aspects that contribute towards customer loyalty. This research did not investigate the possible influence of socio-demographic factors on the relationship between relational social capital elements and customer loyalty. Further research studies should consider investigating these moderating influences.

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